

PARLIAMENTARY COMMITTEE,  
TRADE UNION CONGRESS.

---

**FINAL REPORT**  
ON THE  
**COST OF LIVING**

**Parliamentary Committee, Trades Union Congress.**

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**Joint Committee on the Cost of Living.**

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**FINAL REPORT**  
**ON THE**  
**COST OF LIVING**

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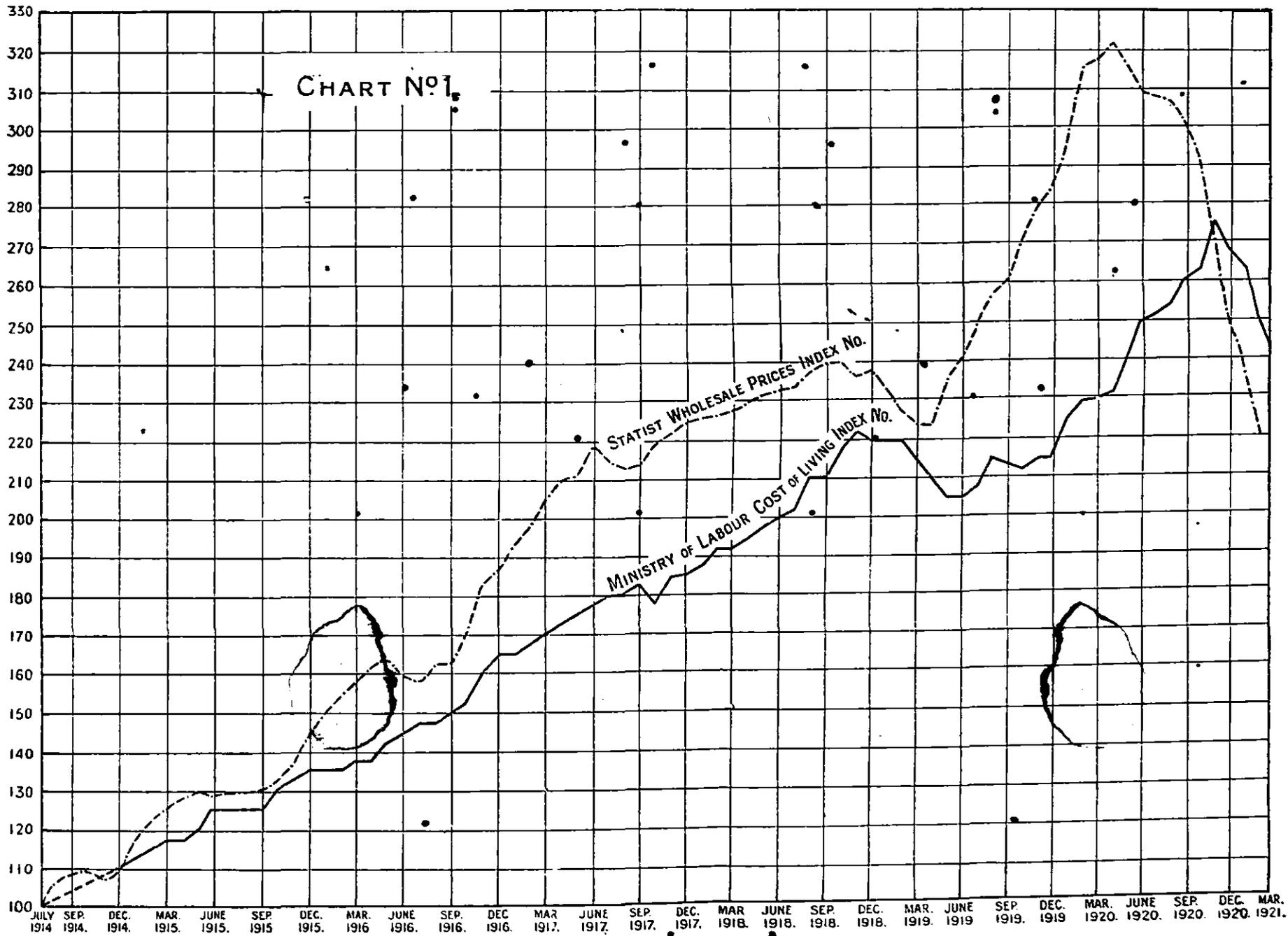
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**Publications of the Committee.**

Interim Report—Money and Prices .....	Price 9d.	<i>Postage extra.</i>
Interim Report—Taxation and the Cost of Living.....	„ 1/-	„ „
Wages and Prices — A Reply to the Federation of British Industries .....	„ 2d.	„ „

TO BE OBTAINED FROM—

The Secretary, Offices of the Parliamentary Committee, Trades Union Congress, 32, Eccleston Square, London, S.W. 1.



## INTRODUCTION.

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In the documents already published we have dealt with certain aspects of the cost of living. We first discussed the monetary problems which are involved in the consideration of our terms of reference, and our conclusions on this subject were embodied in an Interim Report on "Money and Prices." Our proposals relating to "Taxation and the Cost of Living" were set forth in a second Interim Report under that title. A memorandum published by the Federation of British Industries called for our attention, and we issued a reply in a pamphlet on "Wages and Prices." We have found no reason to depart from the statements contained in these documents. On the contrary, we hold that events have confirmed many of our conclusions. The present situation, with its widespread unemployment, is the direct result of the conditions to which we drew attention in our first Report. We are to-day suffering from a foreign policy which is both misguided and inept; misguided on its political and military sides and inept as regards its economic and financial aspects. The Report of the Joint Labour Committee on Unemployment corroborates this view.\*

Some provision has been made for the restoration of economic life in certain Continental countries, but it has been far from adequate. The Ter Meulen credit scheme† which is now being put into operation promises, however, to be of real value if those who are concerned with its administration are given reasonable freedom to develop it. Its purpose is to facilitate the importation of raw materials and primary necessities into the impoverished countries of Europe by enabling importers to give securities to their creditors in the form of bonds issued by the Governments of the importing countries and authorised by an International Committee set up by the League of Nations. We welcome this attempt to assist the economic reconstruction of Europe, for it is in harmony with the general proposals of our first Report, though we cannot but deplore the tardiness with which the task has been undertaken.

The British Government's method of collecting a part of the indemnity through the operation of the Reparation (Recovery) Act, on the other hand, merits the severest condemnation. So far it has not resulted in any appreciable revenue; it has, however, hampered trade, and it is becoming increasingly clear that by the method of the reparations duty the indemnity is being borne by British importers, and must, therefore, increase prices. Moreover, the proposals now before the country for "safeguarding" our industries must inevitably react adversely on the cost of living. As we pointed out in our Report on "Taxation and the Cost of Living," the need at the present time is for the utmost freedom of commercial intercourse. This was, indeed, recognised by the Supreme Council, which declared on March 8th, 1920, that "the States which have been created or enlarged as a result of the war should at once re-establish full and friendly co-operation and arrange for the unrestricted interchange of commodities in order that the essential unity of European economic life may not be impaired by the

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\* See "Unemployment; A Labour Policy." Price 3d. Post free, 4½d. To be obtained from 33, Eccleston Square, S.W. 1.

† See the outline of the scheme in the pamphlet published by the League of Nations under the title "International Credit." (6d.)

erection of artificial economic barriers." Unfortunately, however, the British Government, though presumably a party to the declaration of the Supreme Council, has embarked upon a policy directly contrary to that of "full and friendly co-operation" and "the unrestricted interchange of commodities."

It intends to impose a 33½ per cent. tariff for the protection of certain "key" industries, a tax of similar amount on "dumped" goods, and a duty of like value on goods coming from countries with a depreciated exchange. We do not propose to examine the Government's "policy" in detail. In our report on "Taxation and the Cost of Living," we set forth our views on the tariff question in relation to the present situation and the cost of living. In our first Interim Report we dealt with the international aspects of the problem. We may, however, suggest that the Government's method of tackling the difficult question of collapsed exchanges can only accentuate the evil, and do nothing to remove the real difficulties which lie at the root of depreciated exchanges. In view of the relation of the situation which has created depreciation of exchanges with the cost of living, we print in an Appendix a memorandum on the subject prepared by the Secretary of our Committee.

In its Budget for the present financial year the Government has not remitted any part of the indirect taxation pressing on the public, nor has it taken any serious steps to reduce the National Debt. It has, however, by means of its 3½ per cent. Conversion Loan actually strengthened the position of bond holders. A Government advertisement informed the reader that "every £100 of War Bonds converted by you will return you from £5 12s. to £5 14s. on your original investment. *And you are certain of this money—however much money rates may fall—at least until 1961.*" Or as another advertisement put it, "not less than £160 of 3½ per cent. Conversion Loan in exchange for every £100 of 5 per cent. War Bonds." The Government has given a further concession to capitalists by declaring that "no Corporation Profits Tax will be payable on the interest" received from the Conversion Loan. This concession is one of considerable importance and benefit to shareholders. If companies invest their reserves in the new loan they will escape the Corporation Profits Tax of 5 per cent. The Government's policy towards the investing public compares favourably with its policy towards the workers and the consuming public. Wages are to be allowed to fall; no active steps are to be taken to relieve the consumer from the burden of the high cost of living; but capital is to be increasingly remunerated.

In this final Report we are concerned with other aspects of the cost of living, and, in the first place, we devote our attention to the determination of what is called the cost of living "index number" and the result of our own investigation. We believe that it is of the utmost importance for the organised Labour Movement to give careful attention to the methods by which the cost of living is calculated, for the official "index number" of the Ministry of Labour is being increasingly used as evidence for advances and reductions of wages. The second part of the Report is devoted to a consideration of certain important factors in the cost of living. We examine the phenomenon known as "profiteering" and the operations of combines and monopolies, and refer to industrial inefficiency and restriction of output. The final section of the Report contains our constructive proposals.

## PART I.

---

### THE COST OF LIVING "INDEX NUMBER."

#### I.—THE MINISTRY OF LABOUR'S "INDEX NUMBER."

The Ministry of Labour publishes each month statistics relating to the increase in retail prices since July, 1914, and, in addition, quotes an "index number" of the "Increase in the Cost of Living," assuming as the basis the prices of July, 1914. The "index number" published by the Ministry of Labour is designed to measure the "average increase in the cost of maintaining the pre-war standard of living of the working classes." Like every other "index number," it does not apply to individual cases of working-class family expenditure; it does not necessarily correspond with any actual case, but it is a general average, from which the actual figures for individual families diverge. It serves, that is to say, as a general indication of the extent of changes in the cost of living of the working class. The items included in the statistics used by the Ministry of Labour are prepared under five specific heads, i.e., food, rent, clothing, fuel and light, and "other items." The Ministry's method of dealing with each group may be briefly explained:—

#### A. FOOD.

The various foodstuffs covered in the statistics are as follows: Beef, mutton, bacon, fish, flour, bread, potatoes, tea, sugar, milk, butter, margarine, cheese, and eggs. The following is a copy of the form used by the Ministry for the collection of information as to the predominant retail prices of the articles of food named above:—

"THIS RETURN MUST BE DISPATCHED ON THE 1ST OF EACH MONTH.

Confidential (Information for the use of the Ministry of Labour). Form Z 2.

REPORT ON RETAIL PRICES AND SUPPLY OF FOOD.

Predominant Cash Prices paid by the working classes.

ARTICLE.	Present Report.	Average amount of Increase ( ) or Decrease ( ) on last Report.	Notes as to Sufficiency of Supplies.	Remarks.
Meat, per lb. :—				
Beef, British—				
Fore Ribs or Best Chine.....				
Thin Flank .....				
Chilled or Frozen—				
Fore Ribs or Best Chine.....				
Thin Flank .....				
Mutton, British—				
Legs (whole) .....				
Breast (whole) .....				
Frozen—				
Legs (whole) .....				
Breast (whole) .....				
Bacon, Streaky* (in Rashers), per lbs.				
Fish (specify usual kinds) .....				
Flour, per     lbs. ....				
Bread (per 4 lbs.)—				
Delivered .....				
Not Delivered .....				
Counter Trade .....				
Sugar (White Granulated), per lbs. ....				
Milk (per quart)—				
Delivered .....				
Not Delivered .....				
Potatoes, per 7 lbs. ....				
Margarine, per lb. (Best Ordinary) ...				
Butter (per lb.)—				
Fresh .....				
Salt .....				
Cheese (per lb.)—				
Canadian or American.....				
Eggs (fresh), each.....				

\* If these kinds are seldom sold in the locality substitute others, specifying the descriptions quoted.

Signature.....

The information sought for is obtained by managers of Employment Exchanges and from retailers, co-operative societies, large multiple firms,

and private shopkeepers, who, it is considered, conduct a working-class trade. Particulars are obtained from all towns with a population of 50,000 or over, and from 540 smaller towns and villages throughout the United Kingdom. The forms, when filled in, are summarised by the local officers of the Ministry of Labour, and for each article of food included the predominant price is given for the date in question, together with the amount of the change in such prices since the previous month's report. The results from the different areas are then tabulated, and the general percentage increase on the price of each article is calculated on the basis of the prices prevailing in July, 1914.

The next step is to combine the percentage increases of each article of food, so as to obtain a general percentage increase in food prices as a whole. The percentage increases in the various foods detailed will, however, vary considerably, and consequently it would not be sufficient merely to take the average of the percentage increases of each article of food. If the price of unimportant articles of diet rose during any given month more than the price of staple foods a simple average of foodstuffs would yield too high a figure for the increase. If, on the other hand, the price of important articles of food rose more than the price of other less important foods, we should get the real increase in the cost of living—so far as foodstuffs are concerned—obscured by a simple average, for it would give far too much prominence to the smaller items of food expenditure. This difficulty is overcome by the method of "weighting." Each article of food is given a "weight" which represents its relative importance. The percentage increase (or decrease) in the price of each commodity is multiplied by the number representing the "weight" of that commodity. The results obtained are added together and the total divided by the sum of the "weights." The final figure obtained gives the average percentage increase (or decrease) in the price of all the foodstuffs for which particulars are obtained.

The "weights" used by the Ministry of Labour are based on the results of an investigation into working-class expenditure conducted by the Board of Trade as long ago as 1904.\* The Board of Trade at that time collected 1,944 urban working-class family budgets, which are summarised below:—

TABLE I.

Summarising the "Budgets" from which are derived the "Weights" adopted for the Retail Prices Index Number of the Ministry of Labour.

CONSUMPTION AND COST OF FOOD IN WORKMEN'S FAMILIES IN URBAN DISTRICTS IN THE UNITED KINGDOM.

Based on 1,944 family budgets collected by means of an Enquiry by the Board of Trade in the Summer of 1904.

Limits of Weekly Income.	Under 25s.	25s. and under 30s.	30s. and under 35s.	35s. and under 40s.	40s. and above.	All Incomes.
Number of Returns .....	261	289	416	882	596	1944
Average Weekly Family Income ...	s. d. 21 4½	s. d. 26 11½	s. d. 31 11½	s. d. 36 6½	s. d. 52 0½	s. d. 36 10
Average number of children living at home .....	3·1	3·3	3·2	3·4	4·4	3·6

\* See Cd. 6955. Cost of Living of the Working Classes. Report of an Enquiry by the Board of Trade, page 300.

TABLE I—(con.).  
COST.

	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.
Bread and Flour .....	3	0½	3	3½	3	3½	3	4½	4	3½	3	7
Meat (bought by weight) .....	2	8	3	4½	4	3½	4	5½	5	10½	4	5½
* Other Meat (including Fish) .....	0	7½	0	8½	0	10	1	0	1	4	0	11½
Bacon .....	0	6½	0	9	0	10½	0	11½	1	3½	0	11½
Eggs .....	0	5½	0	8½	0	11	1	0	1	4½	1	0
Fresh Milk .....	0	8	0	11½	1	3½	1	4½	1	7½	1	8½
Cheese .....	0	4½	0	5½	0	6	0	6	0	8	0	6½
Butter .....	1	2	1	7	1	10½	2	0	3	0½	2	1½
Potatoes .....	0	8½	0	9½	0	10½	0	10½	1	1½	0	11
Vegetables and Fruit .....	0	4½	0	7	0	10	0	11½	1	3½	0	11
Currants and Raisins .....	0	1½	0	1½	0	2½	0	3	0	3½	0	2½
Rice, Tapioca and Oatmeal .....	0	4½	0	5	0	6	0	5½	0	7	0	6
Tea .....	0	9½	0	17½	1	0½	1	1½	1	5	1	1½
Coffee and Cocos .....	0	2	0	3½	0	3½	0	4½	0	5½	0	3½
Sugar .....	0	8	0	10	0	10½	0	11½	1	3	0	11½
Jam, Marmalade, Treacle and Syrup .....	0	4½	0	5½	0	6	0	6½	0	8½	0	6½
Pickles and Condiments .....	0	2	0	2½	0	3½	0	3½	0	4½	0	3½
Other Items .....	1	0½	1	3½	1	6½	1	10½	2	6½	1	9½
<b>Total Expenditure on Food .....</b>	<b>14</b>	<b>4½</b>	<b>17</b>	<b>10½</b>	<b>20</b>	<b>9½</b>	<b>22</b>	<b>8½</b>	<b>29</b>	<b>8</b>	<b>22</b>	<b>6</b>
<b>Percentage of Family Income spent on Food .....</b>	<b>67·3</b>		<b>66·2</b>		<b>65·0</b>		<b>61·0</b>		<b>57·0</b>		<b>61·1</b>	

\* e.g.—Sheep's heads, tripe, heart, liver, pig's fry, tinned meats, rabbits.

QUANTITIES.

	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
Bread and Flour .....	28·44	29·97	29·44	29·99	37·76	32·04
Meat (bought by weight) .....	4·44	5·33	6·26	6·43	8·19	6·50
Bacon .....	0·94	1·11	1·19	1·38	1·82	1·38
Fresh Milk .....	pts.	pts.	pts.	pts.	pts.	pts.
	5·54	7·72	9·85	10·34	12·63	9·91
Cheese .....	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
	0·67	0·70	0·79	0·77	1·72	0·83
Butter .....	1·10	1·50	1·69	1·89	2·78	1·96
Potatoes .....	14·05	15·84	16·11	15·87	19·93	16·92
Currants and Raisins .....	0·42	0·50	0·62	0·60	0·91	0·70
Rice, Tapioca and Oatmeal .....	2·54	2·64	2·93	2·55	3·38	2·95
Tea .....	0·48	0·55	0·57	0·59	0·72	0·60
Coffee and Cocoa .....	0·15	0·18	0·20	0·23	0·29	0·22
Sugar .....	3·87	4·62	4·79	5·21	6·70	5·31

The above summary, setting forth the amounts spent on the average on the foodstuffs specified, indicates the relative importance of each item.

From this summary the "weights" for the Ministry of Labour's present index number are calculated. This method of "weighting" assumes, of course, that there has been no fundamental or substantial change in the mode of living of the working classes, so far as food consumption is concerned, during the last seventeen years.

B. RENT.

Information with regard to rents is obtained from time to time by correspondence with the Town Clerks of 100 of the principal towns. The Rent Restriction Acts at present provide for a specific maximum increase in rents, so that the actual increases which have taken place in the rents of unfurnished dwelling-houses of the type usually occupied by working-class families are limited. This item in the Ministry of Labour's classification includes local rates.

### C. CLOTHING.

With regard to prices of clothing, information is collected concerning those descriptions of articles which are most generally purchased by the working classes. A form of inquiry is sent out to a number of outfitters, dealers, and boot retailers in all the large towns. The items regarding which particulars are sought include men's suits and overcoats (ready-made and bespoke), woollen and cotton materials for women's outer garments (costume cloth, tweed, serge, frieze, cashmere, print, zephyr, sateen, drill, galatea, etc.), woollen and cotton underclothing and hosiery, woollen vests (men's and women's), woollen pants, men's merino and cotton socks, women's woollen and cotton stockings, and boots.

As the range of prices and qualities of clothing are so wide, the Ministry of Labour calculates a separate percentage increase for each quotation supplied by each retailer, tabulates these percentages, and combines them for each article by taking the average of the percentages. The results for each article are combined into groups of similar kinds of articles by averages, and these group figures are then combined to give the final average figure for clothing as a whole.

### D. FUEL AND LIGHT.

Under this heading are included coal, gas, oil, candles and matches. Monthly statements as to prices of coal are obtained from 30 of the principal towns, of gas from 26 of the principal towns, and of oil, candles and matches from 28. The prices quoted are tabulated, and an average price for each of the items is obtained and expressed as a percentage of the average price of each of the items in July, 1914. The percentage increase of the five items together is then calculated by giving to each item a "weight" in accordance with its approximate importance in pre-war working-class family expenditure. The "weights" are as follows:—

Coal .....	6
Gas .....	3
Oil, candles, and matches .....	1

### E " OTHER ITEMS."

This miscellaneous group includes soap and soda; domestic ironmongery, brushware and pottery (as indicated by prices of saucepans, kettles, frying pans, bowls, pails, scrubbing brushes, bannister brushes, brooms, cups and saucers, plates and basins, dishes, jugs, and teapots); tobacco and cigarettes; fares and newspapers. The prices of soap and soda are ascertained each month from shopkeepers in 28 of the principal towns, and those of ironmongery, brushes, and pottery from shopkeepers in 22 of the principal towns. The increases in the price of the various articles are combined " after consideration of the relative importance of the different items."

## II.—THE CALCULATION OF THE OFFICIAL " INDEX NUMBER."

The Ministry of Labour, having arrived at a percentage increase for each of the five groups as explained above, then proceeds to combine them in order to arrive at a single figure representing the increase in prices, since July, 1914, of all the items taken together. In order to do this the five groups of items are combined in accordance with their relative importance

in the total pre-war working-class expenditure in the same way as the individual commodities in each group are combined.

The "weights" used by the Ministry of Labour for the five groups of items are as follows:—

	Weights.	Percentages.
Food .....	7.5	60
Rent and Rates .....	2.0	16
Clothing .....	1.5	12
Fuel and Light .....	1.0	8
Other items .....	.5	4
	<hr/>	<hr/>
	12.5	100
	<hr/>	<hr/>

What does this table mean? It means, in effect, that the Ministry of Labour assumes that, on the average, out of every 12s. 6d. spent by working-class families 7s. 6d. is expended on food, 2s. on rent and rates, 1s. 6d. on clothing, 1s. on fuel and lighting, and 6d. on other items. Or to put it another way, according to the Ministry of Labour's calculations, 60 per cent. of working-class expenditure is devoted to food, 16 per cent. to rent and rates, and so forth.

By the method outlined above the Ministry of Labour produces each month its "index number." The rise in the cost of living since 1914, as determined by the Ministry of Labour, will be found in Chart I

### III.—CRITICISM OF THE MINISTRY OF LABOUR'S RETAIL PRICES "INDEX NUMBER."

The Ministry of Labour's "index number" of the increase in the cost of living is open to certain serious objections. In the first place, it is not based on a recent collection of family budgets. It is admitted by the Department that the "weights" applied to the different groups of articles included in its "index number" are calculated upon the results of the inquiry made by the Board of Trade in 1904. The Ministry of Labour, in justifying its use of the "weights" derived from this inquiry, states that "between 1904 and 1914 there were almost equal increases on the average in prices and wages," and it is, therefore, unlikely that these proportions "would have altered appreciably during that period."

*We think, however, it is beyond dispute that since 1904 there have been changes in working-class habits, which have been reflected in the character of working-class expenditure. Even if prices and wages move together there may be a transference of expenditure from one class of things to another. It is undeniable that since 1904 there has been an improvement in the dress of the wage-earners and their families. We are also of the opinion that the homes of the workers are, in general, better furnished and equipped than they were in the early years of the twentieth century.*

The Committee felt that it was essential to make its own investigation into working-class expenditure, and it therefore collected a number of family budgets. (See Appendix II.) We may here refer to the general results of this inquiry as they throw light upon what we believe to be the defects of the Ministry of Labour's "index number."

From a close and detailed examination of the budgets it is found that for a "standard family" the percentage expenditure on the various groups of items specified was in September, 1920, as follows:—

TABLE II.

Showing the "weights" based upon the Committee's investigation, and the "weights" of the Ministry of Labour.

	Committee on Cost of Living. Per Cent.*	Ministry of Labour. Per. Cent.
Food .....	52.41	60
*Clothing .....	19.51	12
Rent and Rates .....	6.84	16
Fuel and Light .....	6.34	8
Other Items.....	14.90	4
	<u>100.0</u>	<u>100.0</u>

\* The Committee's "weight" for clothing includes expenditure on boot repairs.

#### A. RENT AND RATES.

The serious differences between the two sets of figures clearly call for some explanation, for if we are right in our conclusions the Ministry of Labour is wrong. The disparity between the "weights" is particularly noticeable in three groups, viz., rent and rates, clothing, and "other items."

With regard to rent and rates, it should be borne in mind that both rents and rates were kept artificially low during the war and until 1920, and that rents are still restricted. It was not until 1920 that rates increased to any appreciable extent in comparison with the general increase in other items of working-class expenditure. Consequently the item of "rent and rates" does not bear the same relationship to the total family expenditure in 1920 as it did in 1914. In other words, *the average working-class family does not devote as large a proportion of its expenditure to rent and rates to-day as it did before the war. To apply the same "weight" to rent and rates in 1920 as in 1914 is, therefore, tantamount to minimising the effect of the higher percentage increases in other items of family expenditure, and results in unduly reducing the cost of living "index number" of the Ministry of Labour.* It may, however, be pointed out that the proportion of working-class expenditure devoted to rent will, in the future, increase, owing to the high rents which are charged for new houses, and the rise in rents which will take place when the Rent Restriction Acts no longer operate.

#### B. CLOTHING.

*The "weight" attributed to clothing is based on figures collected in 1904. As we have already pointed out, in the interval between 1904 and 1920, the working-classes have tended to spend more upon clothing, and, therefore, this item of expenditure should be more heavily weighted than formerly.* In support of our contention that the Ministry of Labour under-estimates the importance of expenditure on clothing in working-class families, we may refer to the budgets of policemen's families, which were collected by the Government Committee on the Police Service.\*

The household budgets obtained by the Police Committee from the various forces were examined by the Ministry of Labour's Department of Labour Statistics, who reported as follows: "So far as the expenditure of the policeman's family on food, rent, and miscellaneous items is revealed by the budgets submitted, it would appear to be confirmed generally by the information in the Department with regard to men of the working-classes

\* Report of the Committee on the Police Service of England, Wales, and Scotland. Cmd. 258.

with similar incomes. As regards clothing, the information is not so good, but so far as the returns go it would appear that where rent is heavy the sum available for clothing out of the ordinary pay is quite inadequate. The rentals are not excessive; a policeman's calling would seem to demand that he should live in respectable surroundings. The much larger sums spent on clothing in the county forces, where in many cases houses are presumably rent-free, brings out the situation clearly. There does not seem to be room for reasonable economy in any direction."\*

In examining the budgets set forth in this Government Report we have used only those in which expenditure on clothing, however small, has been entered. It is obvious that budgets in which the expenditure on clothing is entered as nil cannot be used as a fair indication of family expenditure. The results of the grouping of expenditure set forth in policemen's budgets are given below:—

TABLE III.  
Analysis of Specimen Budgets obtained by Committee on the Police Service, 1920.  
WEEKLY EXPENDITURE.

No.	Rent.			Fuel.			Food.			Clothing.			Other.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1	0	6	9	0	5	8	2	5	10	0	15	6	0	7	2	4	0	11
2	0	8	6	0	7	0	2	0	1	1	0	0	1	6	6	5	2	1
3	0	8	3	0	6	3	2	17	5	0	6	0	0	15	3	4	13	2
4	0	8	4	0	5	8	2	7	2	0	2	6	0	5	8	3	9	4
5	0	6	6	0	7	0	1	19	8	0	11	9	0	12	1	3	17	0
6	0	5	10	0	6	9	4	2	1	0	7	6	0	7	2	5	9	4
7	0	7	6	0	6	5	2	4	11	0	16	8	0	5	1	4	0	7
8	0	5	7	0	6	4	2	4	9	0	19	0	0	6	10	4	2	6
9	0	2	6	0	5	8	2	2	2	0	6	6	0	5	9	3	2	7
10	0	6	0	0	5	11	2	5	6	0	10	0	0	14	0	4	1	5
11	0	5	0	0	13	3	4	5	11	1	18	0	0	9	9	7	11	11
12	0	6	4	0	7	6	2	10	6	0	15	6	0	13	9	4	13	7
13	0	1	6	0	8	2	2	9	2	0	12	3	0	8	11	4	0	0
14	0	10	0	0	6	0	3	15	0	0	4	0	0	8	6	5	3	6
15	0	9	6	0	6	8	2	5	2	0	2	0	0	9	8	3	13	0
16	0	6	6	0	8	0	3	2	9	0	9	0	0	13	1	4	19	4
17	0	8	0	0	6	4	3	0	6	0	9	0	0	8	4	4	12	2
18	0	7	6	0	9	7	2	17	5	0	9	0	0	12	8	4	16	2
19	0	6	0	0	7	2	2	2	10	0	2	6	0	7	10	3	6	4
20	0	9	4	0	7	5	2	13	7	0	10	0	0	6	8	4	7	0
21	0	11	6	0	7	9	2	13	11	0	15	0	0	7	7	4	15	9
22	0	12	6	0	7	6	2	9	0	0	10	6	0	10	5	4	9	11
23	0	7	1	0	5	2	1	19	7	0	11	9	0	6	7	8	10	2
24	0	5	0	0	5	9	3	1	8	0	10	0	0	7	5	4	9	10
25	0	3	6	0	7	0	1	16	3	0	10	0	0	11	9	3	8	6
26	0	4	6	0	6	1	2	1	7	1	0	6	0	5	1	3	17	9
27	0	2	10	0	6	4	1	16	6	0	12	0	0	5	8	3	5	4
28	0	6	0	0	8	1	2	0	7	0	8	0	0	6	7	3	9	3
29	0	4	0	0	5	6	2	7	0	0	9	0	0	12	9	3	18	3
30	0	2	0	0	5	1	2	2	8	0	5	0	0	3	10	2	18	7
31	0	8	0	0	7	6	2	5	7	0	7	6	0	4	7	3	13	2
32	0	8	3	0	7	2	1	17	7	0	12	0	0	8	7	3	13	7
33	0	8	6	0	9	7	2	15	5	1	0	0	0	10	6	5	4	0
34	0	1	0	0	6	0	2	1	11	0	3	0	0	10	3	3	2	2
35	0	1	0	0	5	4	2	2	2	0	10	0	0	8	3	3	6	9
36	0	1	0	0	7	0	1	17	5	0	16	0	0	8	0	3	9	5
Totals...	11	4	1	12	9	7	89	1	3	20	6	11	16	12	6	149	14	4

\* *Ibid*, page 10.

The total weekly expenditure of the 36 policemen's families dealt with above was £149 14s. 4d., of which £20 6s. 11d. was devoted to clothing. According to the Ministry of Labour 1.5 units out of 12.5 are spent by the "standard family" on clothing. But the expenditure of policemen's families on clothing, as calculated from the above table, is 1.7 out of 12.5 units of total expenditure. Or to put it another way, according to the Ministry of Labour, 12 per cent. of the family expenditure is devoted to clothing, though, according to the foregoing table, the money spent by a policeman's family on clothing amounts to 13.5 per cent. of the family expenditure. But this does not measure the real disparity between the two "weights." It must be remembered that policemen are ordinarily provided with uniforms and boots, which clearly reduces the amount the policeman will himself expend on clothing. In this connection it is worth while considering the case of policemen who do duty in plain clothes. The Committee on the Police Service, whilst not recommending a standard allowance to plain clothes officers for clothing, "consider that 7s. for superintendents and inspectors and 5s. for sergeants and constables would as a rule be a reasonable allowance in consideration of the duty done in plain clothes for a full week."\*

If these sums are regarded as a rough equivalent to the provision of uniforms and boots for uniformed members of the police force, then it is obvious that the Ministry of Labour's "weight" for clothing in the family budget is too low, for some proportion of the cost of uniforms and boots should be added to the family expenditure on clothing, and the "weight" for clothing will be higher than the figure of 1.7 out of 12.5 as calculated above.

### C "OTHER ITEMS."

The Ministry of Labour rightly emphasise the fact that "there is considerable variation, both in the total amount of expenditure, and in the distribution of the amount among the several items" coming under this head. But we do not agree with the Labour Department in its view that "the importance of these items is small relatively to the total family expenditure." The Ministry gives to "other items" a "weight" equivalent to 4 per cent. of the total family expenditure. According to the Sumner Committee's budget compiled for 1914, 5s. out of a total expenditure of 44s. 4d. or rather over 11 per cent. is devoted to "other items." From Table III. above, relating to the expenditure of policemen's families, it will be seen that one-ninth of the expenditure is accounted for by "other items." We find from an examination of the budgets on which we have based our conclusions that the average expenditure on "other items" amounts to 17s. 3d. per week or 14.9 per cent. of the total weekly expenditure. The Ministry of Labour's allowance for "other items" is clearly too low, more especially when we remember that it includes tobacco and cigarettes, both of which items are excluded from our budget and from the budget of the Sumner Committee.

The Ministry of Labour's "index number" is defective in at least three respects—it "weights" rent and rates too heavily, it under-estimates the relative importance of clothing, and it attaches too little weight to the group of "other items." The result of over-weighting rent and rates and under-weighting clothing and "other items" is to obtain a cost of living "index number" which is not based on the actual facts of working-class expenditure. We shall discuss these questions further when we come to consider the results of our own budget inquiry.

\* *Ibid.* Cmd. 253, page 16.

#### IV.—THE COMMITTEE'S BUDGET INQUIRY.

One of the most valuable pieces of work which we thought the Committee could do was to ascertain by an independent inquiry the rise which had taken place in the cost of living since the outbreak of the war and to provide the basis for a new "index number."

We, therefore, determined to collect a considerable number of family budgets of weekly expenditure, and for this purpose a budget form (see Appendix II.) was drawn up by the Committee. By means of these returns, 629 in number, supplemented by other available material, we hoped to measure the increase which had taken place in the cost of maintaining the pre-war standard of living of the working class.

In our budget forms we asked for information with regard to expenditure on beer, spirits, tobacco and cigarettes. But as the returns under these heads did not appear to be sufficiently reliable we have omitted these items in compiling the "standard budget."

In considering family expenditure on clothing we arrived at the conclusion that reliance on price lists and quotations was insufficient for our purpose, and we decided to include in our budget form a section asking for the annual family expenditure on clothing of all kinds. The Sumner Committee omitted clothing from their form partly on the ground that any estimate of outlay on clothing "would certainly be conjectural and probably be mistaken, and it would tend to state rather a desired than an actual expenditure." But so far as our inquiry goes the particulars entered under the heading of clothing certainly do not represent "a desired expenditure." On the contrary, we are of the opinion that they represent an understatement of family expenditure on articles of clothing, as it is only in those cases where a householder keeps a careful record of expenditure that all the items of expenditure on clothing are likely to be included. We do not consider the returns we have received regarding clothing as "estimates"; we regard them as statements of expenditure liable to be under-stated.

The "other items," of the Ministry of Labour's classification, are dealt with under three separate heads—household renewals, cleaning materials and miscellaneous expenditure. We should point out that Part B.3 "other expenditure" includes rent and rates, which we deal with as a separate item, and boot repairing which we include in the total expenditure on clothing.

##### A. DISTRIBUTION OF THE BUDGET FORMS.

The budget forms were sent in large numbers to Trade Unionists, members of the Workers' Educational Association, Adult Schools and Women's Co-operative Guilds. The completed forms were extremely well filled in. It is clear that in the vast majority of cases great pains were taken to provide us with the fullest possible information. Having regard to the complexity of the budget form, we congratulate ourselves on the completeness and general accuracy of the material we have collected and pay a tribute to those of our fellow workers who have assisted in the inquiry. The budgets which we have received cover the families of people engaged in a large variety of occupations, e.g., railwaymen, miners, cabinet-makers, fitters, turners and other engineering employes, plumbers, painters, dockers, masons, general labourers, agricultural labourers, clerks, etc. After a careful examination of the groups of occupations represented, we consider that the results of our budget inquiry are representative of working-class expenditure. Moreover, our budgets are drawn from all parts of the

kingdom, cover an area large enough to eliminate the effects of local variations and are sufficiently numerous to minimise errors.

#### B. METHOD OF INQUIRY.

As we have already stated, we distributed budget forms largely through organisations, and we issued instructions as to the manner in which the forms should be filled in. On the return of the completed budget forms they were analysed with the assistance of students of the London School of Economics, who voluntarily gave their assistance in performing the detailed statistical work of the inquiry, and to whom we here wish to express our indebtedness. We have endeavoured with the very limited staff at our disposal, and without too much mathematical method, to present the results we have obtained in a scientific form:

#### C. EXPENDITURE IN 1914.

In approaching the problem of arriving at a figure for weekly family expenditure in 1914, the Committee felt that the evidence existing was too meagre to be entirely reliable, and that the process of building up such a figure from the Board of Trade's inquiry of 1904 was subject to error on account of the lapse of time and changes in the habits of the people. We, therefore, decided not to build up from 1904, but to work back from our 1920 actual budget results to a 1914 comparison. That is to say, instead of correcting the Board of Trade budget of 1904 to find the family expenditure of the workers in 1914, we expressed the family expenditure summarised from the budgets we had collected in 1920 in terms of the prices ruling immediately before the war.

The advantages of this method are obvious. We are in possession of the necessary information regarding retail prices in 1920, and from our budget inquiry we have obtained the distribution of working-class expenditure on different groups of commodities. It has not been difficult to obtain particulars as to changes in the prices of most commodities since 1914, and, consequently, to construct a family budget for 1914 with substantial accuracy. For retail prices we have relied largely upon the very full information supplied by the Co-operative Wholesale Society and the Co-operative Union Limited, supplemented when possible by information from other sources. (See Appendix III.) The lists of prices sent in by the Co-operative Union relate to 344 retail co-operative stores, and cover practically every county in England, Scotland, and Wales. They include not only food prices, but prices of clothing, furniture, household renewals, fuel and cleaning materials. We have also examined the grocery books and household accounts covering the period from 1914 to 1920 sent to us by Trade Unionists and others interested in our investigation.

The Ministry of Labour adopted in 1920 the same "weights" for the five groups of items into which family expenditure is analysed as they did in 1914. The "weights" in our investigation have been varied according to the actual expenditure on each of the groups of items in 1914 and 1920 respectively.

#### D. RESULTS OF THE INQUIRY.

In the first place, it will be well to set out under various headings the average weekly expenditure of the families whose returns were examined. The "average family" was found to consist of 5.2 persons, of whom 1.6 persons were wage-earners. The total family expenditure of this average family in September, 1920, was as follows:—

TABLE IV.

## JOINT COMMITTEE ON THE COST OF LIVING.

Expenditure of the average family (5.2 persons), September, 1920.

	£	s.	d.	=	Per cent.
Food .....	3	0	8	=	52.41
Clothing .....	1	2	7	=	19.51
Rent and Rates .....	0	7	11	=	6.84
Fuel and Light .....	0	7	4	=	6.34
Other Items .....	0	17	3	=	14.9
<b>Total.....</b>	<b>£5</b>	<b>15</b>	<b>9</b>	<b>=</b>	<b>100.00</b>

By ascertaining the quantity purchased of the various items included in the schedule we were able to build up a "standard budget" for a "standard family" of 5.2 persons, including 1.6 wage-earners. We have not deemed it either necessary or desirable to enter into the discussion of the calorific values of foodstuffs or the possibility of beneficial changes in dietary. Our business was to examine actual expenditure, not to consider whether such expenditure was laid out to the best advantage, or to what extent the expenditure could be diminished, without impairing the physical efficiency of the worker. In other words, we are not concerned with a "fodder basis," but with a real standard of life, though one which we regard as inadequate.

1. *Expenditure on Food.*

For the "standard family" of 5.2 persons, including 1.6 wage-earners, the increase in weekly expenditure on food from July, 1914, to September, 1920, was from 22s. to 60s. 8d., or 176 per cent.

We give below the Joint Committee's 1920 standard budget, as far as food is concerned, valued at 1914 prices, and in September, 1920:—

TABLE V.

## JOINT COMMITTEE ON THE COST OF LIVING.

Standard Budget, 1920. Expenditure on Food.

Articles.	Quantity.	September, 1920.		1920 Budget at 1914 prices.			
		Amount spent.					
		£	s.	d.	£	s.	d.
Beef, Mutton, and Pork .....	5.24lbs.	9	10½	.....	3	9	
Bacon and Ham .....	1.41lbs.	3	6½	.....	1	4½	
Sausages, Tinned Meats, Other Meats, Poultry, Kidney, Tripe.	—	1	3	.....	0	5½	
Fish .....	—	1	9½	.....	0	8	
Bread .....	29lbs.	7	11½	.....	3	7½	
Cake, Buns, etc. ....	—	1	3	.....	0	4	
Butter .....	13.37ozs.	3	0	.....	1	0	
Margarine .....	1lb. 9.3ozs.	1	11½	.....	0	9½	
Lard and Dripping .....	12.5ozs.	1	4	.....	0	6	
Tea .....	10.5ozs.	2	0	.....	1	2	
Coffee and Cocoa .....	—	0	10½	.....	0	5	
Rice, Sago, and Tapioca .....	—	1	3½	.....	0	6½	
Currants and Raisins .....	8.9ozs.	0	8	.....	—		
Haricots and Dried Beans .....	—	0	2	.....	0	1	
Eggs .....	8	3	4	.....	0	8	
Egg Substitutes.....	—	0	1½	.....	—		
Cheese .....	11.65ozs.	1	4	.....	0	6½	
Jam or Marmalade .....	1lb. 4.½ozs.	1	11½	.....	0	6½	
Golden Syrup or Treacle.....	—	0	7	.....	0	2	
Sugar .....	3lbs. 9.6ozs.	4	2½	.....	0	8	
Pickles, Sauces, and Salt.....	—	0	4½	.....	0	1	
Fresh Milk .....	10.75 pints.	3	8½	.....	1	4	
Condensed Milk.....	—	0	9½	.....	0	1½	
Tinned or Bottled Fruits.....	—	0	8½	.....	0	6	
Potatoes .....	17lbs.	2	5	.....	1	0	
Fresh Vegetables .....	—	1	5	.....	0	6	
Other Foods bought .....	—	1	5½	.....	0	8	
Meals out.....	—	1	3½	.....	0	6	
		<b>60</b>	<b>8</b>		<b>22</b>	<b>0</b>	

It should be pointed out that the expenditure on food in 1920 is not exactly comparable with that of 1914. The consumption of bread, butter, meat, sugar, and eggs is less than it was before the war. On the other hand, there is an increased consumption of margarine, milk, and bacon in 1920 over that of 1914. We believe, however, that the figures given in the above table represent with substantial accuracy the increased cost of food—that is to say, *the increase in the cost of living, so far as foodstuffs are concerned (exclusive of expenditure in alcoholic drink and tobacco) is 176 per cent. The Ministry of Labour's Food "index number" for September 1st, 1920, was 167.\**

In this connection we give below a table, showing what would be the increase in cost of a fixed grocery order at periods from April, 1914, to October 15th, 1920. The figures given in the table are based on an actual weekly order taken from a shop-book of a member of the Bolsover Co-operative Society. The records at the different dates were compiled by the secretary and manager of the co-operative society, and no allowance was made for variations in purchase due to control or shortage of supplies. It will be noted that the increase, so far as this "static" grocery order is concerned, taking the cost of the order in April, 1914, as the base, is 188 per cent., a figure which stands higher than the food "index number" calculated from our budget forms.

TABLE VI.  
Average Order Worked Out on Prices Charged by the Bolsover Co-operative Society Limited.

ARTICLE,	Quantity,	April, 1914.		April, 1916.		April, 1918.		April, 1920.		Oct. 15, 1920.	
		Price.	Cost.	Price.	Cost.	Price.	Cost.	Price.	Cost.	Price.	Cost.
Flour .....	3 st.	1/9	5/3	2/10	8/6	2/6	7/6	3/8	11/-	8/8	11/-
Granulated Sugar .....	10 lbs.	2½d.	2/1	5d.	4/2	5½d.	4/9½	10d.	8/4	1/2	11/8
Lump Sugar .....	4 lbs.	3d.	1/-	6d.	2/-	6½d.	2/2	10½d.	3/6	1/2½	4/10
Minerva Soap .....	2 lbs.	3½d.	7d.	4½d.	9d.	6d.	1/-	10d.	1/8	10d.	1/8
Carbolic " .....	2 lbs.	4d.	8d.	5d.	10d.	6d.	1/-	10d.	1/8	10d.	1/8
Toilet " .....	2 Tabs.	2d.	4d.	2½d.	5d.	3d.	6d.	4d.	8d.	4d.	8d.
Soda .....	½ st.	6d.	3d.	8d.	4d.	8d.	4d.	1/-	6d.	1/-	6d.
Braxo Dry Soap .....	1 lb.	3d.	3d.	3½d.	3½d.	5d.	5d.	8d.	8d.	8d.	8d.
Butter .....	5 lbs.	1/3½	6/5½	1/9½	8/11½	2/6	12/6	3/-	15/-	3/4	16/8
Lard, Lt. R. ....	2 lbs.	9d.	1/6	11d.	1/10	1/6½	3/1	2/-	4/-	1/8	3/4
Margarine .....	1 lb.	8d.	8d.	1/-	1/-	1/-	1/-	1/2	1/2	1/3	1/3
Irish Roll Bacon .....	2 lbs.	1/-	2/-	1/4	2/8	2/-	4/-	2/4	4/8	3/6	7/-
Home Cured Bacon .....	2 lbs.	11d.	1/10	1/3	2/6	2/-	4/-	2/4	4/8	2/6	5/-
American Cheese .....	2 lbs.	8½d.	1/5	1/1	2/2	1/4	2/8	1/8	3/4	1/8	3/4
Currants .....	1 lb.	4½d.	4½d.	7d.	7d.	None		1/2	1/2	1/2	1/2
Lemon Peel.....	½ lb.	5d.	1½d.	8d.	2d.	None		2/-	6d.	2/-	6d.
Salt .....	1 Pkt.	1d.	1d.	1½d.	1½d.	1½d.	1½d.	2½d.	2½d.	2½d.	2½d.
Boot Polish .....	1 Tin	3d.	3d.	3d.	3d.	3½d.	3½d.	3½d.	3½d.	3½d.	3½d.
Gravy Salt .....	1 Tin	1d.	1d.	1d.	1d.	1½d.	1½d.	1½d.	1½d.	1½d.	1½d.
Thin Twist .....	2 oz.	3½d.	7d.	5d.	10d.	6d.	1/-	8d.	1/4	8d.	1/4
Pulvo .....	1 Drum	1d.	1d.	1d.	1d.	1d.	1d.	2d.	2d.	2d.	2d.
Black Lead .....	1 Tin	2d.	2d.	2d.	2d.	2½d.	2½d.	3d.	3d.	3d.	3d.
Strawberry and Goose- berry Jam .....	2 lbs.	8½d.	8½d.	1/-	1/-	1/7½	1/7½	1/10½	1/10½	3/4	3/4
		£1 6s. 9d.		£1 19s. 8½d.		£2 8s. 5d.		£3 6s. 9d.		£3 16s. 7½d.	
Percentage Increase	...	—		48		81		149		188	

Remarks.—This record is compiled from our own books. No allowance made for variations in purchase due to control or shortage of supplies; also in the case of bacon, when qualities indicated as supplied in April have not been available, nearest have been taken and prices.

Figures for April, 1914, were taken from a shop book in actual use and goods actually supplied at the time.

October 15th, 1920.

J. D., Secretary and Manager.

\* We print in Appendix IV., a circular letter containing the results of an inquiry on different lines from our own, made by the Secretary of the Irish Labour Party and Trades Union Congress into the rise in food prices in Ireland. (See page 136.)

## 2. Allotment Produce.

During the period 1914 to 1920 there has been an extensive growth of "allotments" from which food for family consumption is obtained. We, therefore, included in our budget form a section dealing with allotment produce. There are, however, many difficulties in the way of estimating the effect of the produce from allotments on the standard budget expenditure. Allotments vary very considerably in size and productive capacity; there is wide disparity in the value and kinds of produce derived from them; the valuation of the produce is difficult; no record of the cost of producing foodstuffs is kept; there may be sales of allotment produce, and, finally, the value of allotment produce varies according to the time of year in which the budget inquiry is made.

In order, therefore, to estimate in the standard budget the quantity and cost of such articles as are in many cases derived from an allotment, i.e., eggs, potatoes and fresh vegetables, all budgets on which entries of allotment produce were made were considered apart as regards expenditure on foodstuffs which might be obtained from allotments. The quantities and cost of such articles of food as may be produced on allotments are, therefore, derived from non-allotment budgets. Consequently the average consumption of eggs, potatoes and fresh vegetables, as stated in the standard budget, may be slightly under-estimated, but by an amount which is inconsiderable.

We find from an analysis of the budgets containing particulars of allotment produce that the average yield, at retail prices prevailing in August-September, 1920, was about 5s. per week. This sum is much larger than it would be if the inquiry had been made, say, six months earlier, as at the time of our investigation the allotments were yielding relatively considerable quantities of potatoes, eggs, and fresh vegetables. It must be borne in mind that in many cases a good deal of the produce is sold to increase the family income, and that, in other cases, the family consumption of potatoes, eggs, and vegetables would be considerably less if they had to be purchased. The figure given above is a gross figure and takes no account of rent and expenditure on seeds, poultry food, etc.

## 3. Expenditure on Clothing.

As has been indicated in an earlier section of this Report, we have endeavoured to obtain reliable and authentic data with respect to the expenditure of working-class families on clothing. It will be seen from our budget form that persons were asked to state as accurately as possible the amount spent on clothing per annum, and a long but not exhaustive list of items was set forth in the budget form. Though the list is not complete, the main items of clothing are included. As we have already stated, our clothing returns are an under-statement rather than otherwise owing to the omission in very many cases of certain articles of underwear, and of such things as handkerchiefs, collars, ties, camisoles, and socks. The tendency appears to have been to give particulars only of the main items of expenditure, such as suits, boots, costumes, dresses, shirts, and under-skirts. This, of course, is not so in all cases. In a number of instances the returns we have received appear to be complete.

The average expenditure per family on clothing, as shown by the budgets, inclusive of boot repairs,\* amounts to 22s. 7d. per week. We are aware that clothing is not bought on a weekly basis, and that some

\* NOTE.—In the budget form, boot repairs were not included in the clothing section, as expenditure on boot repairs is more readily calculated on a weekly basis. For the purpose of arriving at the average family expenditure on clothing, however, it was necessary to extract the figures under the head of boot repairs and incorporate them with the figures for expenditure on the other items of clothing.

articles of clothing are in use for more than a year. But as regards the former point, we are satisfied with the annual returns, whilst, so far as the latter point is concerned, we are of the opinion that our sample of budgets is such as to be representative; that is to say, though overcoats, for example, are not bought yearly, the proportion of budgets containing particulars of overcoats purchased during the year enables us to include a figure of expenditure on this article of clothing which corrects the average spent on clothing as a whole.

The Sumner Committee on the Cost of Living estimated the minimum and maximum expenditure of their "standard family" of 5.6 persons on clothing to be 4s. 6d. and 6s. per week before the war. On the basis of the Ministry of Labour's figure of an increase of 330 per cent. in the cost of clothing, the above figures would be 19s. 4d. and 24s. 9d. per week respectively in September, 1920. It would seem, therefore, that the "budget" figure of 19s. 7d. does not overstate expenditure on clothing, exclusive of boot repairs.

With respect to prices of clothing, we have had supplied full lists both of wholesale and retail prices from the Co-operative Wholesale Society and the Co-operative Union Limited. We have also utilised the evidence as to the increased cost of clothing and clothing materials contained in the reports of the Profiteering Act Department of the Board of Trade.

The following figures published in the "Producer"—the monthly journal representing co-operative production—show the advances in wholesale prices of articles of clothing, etc. :—

TABLE VII.  
Wholesale Clothing Prices (from the "Producer").

	1914.	March, 1920.	Nov., 1920.	Per cent. Increase on Nov., 1920, over 1914.
Boys' Worsted Rib Hose .....	12/3	48/-	48/- per doz. pairs	292
Men's Worsted Half Hose ...	9/-	30/-	30/- " "	288
Alpaca Dress Material .....	1/1½	8/10	5/3 per yard.....	354
Cream Apron Holland .....	4½d.	2/8½	3/- " .....	658
White Calico .....	4d.	2/-	1/9 " .....	425
Wool Shirting .....	1/2	3/9	3/9 " .....	221
Gents' Ties .....	4/6	18/11	18/11 per doz.....	320
Soft Felt Hats, fur.....	48/-	192/-	204/- " .....	325
Sateen Shirts .....	28/6	101/-	106/- " .....	272
Bluzette Jackets .....	39/6	123/-	144/- " .....	265

From an analysis of the figures of average wholesale prices of clothing, as given by the Co-operative Wholesale Society, we find that the following wholesale price changes have occurred :—

TABLE VIII.  
Wholesale Clothing Prices. (C.W.S)

MEN'S WEAR.		1914.	1920.	Per cent. Increase.
Overcoats—				
Union Gaberdine Raincoats.....		24/6	63/-	157
Trousers .....		6/9	17/6	159
Shirts—				
Union flannel .....	per doz.	45/-	135/-	200
Tunic .....	"	25/6	84/-	239
Other grades .....	"	27/6	106/-	286
Vests—				
Summer weight .....	"	24/-	75/-	213
Winter weight .....	"	28/-	116/-	314
Pants—				
Summer weight .....	"	27/-	81/-	200
Winter weight .....	"	31/-	126/-	306
Socks—				
Worsted .....	"	9/-	40/-	344

TABLE VIII—(con.).

Hats—					
Bowler .....	„	89/-	.....	180/-	..... 362
Soft Felt.....	„	48/-	.....	204/-	..... 325
Caps—					
Tweed.....	„	12/6	.....	48/-	..... 284
WOMEN'S WEAR.					
Raincoats—					
Wool .....	each	14/11	.....	69/11	..... 369
Cotton .....	„	8/11	.....	39/11	..... 348
Gloves—					
Fabric.....	per doz.	10/-	.....	26/-	..... 160
Skin.....	„	21/-	.....	65/-	..... 210
Costumes—					
Yorkshire Tweeds .....		20/-	.....	75/-	..... 275
Medium Grade Serge.....		19/11	.....	66/11	..... 236
Dresses—					
Alpaca .....		13/-	.....	34/-	..... 162
Cotton Print.....		7/11	.....	30/-	..... 279
Skirts—					
Tweed and Serges .....		4/11	.....	19/11	..... 305
Botany .....		12/11	.....	25/11	..... 100
Combinations—					
Summer weight.....	per doz.	38/-	.....	112/-	..... 195
Winter .....	„	40/-	.....	160/-	..... 300
Under Vests .....	„	23/-	.....	68/-	..... 196
Corsets .....	„	24/-	.....	65/-	..... 171
„ .....	„	26/11	.....	70/-	..... 160
Hats—					
Tagel.....	each	1/11	.....	5/11	..... 209
Felt .....	„	9/11	.....	25/-	..... 152
Stockings.....	per doz.	19/6	.....	92/-	..... 872
„ .....	„	9/-	.....	54/-	..... 500
Aprons—					
White Cotton.....	per doz.	9/6	.....	30/-	..... 216
BOYS OF SCHOOL AGE.					
Suits—					
Yorkshire Tweed.....	each	9/-	.....	26/6	..... 194
Crossbred Serge .....	„	12/-	.....	35/-	..... 192
Corduroy .....	„	6/-	.....	25/-	..... 817
Trousers—					
Knickers .....	per pair	1/9	.....	6/6	..... 271
Shirts—					
Flannelette.....	per doz.	18/-	.....	59/-	..... 228
Cotton .....	„	19/6	.....	65/-	..... 238
Vests—					
Wool and Cotton Mixture .....	per doz.	25/-	.....	88/-	..... 252
Stockings.....	„	12/3	.....	49/6	..... 304
Caps .....	„	12/-	.....	45/-	..... 275
Overcoats.....	each	7/9	.....	29/6	..... 281
Collars.....	per doz.	4/3	.....	9/-	..... 112
GIRLS OF SCHOOL AGE.					
Tweed Dresses.....	each	12/11	.....	29/11	..... 132
Serge .....	„	12/11	.....	29/11	..... 132
Stockings.....	per doz.	9/9	.....	50/6	..... 418
„ .....	„	13/-	.....	57/6	..... 342
Hats—					
Beaver.....	each	2/11	.....	7/6	..... 157
Felt .....	„	10d.	.....	3/11	..... 370
Coats, for winter .....	„	12/11	.....	65/9	..... 409
CHILDREN UNDER SCHOOL AGE.					
Frocks—					
Cotton.....	each	1/10	.....	5/9	..... 214
Serge .....	„	5/6	.....	30/-	..... 445
Socks—					
Cashmere.....	per doz.	4/9	.....	18/6	..... 296
Worsted .....	„	5/-	.....	20/6	..... 310

It must be borne in mind that the prices supplied by the Co-operative Wholesale Society do not represent the actual market price in the various goods, as in many cases the C.W.S. bought as far ahead as two years, and in every such instance the C.W.S. gave the societies who purchased from it the advantage in prices so gained.

We have also examined the lists of retail prices for clothing and clothing materials as charged by the retail co-operative societies. We find that the following increases have taken place during the period under review:—

TABLE IX.  
Retail Clothing Prices.

	1914.		September, 1920.
Men's Suits .....	22/6 to 27/6	.....	65/- to 110/-
Men's Boots, per pair .....	10/6	.....	30/- to 37/6
Common Shirting, per yard.....	6d., 7d. & 8d.	.....	2/- to 2/9
Serge or Dress Material (not of high quality), per yard .....	2/9, 2/11	.....	11/- to 12/6
Blouses, Cotton .....	2/-	.....	7/-
„ Golf Cloth .....	16/6	.....	93/-
„ Silk .....	10/- to 13/6	.....	36/6 to 49/6
Men's Socks (wool).....	1/- & 1/6	.....	3/6 to 6/11

From an investigation of the information at our disposal it is clear that the increase in the cost of clothing and clothing materials, exclusive of boot repairs, is within the range of 250 per cent. to 350 per cent., and that it is nearer the latter than the former figure.

In further support of the contention that clothing and clothing material cost from three and a-half to four and a-half times as much as they did in 1914, we may refer to the figures of the Board of Trade Profiteering Act Department relative to the increase in costs of production of tweed cloths and tweed suitings. The Tweed Cloth Committee\* found “that the cost of manufacture of tweed cloths of average quality was a year ago (July, 1919) rather more than three times the pre-war cost, and has since advanced to over four times, and is continuing to increase.” (July, 1920.)

In Appendix II. of the Report of the Sub-Committee which investigated tweed cloths, an analysis of costings of five cloths is given. It is there shown that the pre-war selling price was 28.2d. per yard, whilst in June, 1919, it was 103.5d. per yard. The Committee state that on the five cloths analysed in Appendix II., the suit length pre-war would cost 8s. 3d. (allowing three and a-half yards per suit), while in June, 1919, the suit length would cost 30s. 2d. Owing to the further rise in costs, cloths then costing 7s. to 9s. to produce cost, when the Committee reported, 9s. 6d. to 12s. per yard. Thus a suit length in July, 1920, would cost from 33s. 3d. to 42s., representing an increase on the pre-war cost of 8s. 3d. of from 300 per cent. to 400 per cent.

According to the “Labour Gazette,” the level of prices of clothing, quality for quality, taking goods of the kind purchased by the working classes, “averaged about 330 per cent. higher” in September, 1920, than in July, 1914. As this figure harmonises with the results of our own inquiry we have taken the increase for clothing, exclusive of boot repairs, as 330 per cent. above pre-war level.

We must now consider the increase in the cost of boot repairs. The average price for soleing and heeling ladies' boots in 1914 was 1s. 9d. per pair for medium-class work and 2s. 9d. per pair for soleing and heeling

men's boots. In September, 1920, the cost of soleing and heeling ladies' boots ranged from 5s. to 6s. 6d., the average price being 5s. 6d. The cost of similar repairs to men's boots ranged from 7s. to 8s. 6d., the average price being 8s. 3d. per pair. Where boots are soled with "dri-ped," the price is higher. On the basis of the foregoing figures, which show an increase of 214 per cent. in the case of women's boot repairs, and 200 per cent. in the case of men's boot repairs, we have adopted 200 per cent. as the figure for the increase in the boot repairs.

*Taking the increased cost of clothing as 330 cent. and of boot repairs as 200 per cent., and "weighting" each item according to its importance in the standard budget, we find that the cost of clothing, including boot repairs, has increased 313 per cent.*

#### 4. Expenditure on Rent and Rates.

From an analysis of the budgets we found that the expenditure on rents and rates for the standard family amounted in September, 1920, to 7s. 11d. per week. According to the Ministry of Labour, the permitted increase in gross rents in September, 1920, was about 43 per cent. over those for July, 1914. The information we have received goes to show that this figure had, on the whole, been reached, though the Ministry of Labour regards the actual increase as about 35 per cent.

We have adopted the figure of 43 per cent. as representing the actual increase in expenditure on rent and rates of the average family, and in consequence our figures for 1914 and 1920 are as follow:—

1914.	1920.
5s. 6½d.	7s. 11d.

By taking an increase of 43 per cent. we arrive at a gross rent of 5s. 6½d. per week in 1914. The "Labour Gazette" for March, 1920, in an article dealing with the scope and method of compilation of its retail prices "index number" stated that "information as to rents, which was obtained in the course of the inquiry into cost of living in 1912, showed that the average working-class rent in the industrial towns was about 5s. 6d. to 6s. per week." In some towns, of course, notably London, the rents paid were considerably higher than this average, whilst in others they were appreciably lower. The "Labour Gazette" puts the average working-class rent in the industrial towns in 1914 at "probably about 6s. per week," which figure it uses to calculate the "weight" given to rent. The average gross rent of 5s. 6½d. for 1914 seems to us, therefore, a fair figure for the working-class as a whole, and it lends support to the view that in September, 1920, the rise in rents was on the whole as high as was permitted under the Rent Restriction Acts.

#### 5. Expenditure on Fuel and Light.

Our budgets show that the average expenditure of the standard family on fuel and light is 7s. 4d. per week.

The average expenditure on coal was 4s. 6d. per family per week, the expenditure on gas was 1s. 7½d. per week, and the expenditure on oil, candles, matches and firewood 1s. 2½d. per week.

The price of coal consumed by the working class in July, 1914, was 10½d. to 1s. per cwt. In September, 1914, the price was 2s. 10d. to 3s. 3d. per cwt., an increase of 225 per cent.

With respect to charges for gas, we have collected prices from many towns in England, Scotland, and Wales, and estimate the increase in price

to be approximately 88 per cent.\* The average price in 1914 we found to be 2s. 1½d. per 1,000 cubic feet, and in September, 1920, 4s. per 1,000 cubic feet. We obtained information concerning the retail prices of oil, candles, matches and firewood from the Co-operative Union, Limited, and we give below the comparative prices for 1914 and September, 1920.

	1914.	September, 1920.	Increase per cent.
Candles, per lb. ....	3d. and 4d. ....	1s. to 1s. 2d. ....	270 (approx.)
Matches (small, doz. boxes) ....	2d. and 2½d. ....	1½d. and 1s. ....	420 (approx.)
Oil, per gallon ....	9d. and 10d. ....	2s. 3d. to 2s. 6d. ....	200 (approx.)
Firewood .....	1½d. ....	3d. ....	100

For the group of articles included in the foregoing table we have taken a general increase of 250 per cent.

The Ministry of Labour in the "Labour Gazette" for September, 1920, publishes the following figures of percentage increases in the prices of the various commodities included in the group "Fuel and Light":—

	Ministry of Labour's Percentage Increase.
Coal .....	145'
Gas .....	85'
Lamp Oil .....	210'
Candles .....	270'

Matches, it is stated, "show a still greater increase."

As we have pointed out earlier in this report, the Ministry of Labour has assumed that expenditure on fuel and light is in the following proportions:—

60 per cent. on coal.
30 " on gas.
10 " on lamp oil, candles, matches, etc.

It will be observed that the official "weight" given to lamp oil, candles and matches, etc. (10), is much lower than the "weight" which we have used (16.48). In support of our "weight" we may refer to the "weights" calculated from the information obtained by Lord Sumner's Committee on the Cost of Living in 1918:—

	Sumner Committee, 1918.
Coal .....	56.55
Gas .....	25.41
Oil .....	} 18.03
Candles .....	
Matches and Firewood .....	
	100'

\* Since the foregoing estimate was made a paper by Mr. R. I. A. Pearson, on "A comparison of pre-war and post-war production costs in engineering," has been published, containing a table showing the average price of gas for the years 1914 to 1919. (See *Journal of the Royal Statistical Society*, May, 1921, page 408.) The figures are supplied by the Gas, Light and Coke Company. The following is a summary of the table:—

#### Average Price of Gas to the Consumer (pence per 1,000 c. ft.)

Year.	London. Three largest Companies.	Provinces. Nine largest Companies.
1914 .....	28.21	21.63
1919 .....	49.98	40.72
Increase per cent. . .	77'	88'

It may be pointed out that these figures refer to gas for industrial purposes and that they relate to the year 1919. As the user of gas for power purposes obtains it more cheaply than the private consumer, and as, moreover, in some places the price of gas increased between 1919 and September, 1920 (with which date we are concerned), we think that our figure of 88 per cent. increase is not an over-statement.

In view of the "weight" which both the Sumner Committee and this Committee have given to oil, candles, etc., we cannot accept the statement made by the Ministry of Labour in the "Labour Gazette" for September, 1920, that "the last three items (i.e., lamp oil, candles and matches) have, however, relatively small influence on the average movement in the fuel and light group." The Ministry's small "weight" for oil, etc., is the more open to criticism because the commodities included in it have increased in price more than the other items in the "fuel and light" group.

Taking into consideration all the facts at our disposal, we think that the Ministry of Labour's statement that the average increase of expenditure on fuel and light may be estimated "at about 135 per cent." at 1st September is an understatement of the facts, arising out of (1) the use of "weights" which are incorrect, and (2) an understatement of the increase in the price of coal.

Our combined figure for fuel and light is calculated from the following table:—

TABLE X.  
Showing "weights" and percentage increases in costs of items in "Fuel and Light" Group.

	Weight.	Increase per cent.
Coal .....	61·34	225
Gas .....	22·16	88
Oil, Candles, Matches and Firewood	16·48	250

The calculation shows that expenditure on fuel and light increased by 198 per cents between July, 1914, and September, 1920.

#### 6. "Other Items."

The average expenditure of a "standard family" on the items included under this head amounts to 17s. 3d. per week.

As in the case of clothing, household renewals are not made on a weekly basis. Once the crockery in the kitchen cupboard falls below a certain minimum, subsequent breakages must be immediately replaced if inconvenience is to be avoided. Blankets, sheets, towels, tablecloths, and floor coverings can always be made "to do a bit longer," but a time comes when renewal is deemed essential. Furniture—apart from accidents—is less frequently restored, unless the growing size of a family demands it. It is clear, we think, that it is upon household renewals that economy first takes place. We were struck by the returns which showed no expenditure at all under this head. In many cases this section of the budget form contained remarks to the effect that after the purchase of food, clothing, etc., to satisfy the more insistent needs there was nothing left over for furniture and renewals. The renewal of household goods, we may point out, cannot be indefinitely postponed, and one of the unfortunate effects of recent reductions in wages will be to postpone again the necessary household renewals which many families have previously had to put aside because of lack of means.

We give below a list of wholesale prices of some of the articles included under the heading of household renewals. These prices are taken from the *Producer*:—

TABLE XI.  
Wholesale Prices of Household Articles.

	1914.	March, 1920.	Nov., 1920.	Per cent. Increase.
Turkish Towels ..... per doz.	4/6	21/6	28/9	428
Bleached Linen Tablecloths... each	4/6	26/1	26/1	480
Typed Kitchencloths..... per doz.	4/8	14/6	18/6	296
Plain Pillow Cases .....	3/8	11/8	14/4	341
Casement Cloth, 50 inch .....per yard	6½d.	2/-	1/9	205
Wool Blankets..... per pair	15/6	55/4	55/4	257

From the Co-operative Union and other sources we have obtained lists of the retail prices actually charged in July, 1914, and September, 1920, for articles included under the heading "household renewals." \* We find that the following increases in price have occurred during the period under review:—

TABLE XII.  
Retail Prices of Household Articles.

	1914.	Sept. 1920.	Per cent. Increase.
Plates .....per ½-dozen. ....	1/6	4/10	222
Cups and Saucers... ..	2/3	7/-	211
Knives.....per ½-dozen. ....	5/1	15/9	210
Oil Cloth.....per yard .....	2/0½	6/6	218
Chairs.....per ½-dozen. ....	25/6	87/-	241
Blankets.....per pair .....	10/4	66/8	264
Bed Sheets.....each .....	5/6	23/7	329
Towels .....	10d.	3/1	270
Sweeping Brushes .....	9d.	2/6	283
Scrubbing Brushes .....	1/6	5/6	266
Rubbing Boards .....	6½d.	1/9	223
Buckets .....	6½d.	3/6	546
Buckets .....	7½d.	3/11	527
Enamelled Bowls.....	8/6	12/6	257
Frying Pans .....	4½d.-6½d.	2/9-2/11	518
Saucepans (large).....	3/-	10/6	250
Meat Tins (set).....	6½d.	2/-	267
Clothes Baskets .....	6½d.	3/6	546
Lamp Glasses .....	3½d.	1/9	500

The Profiteering Department's Sub-Committee on Furniture, in their Report dated 13th September, 1920, state that furniture prices were three and a-half times those prevailing pre-war.\*

As regards cleaning materials, the main items of expenditure are soap and soap powders. The increase in the retail price of household soap and soap powders is approximately 200 per cent., i.e., an increase from 3d.-3½d. per lb. to 10d. and 10½d. per lb., so far as the prices charged by co-operative societies were concerned. The Report on the Soap Industry, prepared by a Sub-Committee appointed by the Standing Committee on Trusts, shows that the retail price of household soap manufactured by the Lever Combine was 11d. per lb. at September, 1920.† The increase in the price of soap powders was in the same ratio as that of soap. Washing soda rose a good deal more. Starch increased in price over 200 per cent. The predominant retail price in 1914 was 4d. to 5d. per lb. and in September, 1920, 1s. 3d. to 1s. 6d. per lb. It is not easy to estimate the increases which have taken place in the price of such cleaning materials as blacking and boot polish, black lead, metal polishes, bath brick, etc., but it is clear that the rise in the cost of cleaning materials as a whole has been considerable. We think that the increase in the price of household renewals has been 300 per cent., and of cleaning materials 225 per cent.

Though we have made estimates of the rise which took place between July, 1914, and September, 1920, in the prices of household renewals and cleaning materials, we do not pretend that we can form any estimate of the rise in the remaining miscellaneous articles and forms of expenditure which fall into the general group of "other items." Therefore, for the group of "other items" as a whole, we are driven to measure the rise which has taken place by reference to other sources of information regarding total expenditure on these items before the war. Lord Sumner's Committee on

\* Cmd. 983, page 18.

† Cmd. 1,126, page 17.

the Cost of Living estimated that family expenditure on "other items" (i.e., insurance, fares, sundries) amounted to 5s. per week. The "standard family" of the Sumner Committee, however, numbered 5.6 persons, whilst our standard family" consists of 5.2 persons. Making the necessary proportionate reduction, expenditure on "other items" in 1914, would amount for a family of 5.2 persons to 4s. 8d. per week. *The expenditure on "other items" has on this assumption increased 270 per cent.*

### 7. Summary.

We have constructed a pre-war budget based upon the standard budget for September, 1920, the expenditure on the various groups of articles being reduced in accordance with our findings as to the increases which have taken place since July, 1914.

TABLE XIII.  
Showing Joint Committee's Weekly Budget for 1914 and 1920.

	Joint Committee's	Joint Committee's	Percentage Increase from July, 1914, to Sept., 1920.
	1914 Budget (5.24 persons).	1920 Budget (5.24 persons).	
	£ s. d.	£ s. d.	
Food.....	1 2 0	3 0 8	176
Clothing.....	0 5 5½	1 2 7	313
Rent and Rates.....	0 5 6	0 7 11	43
Fuel and Light.....	0 2 5½	0 7 4	198
Other Items.....	0 4 8	0 17 3	270
	<u>£2 0 1</u>	<u>£5 15 9</u>	<u>189</u>

We therefore arrive at the conclusion that in July, 1914, the average expenditure of 5.2 persons (including 1.6 wage-earners) was £2 0s. 1d. per week. The Sumner Committee estimate for 1914 an average weekly expenditure of £2 4s. 4d. for their standard family of 5.6 persons (including 2.2 wage-earners). The figure of £2 for working-class family expenditure in 1914 seems to us in fairly close accordance with the facts as to wages and expenditure before the war. Our standard family includes 1.6 wage-earners. In general, the head of the household is the principal wage-earner (and in about a third of the working-class households in the country the only wage-earner). The supplementary wage-earners are usually sons and daughters, all but the youngest of whom generally pay a fixed sum into the family exchequer. If we take 30s. a week as the average wage of the adult male in 1914—a sum which we think is an over-statement—and assume that .6 supplementary wage-earners contribute 10s. per week to the home—again a sum which probably errs on the side of exaggeration, we shall get a family income of £2 per week.

The Board of Trade in its investigation into the cost of living in 1904 found that the average family income of the working classes in urban districts in the United Kingdom was at that time 36s. 10d. per week. Between 1904 and 1914 both prices and wages increased. The Sumner Committee state that "wages increased by varying amounts in different industries, the average increase of rates being estimated by the Labour Department as nearly 10 per cent.; employment as measured by the index number based on Trade Union returns improved 3½ per cent.; and possibly there was some further movement in earnings as distinct from rates of wages. Average working-class incomes then probably increased by rather more than the 8½ per cent. shown in the budgets of expenditure"\* (of the Sumner Committee).

\* Cd. 8,980, page 12.

If we take the increase in family income as "rather more than 8½ per cent.," or "nearly 10 per cent.," the average family income in 1914 rose from 36s. 10d. to about £2 per week. It must, however, be pointed out that the Board of Trade's standard family consisted of 5.6 persons; the standard family as computed from our budgets consisted of 5.2 persons.

From our figures, it will be seen that a family expenditure of £5 15s. 9d. in September, 1920, was equivalent to an expenditure of £2 0s. 1d. in July, 1914. The cost of living, therefore, between these dates rose 189 per cent.

The Table showing the calculation is as follows:—

TABLE XIV.

Showing construction of Joint Committee's cost of living "index number."

	"Weights."	Percentage Increases.		
Food.....	54.89 ×	176 ÷	100 =	96.60
Clothing .....	13.62 ×	313 ÷	100 =	42.63
Rent and Rates...	13.72 ×	43 ÷	100 =	5.90
Fuel and Light ...	6.13 ×	198 ÷	100 =	12.14
Other Items .....	11.64 ×	270 ÷	100 =	31.43
				<u>188.70 = 189 approx.</u>

It will be noted that the "weights" we have used for 1920 are not applicable to 1914. As we have previously pointed out, the Ministry of Labour's "weights" have not been changed. In order to emphasise the changes which have taken place in the allocation of family expenditure to different items, we give the following table showing the proportion of family expenditure devoted to each of the five groups of items into which family expenditure is analysed in July, 1914, and September, 1920, respectively, and also, for comparison, the "weights" of the Ministry of Labour.

TABLE XV.

Showing "weights" in July, 1914 and September, 1920.

	Joint Committee July, 1914.	Joint Committee September, 1920.	Ministry of Labour.
Food .....	54.89	52.41	60
Clothing .....	13.62	19.51	12
Rent and Rates.....	13.72	6.84	16
Fuel and Light .....	6.13	6.34	8
Other Items .....	11.64	14.90	4
	<u>100.00</u>	<u>100.00</u>	<u>100</u>

We may emphasise the defective character of the Ministry of Labour's "weights" by taking an average weekly expenditure for the standard family of £5 15s. 9d. in September, 1920, and showing how it would be allocated on the basis of these "weights."

TABLE XVI.

Showing allocation of weekly family expenditure by Ministry of Labour and the Joint Committee.

	Ministry of Labour.	Joint Committee on the Cost of Living.
	£ s. d.	£ s. d.
Food .....	8 9 6	8 0 8
Clothing .....	0 18 11	1 2 7
Rent and Rates .....	0 18 6	0 7 11
Fuel and Light .....	0 9 8	0 7 4
Other Items .....	0 4 7	0 17 8
	<u>£5 15 9</u>	<u>£5 15 9</u>

We do not think it can be seriously contended that out of a working-class family expenditure of £5 15s. 9d. in September, 1920, the sum of 18s. 6d. per week was on the average devoted to rent and rates. The Ministry of Labour estimates that in September, 1920, gross rents had increased by 35 per cent. since the beginning of the war, and therefore the average amount paid in rent and rates in 1914 would be 13s. 8d. per week. But the Ministry of Labour takes the average working-class rent at about 6s. for 1914. Again, if the Ministry of Labour's "weight" for clothing is correct, the amount spent on clothing in 1914 would be considerably less than that estimated by the Sumner Committee. Of the figure of 13s. 11d. given above, we find that 13.3 per cent. is devoted to boot repairs. Expenditure on clothing, excluding boot repairs, would amount therefore to 12s. 1d. per week, and for this item the Ministry of Labour state that the increase to September, 1920, was 330 per cent. If this be so, then the average working-class family expenditure in 1914 on clothing, excluding boot repairs, was only 2s. 10d. per week. The Sumner Committee puts the expenditure on clothing for a family of 5.6 persons at 5s. 6d. per week.

It appears to us beyond doubt that the "weights" adopted by the Ministry of Labour stand in need of revision. We have also taken exception to some of the figures of percentage increases published by the Labour Department. We give below a comparison of the official figures for the increases which took place between July, 1914, and September, 1920, in the prices of the various groups of items with our own estimates.

TABLE XVII.  
Percentage Price Increases, July, 1914—September, 1920.

	Ministry of Labour.	Joint Committee on Cost of Living.
Food.....	167	176
Clothing .....	330	313
Rent and Rates...	35	43
Fuel and Light ...	135	198
Other Items .....	130	? 270

If we calculate the rise in the cost of living by using the Ministry of Labour's "weights" and our percentage price increases as given above, the cost of living figure for September, 1920, would be 177 as against the official figure of 161, a difference of 16 points.

TABLE XVIII.  
Showing calculation of an "index number" from the Ministry of Labour's "weights," and the Joint Committee's percentage price increases.

	Ministry of Labour's "Weights."	Joint Committee's figures of price increases.
Food.....	60 ×	176 ÷ 100 = 105.60
Clothing .....	12 ×	313 ÷ 100 = 37.56
Rent and Rates...	16 ×	43 ÷ 100 = 6.88
Fuel and light ...	8 ×	198 ÷ 100 = 15.84
Other Items .....	4 ×	270 ÷ 100 = 10.80
		<hr/> 176.68 = 177 approx.

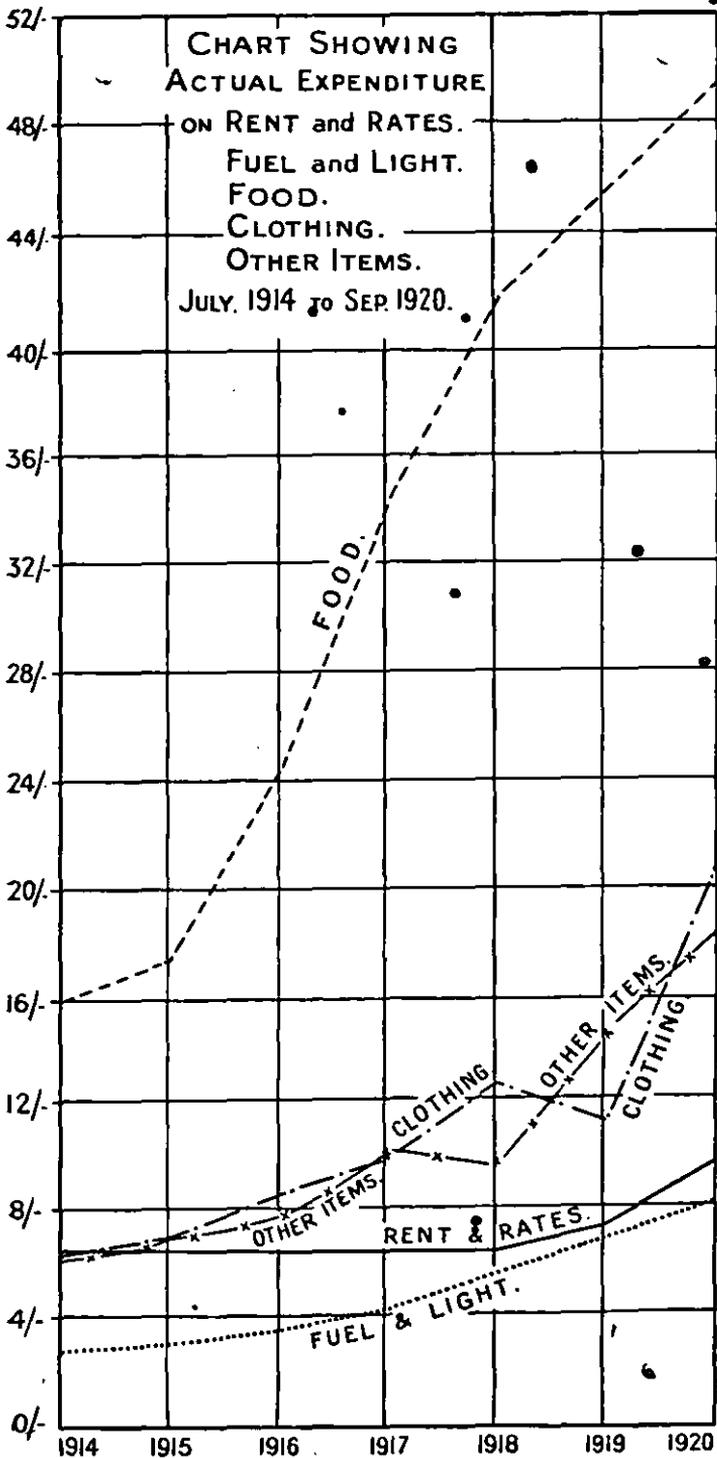


CHART II.—For explanation see pages 38-9.

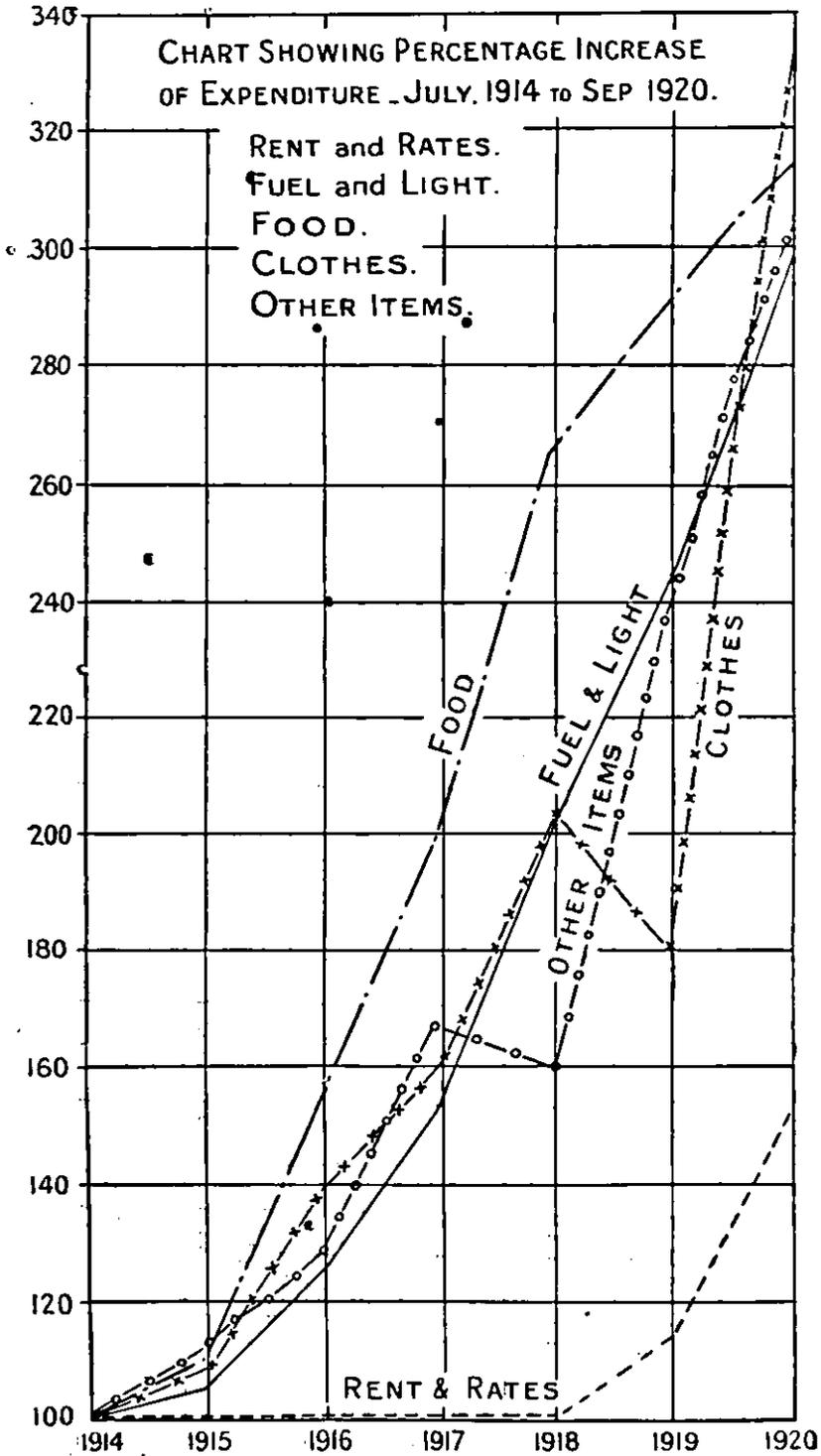


CHART III.—For explanation see pages 88-9.

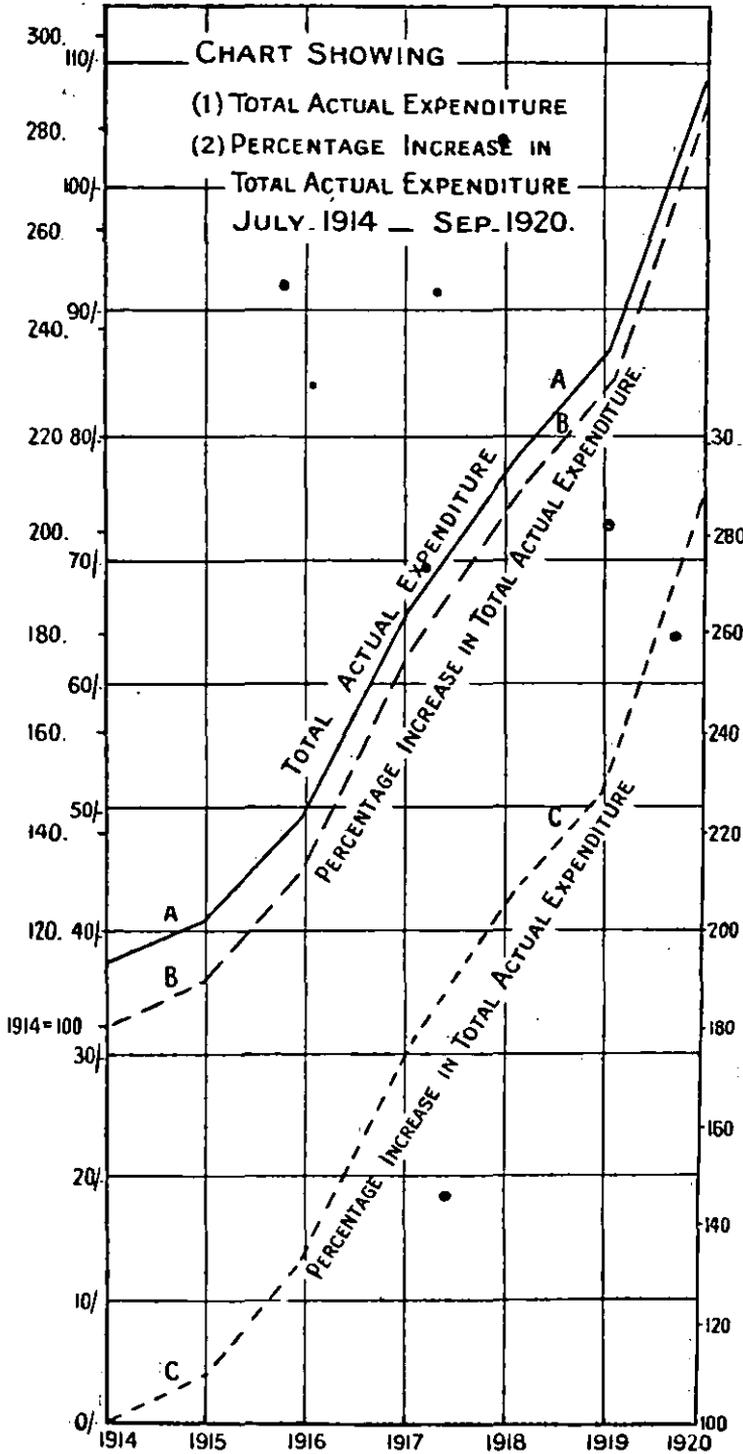


CHART IV.—For explanation see pages 38-9.

To summarise the result of our investigation, we find that the cost of living in September, 1920, was 189 per cent. above the level of July, 1914, or 28 points higher than the "index number" of the Ministry of Labour. The difference between the two figures is due to—

- (i.) The "over-weighting" of rent and rates by the Ministry of Labour;
- (ii.) the "under-weighting" of clothing and "other items";
- (iii.) the under-statement by the Labour Department of the increase in the prices of certain items.

#### 8. An Example of the Rise in Family Expenditure, 1914-1920.

It will be of interest and value to trace the rise in the cost of living by reference to budget forms filled in by the same household for the same period of four weeks for each of the years 1914, 1915, 1916, 1917, 1918, 1919, and 1920. The following figures strikingly corroborate the conclusions reached by us in our general survey of the budgets.

These budget forms have been supplied by an engine driver residing in a West of England town. The family consists of the husband and wife, who have occupied the same house during the period under consideration. Their standard of living has not been raised—indeed, during the war it was in some directions reduced. We have in this case a family which has not changed in composition and one in which careful records of all household expenditure have been kept since before the war. The figures of expenditure during the weeks of September in each year since the outbreak of war are as follows—

TABLE XIX.  
JOINT COMMITTEE ON THE COST OF LIVING.  
Weekly Family Expenditure of West of England Engine Driver, 1914-20.

	1914.	1915.	1916.	1917.	1918.	1919.	1920.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rent and Rates ...	0 6 6	0 6 6	0 6 6	0 6 6	0 6 6	0 7 6	0 10 1
Fuel and Light.....	0 2 10	0 3 0	0 3 7	0 4 4	0 5 9	0 6 11	0 8 5
Food .....	0 15 10	0 17 5	1 4 8	1 14 7	2 2 2	2 6 1	2 10 0
Clothing.....	0 6 3½	0 6 10	0 8 9	0 10 0½	0 12 10	0 11 4	1 1 0
Other items .....	0 6 1½	0 6 11	0 7 10	0 10 3	0 9 10	0 14 9	0 18 8
<b>Total expenditure...</b>	<b>1 17 7</b>	<b>2 0 8</b>	<b>2 11 4</b>	<b>3 5 8½</b>	<b>3 17 1</b>	<b>4 6 7</b>	<b>5 8 2</b>
<b>Percentage increase</b>	<b>—</b>	<b>8</b>	<b>36·6</b>	<b>74·7</b>	<b>105·1</b>	<b>130·4</b>	<b>187·7</b>

From the above summaries of the budgets for the years in question it will be seen that the increase in total family expenditure in September, 1920, as compared with family expenditure in September, 1914, is 187·7 per cent. This result almost coincides with the Committee's average percentage increase for the "standard family."

In order to set forth more clearly the results of an examination of these budgets, charts have been prepared showing—

(1) Actual expenditure for 1914-1920 on rent and rates, fuel and light, food, clothing and other items respectively; (Chart II.)

(2) actual percentage increase on 1914 prices in expenditure on rent and rates, fuel and light, food, clothing and other items respectively. (Chart III.)

(3) actual total expenditure for 1914-1920 and percentage increase in total actual expenditure; (Chart IV.)

Of these charts that showing (a) total actual expenditure; (b) percentage increase on total actual expenditure from 1914 to 1920 is particularly instructive. It will be noticed that the two curves are almost exactly similar, and in order fully to demonstrate this, the curves were plotted so that they were brought into close proximity. The curves B and C represent both the percentage increase in total actual expenditure and the degree of "correlation" existing between actual expenditure and percentage increase in expenditure.

#### E. CONCLUSION.

After careful inquiry into the rise in the prices of articles of working-class consumption and the actual facts as to family expenditure in September, 1920, we have arrived at the conclusion that the Ministry of Labour's "index number" at that time was 28 points too low. The importance of this under-statement lies in the common method of relating wages to prices. Suppose a worker in receipt of a weekly wage of 25s. before the war has his wages regulated by the Ministry of Labour's "index number." He would in September, 1920, be receiving 65s. 3d. per week, whereas, according to our "index number" he should have been paid 72s. 3d. per week, or 7s. per week more. The cost of living "index number" is important from another point of view. Efforts are now being made to utilise the trade depression and the fall of prices for drastic reductions of wages. According to the Ministry of Labour, the cost of living "index number" fell from 161 in September, 1920, to 128 in May, 1921. If we assume the same proportionate fall in our "index number,"\* then the increase in the cost of living (which stood at 189 per cent. in September, 1920) would in May, 1921, be 150 per cent. This figure for June, 1921, is only 11 points below the Ministry of Labour's "index number" for September, 1920. That is to say, though the Ministry of Labour's figure shows a drop of 33 points from September to May, the real figure in May was only a matter of 11 points below the alleged cost of living figure for September, 1920.

Where reductions of wages are governed by the fall in the cost of living, the worker with the equivalent of a pre-war wage of 25s. should have received in May, 1921, for full time employment, if our revised figure is accepted, 62s. 6d. per week, whereas on the Ministry of Labour's basis he would have received 57s. †

The figures are shown in the table below:—

	July, 1914.			September, 1920.			May, 1921.		
	£	s.	d.	£	s.	d.	£	s.	d.
Committee on the Cost of Living.	1	5	0	3	12	3	3	2	6
Ministry of Labour .....	1	5	0	3	5	3	2	17	0
Difference .....	—	—	—	0	7	0	0	5	6

It will be obvious, therefore, that the reductions of wages which are now being proposed by employers on the ground that the cost of living has fallen substantially must, if the Ministry of Labour's figures are used, result in serious injustice, and in many cases depress wages below pre-war standards.

\* We are aware, of course, that the two "index numbers" may not have fallen proportionately. But it is clear that in May, 1921, our figure would stand higher than that of the Ministry of Labour, and we therefore assume a proportionate fall to emphasise the point that wages reductions based on the Ministry of Labour's "index number" may drive real wages below the pre-war level.

† The Ministry of Labour's figure for June, 1921, was 119. Assuming the same proportionate fall, our figure would be 140. A pre-war wage of 25s. measured by the Ministry of Labour's "index number" would, in June, 1921, amount to £2 14s. 9d; on our figure the wage would be £3.

It is clear, we think, that a reliable "index number" of the cost of living is one of the great needs of the Labour Movement. We strongly recommend the organised workers either to continue the work we have begun, so that an "index number" may be published monthly, or to press for the adoption of a new "index number" by the Ministry of Labour in keeping with the actual facts as to the cost living. The former proposal would involve a certain expenditure, but it would undoubtedly be amply justified. The latter suggestion would necessitate either a new inquiry or negotiations between the Labour Movement and the Government.

We would draw attention to three points which should be taken into consideration. It is clear that the "weighting" of the various items, expenditure on which is included in the final cost of living figure, must be regularly checked. This necessitates the regular collection of budgets. Further, we think it is desirable that the calculation of the "index number" as a percentage increase of prices in July, 1914, should be superseded by a new base date. In our First Report we suggested that the date of the Armistice (November, 1918) might be taken for this purpose. Thirdly, the groups of articles included under "other items" should be as comprehensive as possible.

In closing this part of our Report, we would again express our obligations to those workers who assisted us by filling in budget forms, to the students of the London School of Economics who helped in the statistical work, and to the Co-operative Union and the Co-operative Wholesale Society for the collection of wholesale and retail prices. But for the co-operation we have received the production of this section of the Report would have been impossible.

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## NOTE ON CHART I.

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The following notes draw attention to some of the more salient features of Chart I. This chart traces—

- (a) the course of the wholesale prices of 45 important commodities compiled by the "Statist," taking the prices ruling in July, 1914 as 100.
- (b) the retail prices "index number" of the Ministry of Labour.

The chart shows a steady upward movement of wholesale prices from November, 1914, to June, 1917. During the period from September, 1916, to June, 1917, the wholesale prices "index number" shows a rapid rate of increase. From about June, 1917, to the Armistice, the upward movement in wholesale prices was much weaker, and this movement preceded a temporary fall which took place during the period from the Armistice to April, 1919.

After April, 1919, a prodigious and rapid rise in wholesale prices occurred. The curve assumes a very steep slope, culminating at the peak in April, 1920, at a figure which represents an advance of approximately 223 per cent. over the prices prevailing at the outbreak of the war.

From April, 1920, onwards there has been an equally rapid drop to a position in November, 1920, which represents an increase of approximately 169 per cent. over July, 1914, prices.

Owing to the fact that wholesale price "index numbers" cover all kinds of articles, and that many of the articles included are not "primary"

but secondary goods (i.e., goods to be used in further production), it is apparent that the correlation between wholesale and retail prices will not be perfect. Moreover, the wholesale price "index number" includes prices of articles for export as well as for home consumption. Nevertheless, the curve of the rise in the cost of living, as given by the Ministry of Labour, though it does not show such a large increase, has moved broadly in sympathy.

As in the case of the curve of wholesale prices, there has been a steady and practically continuous rise in the cost of living from November, 1914, to November, 1918. The depression of wholesale prices from October, 1918, to April, 1919, is also reflected in the temporary downward movement of the retail prices "index number" from November, 1918, to June, 1919.

The wholesale price number gathered increased momentum from April, 1919, to April, 1920, when it reached its zenith, and the retail price "index number" was affected sympathetically from June, 1919, and culminated in its highest point in November, 1920, when a fall set in, comparable in its character with the fall in wholesale prices which began in April, 1920.

The similarity in the nature of the two curves is obvious. The most striking features to be noticed are:—

1. That retail prices have advanced proportionately less than wholesale prices.
2. That there is a definite "time lag," retail prices lagging behind wholesale prices.
3. That the "time lag" is shorter when prices are rising than it is when prices are falling.

The curves throw some light on the effect of the rationing of food and other forms of Government control. Government measures with respect to rationing and control were first adopted early in 1917 and began to be discontinued in March, 1919. This period of control, especially so far as wholesale prices are concerned, coincides with the period of least advance in prices, i.e., June, 1917, to April, 1919. After April, 1919, prices rose phenomenally. As regards the retail price "index number," the increase was maintained at a steady rate until November, 1918, when a depression occurred. But from May, 1919 (the period when the policy of decontrol had been put into operation), the retail price "index number," in spite of the bread subsidy and Rent Restriction Acts, rose more rapidly than at any other period.

## PART II.

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### FACTORS IN THE COST OF LIVING

#### I.—INTRODUCTION.

In this part of our Report we propose to deal with some of the more important questions influencing the cost of living. We have already emphasised the fundamental importance of the financial and monetary aspects of the problem. This was the subject of our first Interim Report. We have traced the relation between taxation and the cost of living in our Second Report.

But these are not the only factors which have influenced the cost of living. During the war and for some time after the Armistice the shortage of certain raw materials and transport difficulties effectively diminished the supply of commodities. A policy of drastic de-control was put into operation on the conclusion of hostilities as a result of pressure from interested sections of the community, notwithstanding the fact that the abnormal conditions which obtained during the war and necessitated public control still existed. In some cases prices fell temporarily, but it is significant that the cost of living rose more rapidly after the inauguration of decontrol than it had done during any period of the war.\* There was profiteering on an unprecedented scale.

We devote a portion of this section of our Report to the consideration of profiteering, because though it appeared in an aggravated form during the abnormal war and post-war period, it is an inherent defect of an industrial system which places the consumer at the mercy of the capitalist, and which, whilst paying lip service to the principle of competition, encourages the elimination of competition and the substitution of combinations under private control. We also refer to the trust movement, because it is clear that the control of prices is passing into the hands of combinations. Another factor in the problem of high prices is the widespread inefficiency which exists in the management and control of British industry. We draw attention to this question later in this section. Lastly, we do not deny that there is in some industries restriction of output on the part of the workers, though it must be pointed out that where production has fallen, the cause is not necessarily to be found in the deliberate action of the workers. In many cases it is due to a combination of circumstances over which Labour has no control. Yet workers are not everywhere whole-heartedly contributing to the production of commodities. The reason, as we point out later, lies in the industrial system itself. Production is retarded by the inefficiency of employers, the operation of trusts, and other combinations, and the increasing unwillingness of Labour to co-operate in capitalist industry. The cost of living will remain higher than is justifiable until remedies are found for these restrictions upon production.

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\* See Chart I. and Note at end of Part I. of the Report, Page 40.

## II.—PROFITEERING.

The term "profiteering" came into common use during the war. The practice of it is as old as the capitalist system. "Buy as cheaply as you can and sell as dear as you can" is the accepted doctrine of private enterprise. As a result of shortage of supplies or increased demand, or both, the opportunities for profit-making during the war multiplied. The rise in general prices made for unprecedented profits, for the money value of things actually increased during the process of manufacture and profits increased accordingly. The Government dealt with the accumulation of profits arising out of war conditions by (a) the Excess Profits Duty, (b) rationing and (c) fixing prices. But even when all these measures were in operation, enormous profits were still made.

The receipts from the Munitions Levy and Excess Profits Duty are set out below :—

TABLE XX.

## Receipts from the Munitions Levy and Excess Profits Duty.

Year.	Amount.	Rate.
1915-16 .....	£140,000 .....	—
1916-17 .....	139,920,000 .....	60%
1917-18 .....	220,214,000 .....	80%
1918-19 .....	285,028,000 .....	80%
1919-20 .....	290,045,000 .....	40%
1920-21 .....	394,140,000 .....	60%
<b>TOTAL .....</b>	<b>£1,329,487,000</b>	

It will be seen that this tax has yielded no less than £1,329,487 000 up to date. The rate of E.P.D. has varied, but it may be said that broadly the disclosed profits of British industry made during the years under review amounted to about £2,250,000 000 in excess of pre-war profits. It is to be remembered that this does not represent the real total increase of profits during these years. Firms in existence before the war paid the duty on the profits in excess of those obtained in the average of any two of the three last pre-war trade years selected by the taxpayer. As these three years were on the whole good years the standard profit would be higher than the average of a whole trade cycle. This clearly would diminish the "excess profits" on which the duty was payable. Moreover, profits were hidden in all sorts of ways, and expenditure incurred on a scale far beyond what would have been incurred under ordinary circumstances. Professional people, many of whom profited considerably by the conditions which brought added gain to manufacturers, were exempt from the Excess Profits Duty. The yield of the duty obviously does not measure the additional profits made during the period the tax was in operation. It is beside the point to argue that the bulk of the excess profits made passed into the National Exchequer, or that in view of changed financial circumstances firms have claimed a refund of sums paid in Excess Profits Duty. What we are concerned with is that the excess profits were actually made, and made at the expense of the consuming public. Profiteering was so flagrant an evil and public opinion was so incensed at the exploitation which appeared on all hands, that the Government was driven to make some sort of attempt to deal with it. It passed the Profiteering Acts. These Acts are important, not because of any real check they exercised on soaring profits, but because they are a recognition by the Government of a widespread phenomenon which had inflamed and exasperated the general public.

## A. THE SUPPRESSION OF INFORMATION.

The various Committees and Sub-Committees set up under the Profiteering Acts have in their reports thrown some light on the extent and volume of profiteering. Indeed, we need not go beyond these official documents to prove the widespread character of the evil. Before turning our attention to the findings of some of these Committees, we would point out that the powers of the Committees were not extensive enough to compel the fullest disclosure of the facts, and that, in some cases at least, *strenuous efforts were made by the firms or industries into which investigations were being made to withhold relevant information.* In some instances there was difficulty in ascertaining the profits made because the firms concerned had no adequate system of costing, or because the product under investigation was manufactured in conjunction with some other commodity. But the worst cases were undoubtedly those where the official investigations were deliberately hampered by the opposition of those who, we must conclude, wished to hide their profits from the public.

The Wool, Tops, and Yarns Committee, whose Report\* is referred to below, published as its first finding the following statement:—

“That we have been prevented from presenting at an earlier date our Report on the Top-making Trade by the necessity of waiting until our Accountants’ investigations into the profits of representative firms have been completed. That the delay which prevented our Accountants from beginning their investigations until September, 1920, was unsatisfactory. No meeting of our Committee was convened between the 19th March, 1920, and the 3rd November, 1920. This delay was mainly due to the attitude of the British Wool Federation concerning the precise nature of the information to be given to the Department’s Accountants for the information of the Sub-Committee.”

The facts seem to us so important because of the light they throw upon the attitude of the section of the wool textile trade concerned, that we quote in full the passage from the Report† dealing with them:—

“The Sub-Committee reported in January on wool, and then proceeded to investigate the wool combing trade, and agreed upon a Questionnaire to be sent to the Wool Combing Employers’ Federation. At the same time, the Sub-Committee proceeded to investigate the top-making trade, in regard to which they tried to agree on a questionnaire with the British Wool Federation. It proved, however, impossible at that time to secure agreement with the Sub-Committee as to the nature of part of the information which it was considered necessary to obtain for the purpose of the investigation. Whilst agreement was reached in the Committee on certain questions which were issued on the 9th March, the Committee did not reach unanimity on some additional questions. Certain members of the Sub-Committee desired that information should be obtained of the actual volume of turnover of the firms investigated, and actual figures of total profits and rates of profits on capital, together with certain other data. The representatives of the employers on the Sub-Committee were unwilling to give the figures of total profit because they contended (a) that these figures were not strictly relevant to the purposes of the inquiry, and (b) that they could not legally be demanded. Owing to this lack of agreement on the part of the Sub-Committee, the matter was referred to the Standing Committee on the Investigation of Prices, and in these circumstances the Sub-Committee on Wool, Tops, and Yarns were not called together after their meeting on the 19th March, 1920, until November 3rd, 1920.

“The Standing Committee on the Investigation of Prices decided to issue a questionnaire on similar lines to those which have been followed in investigations into other trades. . . . The British Wool Federation, on behalf of the top-making trade, objected to supplying information showing the total output of the firms concerned and the actual total profits on capital and turnover, on the following grounds:—

“(a) The highly speculative character of the trade rendered it not comparable with other industries which had been investigated under the Profiteering Act.

\* Cmd. 1192, page 6.

† *Ibid*, page 3.

"(b) The profits earned by a small number of firms selected for investigation did not disclose the position of the industry as a whole.

"(c) For the purpose of an investigation under the Act, the only data which can be obtained are those showing the rate of return of profits on turnover and on capital; figures of the actual volume of turnover and of profits were neither necessary nor could they be demanded under the terms of the Act.

"(d) The fear was expressed that the publication of information as to profits and capital, derived from firms' balance sheets and trading accounts would lead to disclosures of information which would be prejudicial to the legitimate interests of the particular firms selected for investigation, as well as of the trade generally.

"The Standing Committee on the Investigation of Prices thereupon referred the whole matter to their Advisory Costings Committee, which discussed it with the deputation from the British Wool Federation and reported in favour of obtaining by agreement the information contained in Appendix 4 [of the Committee's Report] as a provisional arrangement, subject to the reservation that further information should be obtained if it proved necessary during the course of the investigation. The demand for figures of the actual turnover and profits as distinct from the percentage rate of profit on capital and turnover was thus dropped for the time being. This compromise was then approved by the Standing Committee on Prices, and was agreed to by the British Wool Federation on behalf of the top-making trade. It was decided that the information was to be obtained from six representative firms. One of these firms proved not to be representative, and the Chief Accountant's report on . . . the financial results of the undertakings, is in respect of five firms only.

"The information obtained as the result of the questionnaire was submitted to the Standing Committee at their meeting on 25th October, 1920, and was referred by them to the Sub-Committee on Wool, Tops, and Yarns, for their consideration.

"The Sub-Committee met and discussed the data contained in the Chief Accountant's report and other appendices now attached to this Report.

"Certain members of the Sub-Committee held that it was essential for the drawing up of a proper report that they should be in possession of further information showing, in respect of the five firms whose accounts had been investigated, aggregate figures of total profits and total turnover in pounds of tops over the periods covered by the investigation.

"The British Wool Federation, however, still refused, on behalf of the Topmakers, to supply additional information, basing their refusal mainly on the ground that the information asked for was not relevant to the inquiry and could not properly be demanded under the Profiteering Acts."

The findings of the Committee, which are set out later in this section of our Report, supply, it appears to us, an ample explanation of the obstinate opposition of the employers to the investigation into their branch of the trade.

The Sub-Committee on Dyeing, Finishing, Bleaching, and Printing appointed by the Standing Committee on Trusts also met with organised opposition. "We regret to have to report," say the Committee, "that, although we have held eleven meetings with reference to this part of our enquiry, have carried on for many months negotiations with the Allied Association of Bleachers, Dyers, Printers and Finishers, and have taken evidence from certain outstanding concerns in the industries in question on the subject of their constitution and operations, we have been unable to obtain the information on which alone we could arrive at informed conclusions as to the extent to which 'the processes of dyeing, finishing, bleaching, and printing are affected by any trade combination' or as to 'the effect of any trade combination, if found, upon supplies, prices, costs and profit at all stages of such processes.'"

The Committee prepared a questionnaire for the purpose of obtaining the necessary information on which to base their report, but though certain replies were received, there was no general response. "On the 12th April, 1920, however," write the Committee\* :—

"we received a communication from the Secretary of the Allied Association of Bleachers, Dyers, Printers and Finishers, an association covering over 90 per cent. of the entire industry in question, referring to the letter addressed to the various constituent members of that Association, and requesting that an interview should be accorded to representatives of the firms in question, as they were not quite clear as to the exact interpretation of some of the queries.

"On the 28th April, 1920, therefore, a deputation from the Allied Association was received by us. The representations put forward on behalf of the Allied Association on that occasion, and the discussion which ensued concerned the scope of the Sub-Committee's inquiry, the sections of the Profiteering Act under which they were operating, the powers they were entitled to exercise, the nature and extent of the information necessary to enable them to discharge the duties delegated to them, and the circumstances in which they would be entitled in law and in reason to press for information of an intimate character. The proceedings on this occasion terminated with an understanding that the Allied Association would submit to the Sub-Committee a skeleton return indicating the nature of the information they were prepared, irrespective of any question of compulsory powers, to furnish on behalf of all the firms engaged in the dyeing, finishing, bleaching, and printing trades, and the form in which they proposed to present it. We need not set out in detail the nature of the skeleton return submitted, the Sub-Committee's comments thereon, and the course of the discussions and negotiations which in correspondence and conference ensued. It suffices to state that on 13th January, 1921, the Sub-Committee having ascertained from the legal advisor to the Department that it was neither expedient nor practicable in the circumstances to apply the compulsory powers conferred by the Profiteering Acts, consented to accept provisionally from the Allied Association a return embodying such information as the members of the trades in question were disposed voluntarily to give. On April 28th, 1921, three weeks before the expiry of the Profiteering Acts, and a fortnight before the latest possible meeting of the Dyes and Dyestuffs Sub-Committee, this return was received by the Chief Accountant of the Profiteering Act Department. On May 3rd, 1921, the Chief Accountant had completed his scrutiny of the returns with its accompanying documents, and was able to submit it to the Secretary and Chairman of the Sub-Committee. The Report which we here submit has had to be prepared, considered and agreed between May 3rd and May 10th, the latest practicable date for a meeting of the Sub-Committee."

The Report of the Committee concludes: "We can accordingly do no more than record our regret that the dyeing, finishing, bleaching and printing trades of this country, acting through the medium of their Allied Association, should have considered it undesirable or inexpedient to furnish us with the information necessary to the execution of the duties with which we were charged."† Briefly, the organisation concerned has deliberately flouted the Statutory Standing Committee on Trusts and refused the information essential to the Sub-Committee charged with the inquiry, whilst the Board of Trade has weakly allowed the Association to persist in its refusal.

In the case of the inquiry by a Sub-Committee of the Standing Committee on Trusts into the Sewing Cotton Combine, Messrs. Coats withheld from the Committee's accountant "any examination of the firm's sales on a whole," on the grounds that foreign sales were not covered by the Profiteering Act, 1919, and that "any disclosure of the company's foreign business would be detrimental to the interests of the company."‡

\* *Ibid*, page 4.

† *Ibid*, page 7.

‡ *Cmd. 568*, page 5.

Again, in their Third Report, the Sub-Committee state\* that—

“throughout our investigations Messrs. Coats have adopted the attitude that they would not disclose their figures relating to foreign trade in view of the fact that the Profiteering Act expressly states that ‘nothing in the Act shall apply to the sale of any article for export from the United Kingdom.’ So far as both manufacture and sale of Messrs. Coats’ sewing cotton took place actually outside the United Kingdom it is clear that such operations would be outside the scope of the Act, but so far as goods manufactured in this country are concerned, the original Sewing Cotton Sub-Committee were not in agreement with Messrs. Coats’ interpretation of the Act. The Sub-Committee stated that they regarded their investigation as an inquiry into an industry, and not into any sale or transaction, and they took the view that whether the sewing cotton manufactured in this country by Messrs. Coats was eventually exported or placed on the home market, it was certainly *produced* in the United Kingdom. Messrs. Coats have, however, adopted this attitude, and it results that we were under the necessity of proceeding without information as to their net sales of home manufactured sewing cotton for the home market and abroad respectively, and of their profits made on those sales; and even if we had been supplied with this information we should have not been able to cover the whole of their business, having regard to the fact that a great portion of their sales is of goods both manufactured and sold in foreign countries.”

The obstacles which certain traders have put in the way of Committees set up under the Profiteering Acts are as illuminating as the facts which have been laid bare, or wilfully withheld, as the case may be. They are as valuable evidence of profiteering as the actual facts regarding the profits which have been made. They are, moreover, interesting as showing the lengths to which business firms will go to prevent the violation of the secrecy in which they are enveloped. We shall have occasion to refer in a later section of this Report to the secrecy which business men seek to maintain regarding their operations.

We may now turn to a consideration of a few examples of profiteering drawn from official documents.

The various Sub-Committees set up under the Profiteering Acts have investigated a wide range of commodities. In some cases, at least, we think that the inquiries have been biased in favour of those whose activities were under investigation. But the general tenor of the reports is sufficient to confirm the view of the widespread character of profiteering, notwithstanding the efforts made to suppress the facts. We shall have occasion to refer to certain reports when we come to consider trusts and combinations. In this section we are concerned more especially with profits.

## B. THE WOOL TEXTILE INDUSTRY.

Four reports have been published concerning the wool textile industry. They deal respectively with the “cost of production, distribution of wool, tops and yarns at all stages, and the profits arising therefrom,” with worsted yarns, with “the prices, costs and profits of the manufacture of Yorkshire tweed cloths,” and with the top making trade. Three of these reports provide a serious indictment of certain branches of the woollen and worsted industry, and an explanation of the rise in the cost of clothing. The Wool, Tops and Yarns Sub-Committee consisted of ten employers, four Trade Unionists, two civil servants and an economist in the person of Mr. Sidney Webb. The Committee admit in their Report† that the release of wool from control was followed by “a very great increase in prices, and consequently in the cost of woollen goods,” and that profits on raw wool of all types were “augmented very greatly” after the withdrawal of control. The rise in prices of Australasian wool is shown in the following table.

\* Cmd. 1173, page 4.

† Cmd. 535, page 6.

TABLE XXI.

Average prices of Merino and Crossbred Wools in London in pence per lb.  
calculated on clean scoured basis.

Quality.	July, 1914.		Government Issue Price, 1st April to 30th November, 1919.		Auction Price in London, December, 1919.
	d.	.....	d.	d.	d.
70's .....	30½	.....	63 to 67½	.....	150½
64's .....	28½	.....	62 „ 66	.....	140½
60's .....	28	.....	59 „ 65	.....	130½
58's .....	26	.....	52½ „ 55½	.....	104½
56's .....	24	.....	46 „ 49	.....	86½
50's .....	20½	.....	41½ „ 44½	.....	67½
48's .....	16	.....	37½ „ 39½	.....	54½
46's .....	15½	.....	33 „ 35	.....	42½
44's .....	15	.....	31½ „ 33½	.....	33
40's .....	14½	.....	28½ „ 30½	.....	28½

The Committee appointed under the Profiteering Act to inquire into worsted yarns summarised its findings as follows.\*

1. That during the war the bulk of the spinning machinery was used for the production of worsted yarns for the requirements of the Army, Navy, and other public services.

2. That the spinners were remunerated for such yarns by a price based on the cost of production, plus a reasonable margin of profit, and that the latter was estimated on a pre-war basis.

3. That the rates of profit allowed by the War Office were 1d. to 3d. per pound in accordance with the time over which the machinery was occupied in producing the finished yarn.

4. That no facts have been brought to the notice of the Committee which lend support to the view that the spinners were inadequately remunerated by the War Office during the period of the war.

5. That the War Office scale of charges does not make provision for bad debts and selling expenses incidental to the civilian trade, but that, in view of the present circumstances of the industry, this does not materially affect the figures given in these findings.

6. That, if the War Office schedule of prices revised so as to include all increases in costs is applied to the market rates of the raw material, published in a recognised trade paper, the resultant figures show that a profit of from 13d. to 43d. per pound was received by spinners on yarns quoted for November/December, 1919, delivery.

7. That, in the view of the representatives of the Worsted Spinners' Federation, the market rates for raw material and yarn, quoted in the trade paper in question are misleading.

8. That on the basis of revised figures, prepared by the worsted spinners indicating what they themselves consider to be the market price for raw materials and the resultant yarns for delivery November/December, 1919, the application of the War Office scale (brought up to date by the inclusion of all known charges) shows that the rates of profit per pound range from 8½d. to 34½d.

9. That the figures revealed in findings Nos. 6 and 8 are based on the assumption, with which the spinners agreed, that when selling yarns a spinner has to cover himself forthwith for raw materials; and that when raw materials have been bought ahead, a correspondingly increased profit accrues to the spinner.

10. That the Profiteering Act has had no apparent effect on the prices of worsted yarns or the profits arising therefrom.

The Schedules added to the Report amplify the figures given in Clauses 6 and 8 above, and throw a lurid light on the gross profiteering which obtained before the trade depression set in.

\* Cmd. 550, page 4.

These inquiries were followed by an investigation into the prices, costs, and profits of the manufacture of Yorkshire tweed cloths. The Committee's Report\* appears to us to be rather a defence of the manufacturers than an attempt to set forth the actual facts. It is, indeed, an astonishing document. It is shown that "the average aggregate sales pre-war for the standard profits years of the firms investigated . . . amounted to £1,847,051, and the net profits on these sales to £185,827, or 10.1 per cent. on sales. For the post-war accounting period (ending June, 1919) sales had increased to £7,449,472 and the profits to £1,472,442, or 19.7 per cent. on sales." The Report continues: "the two profits are, however, not comparable, for various charges which had not to be met on the pre-war margin have to be met on the post-war margin, the main charges being extra cost of renewals of plant and machinery, abnormal risk on raw material, and special taxation."†

The first charge—extra cost of renewals of plant and machinery—is not in practice a charge to be met out of ascertained profits, as the firms investigated no doubt made generous allowances for depreciation, which would constitute an item in the total expenditure of the individual firms. The second charge—abnormal risk on raw material—we are at a loss to understand, in view of the common practice during periods of rising prices of charging prices based on replacement costs. The third charge—special taxation—suggests, in effect, that taxation should be borne by the consumer; or, to put it another way, that profits are to be allowed on a scale which will cover additional taxation. The Committee point out in their Report that in practice "Excess Profits Duty is added by the manufacturers to the prime cost of the article."‡ Consequently, so far as this tax is concerned, it has not to be met out of the distributable profits, and therefore it cannot be regarded as a "charge" on profits. Income tax, obviously, ought not to be deducted before arriving at net profits.

The Committee's astounding point of view leads it to equally astounding conclusions. "After deducting Excess Profits Duty, which amounted to £881,949, the profits were £590,493, or 7.9 per cent. on sales, without allowing for extra cost of renewals and risk. Thus the percentage of profit on turnover after deduction of Excess Profits Duty had decreased from 10.1 per cent. pre-war to 7.9 per cent. in respect of the accounting period "dealt with in the inquiry." Moreover, it is argued that "on the paper profits amounting to £1,472,000, or 19.7 per cent. on sales, there has . . . to be deducted £997,000 (Excess Profits Duty £882,000, and income and super-tax on extra cost of renewals, £115,000), in respect of taxation and £141,000 to meet extra costs of renewals, leaving £334,000 or 4.5 per cent. on sales."§ The Committee, in making these statements, quite evidently intend to convey to the public that the manufacturers of tweed cloth in the period after the war were worse off than they were before the war. We frankly do not believe it. We are driven to the conclusion that the Committee have suppressed the material facts, and given an erroneous impression of the economic position of the tweed cloth manufacturers.

The figures quoted above are worth examination. The gross figures of sales and profits, before and after the war, of the firms investigated were as follows:—

Post War Sales .....	£7,449,472	Post War Profits .....	£1,472,442
Pre-War Sales .....	1,847,051	Pre-War Profits .....	185,827
Increase on Sales.....	5,602,421	Increase of Profits .....	1,286,615
" " .....	303%	" " .....	690%

In comparing the profits which have been made at the expense of the consumer, Excess Profits Duty and similar considerations are irrelevant. The outstanding fact is that whilst the value of sales was four times what it was before the war, profits totalled nearly eight times as much. Wages, the cost of raw materials, and other expenses have not increased as much as profits have increased. An analysis of costings of five cloths given in Appendix II. of the Committee's Report shows a pre-war prime cost per yard of 26.2 pence and a selling price of 28.2 pence per yard, and a post-war prime cost of 85.3 pence per yard, with a selling price of 103.5 pence per yard. The profit in the former case was 2d. per yard and in the latter 18.2 pence per yard. The Committee, however, make the profit after deducting taxation on business a matter of 6d. per yard, and, after deducting, in addition, extra cost of renewals, 4.2 pence per yard. Even allowing these quite illegitimate deductions from gross profits, the costings of five cloths show a profit per yard more than double that obtained before the war. We are not clear whether the prices per yard quoted above are domestic prices or foreign prices. If, as we believe, they refer to cloths sold at home, then the actual profits made by the manufacturers will be higher, since for that portion of their output which was sold abroad higher prices would be realised. **We are convinced that if the profits of tweed cloth manufacturers were expressed as dividends on capital, as is the practice with limited companies, the high rate of profit obtaining after the war would scandalise the public. The report we are considering is, in our opinion, a gross travesty of the facts. We understand that a report of this branch of the wool textile industry was prepared and then suppressed, and that the present report was, in effect, substituted for it. We can only conclude that the earlier report was less favourable to the interests concerned than the document presented to the public.**

The fourth report dealing with the wool textile industry is concerned with "the cost of production and distribution of wool, tops and yarns at all stages and the profit arising therefrom."\* Before referring to the Committee's findings as regards profits, it is fair to point out that the Committee "draw special attention to the recommendation of our chief accountant that, owing to the abnormal conditions reflected in the figures of profits during the period under review, regard should be had to the average profits earned in the top-making industry over a period of years." Such information, however, was not available. This note of warning, however, does not explain away the information which is available. The Committee found†:—

3. That while charges made for combing wool into tops by the wool combers in 1919 were about three times pre-war charges for combing, the profits per pound for wool combed had risen from 0.289d. to 0.478d., or rather less than twice the pre-war figures.

4. That the average profit per pound of tops over the five firms for which data were available amounted, for the year 1912, to under ½d. per pound, and that for the year 1919, the corresponding profit had increased to approximately 9d. per pound, before deducting Excess Profits Duty and to rather over 6d. per pound after deducting Excess Profits Duty. In other words, the average profit in pence per pound was multiplied about 15 times after Excess Profits Duty had been deducted.

5. That the percentage of net profits on total turnover had increased from an average of 2.19 per cent. in 1912, to 14.78 per cent. in 1919, before deduction of Excess Profits Duty, and to 9.69 per cent. after deduction of Excess Profits Duty.

\* Cmd. 1192.

† *Ibid*, page 7.

6. That the percentage of net profits on total capital employed had increased from an average of 15.72 per cent. in 1912 to 59.44 per cent. in 1919, before deduction of Excess Profits Duty, and to 39.05 per cent. after deduction of Excess Profits Duty.

7. That it is stated by our chief accountant that, owing to the fact that in the accounts of the top-makers, the profits on wool merchanting cannot be separated from the profits on the top-making side of the business, the figures of profits on tops shown in this Report are probably rather lower than those actually realised both before the war and during the last financial year.

8. That whilst statements made to us as to losses recently incurred by the trade owing to the rapid fall in values since May, 1920, may well be in accordance with the facts, no evidence has been given which would enable us to express an opinion as to the extent to which the losses incurred offset the gains made during the period covered by our Accountant's Report. It is clear to us, however, that to the unhealthy inflation of values prior to March, 1920, was largely due the subsequent heavy fall.

9. That the insistence of certain sections of the purchasing public both at home and abroad upon being supplied with the high qualities of fabrics during the period following the Armistice was a contributing cause to the great rise in price of cloth and consequent large profits throughout the whole industry.

Certain of the members of the Committee appended an addendum to the Report pointing out that "one of the firms which were put forward as representative of the trade earned 88.8 per cent. upon the capital employed during the year 1919, after the payment of Excess Profits Duty," and one member considered it was "desirable that the President of the Board of Trade should cause further inquiry to be made into the affairs of this firm." So far as we are aware, the Board of Trade has taken no action in the matter.

The inquiries which were undertaken under the Profiteering Acts into various branches of the woollen and worsted industry reveal a state of affairs which the employers in the industry have unsuccessfully endeavoured to condone. The industry is normally one of considerable prosperity, and it is safe to say that the reports submitted by the Committees of the Profiteering Act Department do not err on the side of exaggeration.

The woollen and worsted industry has been more fully investigated than any other industry. We may, however, refer briefly to certain other reports.

### C. THE DYEING, FINISHING, BLEACHING AND PRINTING INDUSTRY.

This industry, as we have already shown, refused the necessary information to a Sub-Committee of the Standing Committee on Trusts appointed to inquire into it. The figures obtained by the Sub-Committee are clearly designed to hide the facts. We may, however, quote a passage from its Report:—

"We note that, over the four sections of the industry taken as a whole, prices or charges were advanced 207 per cent.; and that profits in 1919 represented a somewhat less percentage of the total turnover of that year than the profits of 1913 did of the turnover of 1913. If it could be assumed that the poundage or yardage output of 1919 was the same as that of 1913, it could be adduced that the actual profit made was nearly three times as great in 1919 than in 1913, and that after deducting Excess Profits Duty the profits retained were roughly two and a-half times as great—but no information is given as to the comparative turnovers in the two years in question, and, therefore, no definite deduction of the kind can be made on the strength of the information given in the returns."\*

We hazard the suggestion that the profits made by dyers, finishers, etc., have been very considerable.

#### D. THE METAL BEDSTEAD INDUSTRY.

In the case of the inquiry into the metal bedstead trade, the Committee reported\* that "the profit accruing to manufacturers of bedsteads of the type indicated had in November, 1919, increased approximately four times per bedstead sold as compared with June, 1914"; but it appears that "the output of the industry has fallen seriously, in some cases about 50 per cent.," and the Committee find that "in all the circumstances the profits made by the manufacturers do not show any marked increase in aggregate amount as compared with those accruing before the war." Notwithstanding a largely increased rate of profit, the Committee let down the manufacturers gently on the ground that aggregate profits have not increased.

#### E. THE GLASSWARE INDUSTRY.

The Glassware Sub-Committee, in their Interim Report† dealing with glass bottles and jars and scientific glassware, express the opinion that "having regard to the profits that have been made in recent years, the prices of bottles are unduly high, and that, in view of the greatly reduced cost of production\* likely to be brought about by the extended use of the 'Owens' Automatic Machine, very substantial reductions in prices ought to be enjoyed by buyers in the near future. . . . In this connection the great influence which the cost of glass containers has upon the price of many foods, beverages, and medicines should not be overlooked."

#### F. THE MATCH INDUSTRY.

The Sub-Committee on Matches reported‡ that "the profit made by the industry . . . would appear to be reasonable," though the profits of seven companies investigated rose from 7.8 per cent. on the capital employed in the three years 1912, 1913, and 1914, to 16.4 per cent. in the four years, 1915, 1916, 1917, and 1918, before deduction of Excess Profits Duty, and even after deducting E.P.D. they stood at 9.5 per cent.

#### G. SUPPRESSED REPORTS.

We ought here to point out that important inquiries have been instituted into particular trades by the Profiteering Act Department, and a considerable amount of public money expended, after which nothing further has been heard of them. It has been stated in the House of Commons that "a preliminary inquiry into the costs, prices and profits of the manufacture of Cotton Yarns and Cloths was made by the chief accountant to the Central Committee, but the Standing Committee did not proceed with the inquiry.§ The Government refused to publish the results of the accountant's investigation. Expert inquiries were at one time undertaken into the shoddy, blanket and worsted cloths industries, but no reports have been issued.|| No adequate reasons have been submitted for dropping these investigations, which would, in our opinion, have reinforced the conclusions reached in the inquiries which were completed.

In the next section of this Report, we shall deal, under the heading of Combinations and Monopolies, with the result of other inquiries inaugurated under the Profiteering Acts.

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\* Cmd. 607, page 5.      † Cmd. 1066, page 9.      ‡ Cmd. 924, page 7.  
 § Hansard. Col. 1086, June 1st, 1921.      || Hansard. Cols. 2016-7, June 9th, 1921.

## H. PROFITS OF INDIVIDUAL FIRMS.

We give below a random selection of statements published by the various firms themselves, showing their profits over a series of years. The firms are engaged in many industries. They do not represent abnormal cases; they are typical of the extent to which profits have been increased.

During the period of high prices which set in shortly after the outbreak of the war, and especially since the Armistice, when the upward movement of prices developed increased momentum, record profits were made by industrial and commercial firms. We have thought it advisable to give examples of the phenomenal successful trading of British industry judged by the dividends, etc., of individual concerns. The examples given below are fairly typical of the main branches of industry, and the figures are taken from the prospectuses of the firms concerned published in the daily Press, or from statements which have appeared from time to time in *The Financier*.

### 1. Printing, Stationery and Paper.

Messrs. Spicer Brothers Limited issued a prospectus in November, 1920, in which it was stated that: "The net profits, as shown in the audited accounts, after making full reserve for doubtful debts and depreciation on investments, property and machinery, and after providing for interest and loans, income tax (so far as not deducted from dividends paid) and Excess Profits Duty but before charging interest on Debenture Stock (£5,850 in each year) were as under:—

	£	s.	d.
Year to 31st March, 1912 .....	50,993	6	2
" " " 1913 .....	49,498	9	10
" " " 1914 .....	<b>50,546</b>	<b>7</b>	<b>6</b>
" " " 1915 .....	30,770	11	5
" " " 1916 .....	35,540	13	7
" " " 1917 .....	51,957	15	1
" " " 1918 .....	71,428	15	10
" " " 1919 .....	60,647	4	4
" " " 1920 .....	<b>109,985</b>	<b>9</b>	<b>3</b>

It will be seen that the *net profits* rose from £50,546 7s. 6d. in 1914, to £109,985 9s. 3d. in 1920, an increase of 117.6 per cent.

The results of the trading of Messrs. Charles Morgan and Co. Limited are even more successful. The profits of this business, after providing for Excess Profits Duty and depreciation, but before charging income tax and interest on capital and loans, were as follows:—

	£	s.	d.
For year ending 31st December, 1914 .....	7,359	18	8
" " " 1915 .....	12,344	5	0
" " " 1916 .....	23,075	0	5
" " " 1917 .....	23,997	1	4
" " " 1918 .....	36,330	19	6
" " " 1919 .....	<b>35,261</b>	<b>14</b>	<b>0</b>

The profits earned in 1919 were nearly five times as large as those earned in 1914.

The London Paper Mills Company Limited (which includes Albert E. Rees and Co. Limited) issued a prospectus in September, 1920, in which it was shown that the certified profits of the two businesses for the five years

ended 31st March, 1920, after making provision for depreciation, Excess Profits Duty, and all other charges except income tax, were as follows:—

Year.	London Paper Mills Co. Ltd.	Albert E. Rees & Co. Ltd.	Combined Profits.
1916 .....	£11,219 .....	£47,479 .....	£58,698
1917 .....	12,129 .....	49,369 .....	61,498
1918 .....	13,692 .....	83,737 .....	97,429
1919 .....	30,549 .....	129,805 .....	160,354
1920 .....	30,554 .....	166,475 .....	197,029

In 1920 the combined profits amounted to £197,029, an amount exceeding the combined profits for 1916 by £138,331.

The profits of the Amalgamated Press Limited for the eight years ended 31st October, 1919, after providing for depreciation of buildings, plant and machinery, income tax, and Excess Profits Duty, but exclusive of the dividends received in respect of the company's holding of shares in the Imperial Paper Mills Limited, were certified by the accountants as follows:—

For the year ended 31st October, 1912.....	£	s.	d.
1912.....	324,775	10	9
" " 1913.....	371,334	4	5
" " 1914.....	334,285	14	6
" " 1915.....	395,189	3	0
" " 1916.....	326,844	10	10
" " 1917.....	805,953	1	2
" " 1918.....	328,680	17	10
" " 1919.....	433,071	0	9

The real profits made by the Amalgamated Press Limited are obscured by the deduction of taxation. The dividends received from the Imperial Paper Mills Limited are not included.

## 2. Food, Drink and Tobacco.

The net profits of the Imperial Tobacco Company of Great Britain and Ireland, as published in *The Financier* of February 8th, 1921, were as follows:

Year ended October 31st, 1915.....	Net profits.
1915.....	£2,208,200
" " 1916.....	3,810,300
" " 1917.....	3,488,500
" " 1918.....	3,726,200
" " 1919.....	4,749,100
" " 1920.....	5,459,800

In each year the profit is arrived at after providing for depreciation and other charges and making contributions to the pension fund. In each year, too, out of the profit available £1,000,000 has been transferred to the general reserve fund. It will be seen, therefore, that during the period covered £6,000,000 has been transferred to the reserve fund.

The profits of R. E. Jones Limited, caterers, are certified by the accountants as follows:—

Year ended.	Issued Share Capital.	Balance of profits after meeting all expenses, in- cluding Mortgage interest and Provision for Excess Profits Duty and Income Tax, but before charging Debenture Interest, De- preciation and Directors' fees.	Rate of Dividend on Ordinary Shares.
October 31st, 1914.....	£77,829	£10,782	Per cent. 12
" 1915.....	87,060	11,467	12
" 1916.....	88,628	12,768	20
" 1917.....	88,628	10,782	20
" 1918.....	88,628	17,180	30
" 1919.....	151,000	89,338	45
" 1920.....	506,088	84,780	45

The combined profits for the six companies included in the Fruit and Produce Exchange of Great Britain Limited, before charging income tax, remuneration paid to partners, directors and managing directors, interest on borrowed money, depreciation of premises, plant and equipment were as follows:—

**Profits after charging Excess Profits Duty.**

	£	s.	d.
1913.....	17,479	16	4
1914.....	14,990	0	6
1915.....	10,707	8	2
1916.....	19,337	6	11
1917.....	15,011	2	8
1918.....	18,793	8	10
1919.....	35,813	11	8

The table given below was published in *The Financier* of August 9th, 1920, and refers to Bass, Ratchiffe, and Gretton, brewers. It is interesting to note that from 1915 to 1920 this firm accumulated in the reserves £450,000, and that during 1920 the issued ordinary share capital was increased 50 per cent. by the issue of bonus shares, a proportion of the special and general reserve fund having been capitalised for that purpose. The dividend of 11 per cent. for 1920 on the ordinary share capital was equivalent to a distribution of 16½ per cent. on the old share capital.

Year to June 30th.	Profits.	To Reserve.	Ordinary Share Dividend.	Carry forward.
1915 .....	£337,588	£50,000	10 per cent.	£67,464
1916 .....	876,468	75,000	12 "	56,933
1917 .....	425,886	75,000	14 "	68,120
1918 .....	449,800	50,000	15 "	61,570
1919 .....	580,190	100,000	16 "	60,080
1920 .....	585,089	100,000	11 "	61,969

The profits of Messrs. Arthur Guinness, Son and Co., are even more startling. In the following table, taken from *The Financier* of August 4th, 1920, particulars are given of this firm's brewery profits, net profits, taxation liabilities allocation to reserves and ordinary stock distributions for each of the past four years:—

	1917.	1918.	1919.	1920.
Brewery Profit .....	£4,920,800	£4,105,400	£5,858,800	£12,941,400
Excise Duties .....	929,000	1,995,500	3,700,800	9,501,700
Income and Excess Profits Tax .....	766,500	968,100	965,700	1,462,700
Net Profit .....	1,906,100	2,022,100	2,050,700	3,263,900
To Reserves.....	235,000	235,000	285,000	735,000
Ordinary Dividend.....	800,000	800,000	800,000	1,000,000

In 1920 the company made £3,263,900 net profit, as against £1,906,100 in 1917, whilst £735,000 was placed to reserve, as against £235,000 in 1917.

In its issue of the 19th May, 1920, *The Financier* gave a resumé of the financial results of Messrs. Lipton's trading, which are set forth in the following table:—

Year ended March.	Net Profit.	To Reserve, etc.	Ordinary Dividend.	Carried forward.
1913.....	£162,500	Nil.	6 per cent.	£31,700
1914.....	160,300	Nil.	6 "	47,000
1915.....	80,800	Nil.	Nil.	57,000
1916.....	124,800	£30,000	Nil.	60,100
1917.....	258,200	110,000	7½ per cent.	66,800
1918.....	374,000	140,000	12½ "	74,700
1919.....	401,400	110,000	12½ "	138,700
1920.....	415,700	100,000	12½ "	134,900

### 3. Engineering.

The British Electrical Engineering Company Limited, issued a prospectus on July 27th, 1920. The profits shown for the seven years ended 31st December, 1919, after deducting interest on debenture stocks, expenses of management, establishment, maintenance, directors' remuneration, and provision for bad debts, but before charging depreciation of buildings, plant, patents and goodwill (which in the accounts averaged £8,025 2s. 8d. per annum) and Excess Profits Duty were as follows:—

	£	s.	d.
31st December, 1918 .....	20,061	14	9
"    "    1914 .....	13,065	10	8
"    "    1915 .....	15,255	10	10
"    "    1916 .....	19,590	15	2
"    "    1917 .....	32,146	15	6
"    "    1918 .....	89,053	12	8
"    "    1919 .....	146,640	8	6

The certified profits of Messrs. Sir W. G. Armstrong Whitworth and Company, Ltd., for the four years, 1912-15, after charging depreciation and interest on the debenture stock and loans, were as follows:—

	£
31st December, 1912.....	675,526
"    "    1913.....	683,048
"    "    1914.....	801,895
"    "    1915.....	852,348

The accounts for the years 1916-1919 have not yet been published," says the Company in a prospectus issued in the Press, July 13th, 1920, "owing to the fact that negotiations with various Government Departments have not been completed. The average net profits for these years, however, after making the above deductions, and after making provision for any possible charge for Munitions Levy or Excess Profits Duty, will in the directors' opinion not be less than £1,000,000 per annum, which sum does not include any profit that may result from the employment of the proceeds of the issue of capital at the end of 1919, amounting to about £3,500,000."

Messrs. Brown Bros., Limited, which company holds all the shares of James Thomson and Son (Motor Factors), Limited, Edinburgh stated in their prospectus in *The Times* of July 12th, 1920, that "the combined profits for the two firms for the last nine years, as certified after charging rents, depreciation and estimating Excess Profits Duty, but before deducting income tax, managing directors' remuneration, and directors' fees, have been as follows:—

	£	s.	d.
1911.....	88,120	18	1
1912.....	88,755	19	2
1913.....	88,440	10	1
1914.....	33,247	14	11
1915.....	50,833	11	4
1916.....	55,170	9	10
1917.....	53,286	6	8
1918.....	53,867	18	8
1919.....	98,327	3	1

On June 2nd, 1921, the General Electrical Company issued a prospectus in which the accountants certified that the following tabulated statement is correct:—

	YEAR ENDED 31ST MARCH.					
	1915.	1916.	1917.	1918.	1919.	1920.
	£	£	£	£	£	£
Profit on Trading and Income from Invest- ments after charging Debenture Stock Interest and Excess Profits Duty .....	144,078 ...	184,289 ...	273,197 ...	292,500 ...	476,201 ...	722,624
Written off for Depre- ciation .....	18,855 ...	19,260 ...	30,541 ...	39,715 ...	73,653 ...	85,329
Net Profit before charg- ing Income Tax and Corporation Profits Tax	125,223 ...	164,979 ...	242,656 ...	252,785 ...	402,548 ...	637,295
Transferred to Reserve Account .....	20,000 ...	40,000 ...	40,000 ...	100,000 ...	117,000 ...	150,000
Rate of Dividend on Ordinary Shares .....	10 % ...	10 % ...	10 % ...	10 % ...	10 % ...	10 %
			(free of Income Tax)	(free of Income Tax)	(free of Income Tax)	(free of Income Tax)
Carried forward after allowing for Excess Profits Duty .....	86,701 ...	48,058 ...	89,736 ...	88,859 ...	105,511 ...	175,893

#### 4. Textiles.

Textile firms were no less successful in their operations than firms engaged in other branches of industry.

Messrs. A. and S. Henry and Company Limited, textile merchants and manufacturers, made net profits for the years 1914 to 1919 as shown below:—

	£	s.	d.
Year ended November 30th, 1914.....	90,581	15	4
"    "    1915.....	159,015	13	5
"    "    1916.....	212,594	16	8
"    "    1917.....	226,071	15	8
"    "    1918.....	247,045	8	7
"    "    1919.....	390,897	0	11

The above profits are after charging directors' remuneration, interest on mortgage, debentures and deposits, bad debts, depreciation and Excess Profits Duty assessed, and after making provision to cover the duty payable for the years 1918-1919 but before charging income tax.

Amalgamated Textiles Limited issued a prospectus on October 11th, 1920, in which it was stated that "the certified profits (as shown by their audited accounts) of Messrs. Daniel Illingworth and Sons and A. and H. Illingworth Limited for the eight years ending March 31st, 1920, and of Messrs. John H. Beaver Limited for the eight years and three months ending March 31st, 1920, after providing for Excess Profits Duty, manager's bonus, depreciation of plant and machinery of Messrs. Daniel Illingworth and Sons, William Morris and Sons Limited, and John H. Beaver Limited,

but before charging interest upon capital, income tax and interest, were as follows:—

12 months to	December 31st, 1912 .....	} £100,797
12 "	March 31st, 1913.....	
12 "	December 31st, 1913 .....	} 84,104
12 "	March 31st, 1914.....	
12 "	December 31st, 1914 .....	} 57,505
12 "	March 31st, 1915.....	
12 "	December 31st, 1915 .....	} 172,200
12 "	March 31st, 1916.....	
12 "	December 31st, 1916 .....	} 210,774
12 "	March 31st, 1917.....	
12 "	December 31st, 1917 .....	} 160,891
12 "	March 31st, 1918.....	
12 "	December 31st, 1918 .....	} 170,119
15 "	March 31st, 1919.....	
12 "	December 31st, 1919 .....	} 574,114
12 "	March 31st, 1920.....	

\* Owing to broken periods in the accounts, we are unable to give a uniform comparison in the above Statement of Profits.

The annual profits of the Textile Corporation Limited during the period 1st January, 1910, to 30th September, 1919, were given as follows in the Company's prospectus, dated 27th January, 1920. These results are arrived at after providing ample depreciation, but before charging Excess Profits Duty, income tax, and interest on loans, bank overdraft, and partners' capital. The accounts were made up to the half-year ended 30th September, 1919, to agree the basis for the formation of the company:—

For the year ending 31st December, 1910 .....	£34,832
" " " 1911 .....	34,602
" " " 1912 .....	35,548
" " " 1913 .....	24,726
For the 15 months ending 31st March, 1915 .....	64,227
For the year ending 31st March, 1916 .....	40,560
" " " 1917 .....	126,521
" " " 1918 .....	59,017*
" " " 1919 .....	147,145

\* The decline in the profits for the year ended 31st March, 1918, was due to the Government restriction of Export Licenses.

The profits for the six months ended 30th September, 1919, after making ample provision for Excess Profits Duty, exceeded the sum of £100,000, being at the annual rate of over £200,000.

### 5. Shipping.

The profits of three shipping companies are given below:—

#### Manchester Liners—

Year ended June 30th.	Gross Profit. £	Net Profit, £	To Reserve. £	Ordinary Dividend. Per Cent.	Carried Forward. £
1917 ...	174,200	166,600	100,000	25	14,100
1918 ...	111,800	105,000	30,000	25	16,500
1919 ...	137,900	132,300	50,000	15	13,900
1920 ...	195,000	190,100	100,000	15*	14,300

\* It should be noted that in June, 1919, a bonus distribution equivalent to 100 per cent. was made to the holders of both Ordinary and Preference Shares.

The Royal Mail Steam Packet Company.—The audited accounts of the company, after providing for depreciation of the fleet, etc., and Excess Profits Duty, showed profits for the eight years to the 31st December, 1919, as follows:—

1912	.....	£489,455
1913	.....	486,470
1914	.....	98,231
1915	.....	808,730
1916	.....	791,096
1917	.....	764,446
1918	.....	706,472
1919	.....	953,600

Elder, Dempster and Company Limited.—The audited accounts of the company showed profits for the four years to 31st December, 1914, as follows:—

1911	.....	£236,899
1912	.....	288,199
1913	.....	307,605
1914	.....	326,121

and for the four years of the war, after providing for Excess Profits Duty, as follows:—

1915	.....	£349,444
1916	.....	358,175
1917	.....	366,901
1918	.....	408,530

## 6 Coal and Iron.

The profit of Messrs. Guest, Keen, and Nettlefold, and John Lysaght, are shown in the following tables:—

### Guest, Keen, and Nettlefold:

	Net Profit.	Balance Available.	To Reserve.	Dividend.	Carried Forward.
	£	£	£	Per Cent.	£
1916-17	... 359,433	... 736,642	... 100,000	... 15	... 405,712
1917-18	... 372,625	... 778,337	... 130,000	... 15	... 417,587
1918-19	... 343,121	... 516,437	... 50,000	... 15	... 235,687
1919-20	... 860,509	... 1,096,196	...	... 15	... 261,604

### John Lysaght:

	Net Profit.	Ordinary Dividend.	To Reserves.	Carried Forward.
	£	£	£	£
1913	... 280,867	... 100,000	... 25	... 478,143
1914	... 263,997	... 100,000	... 25	... 507,440
1915	... 365,284	... 100,000	... 25*	... 638,001
1916	... 582,312	... 100,000	... 25*	... 700,616
1917	... 489,965	... 120,000	... 30*	... 533,881
1918	... 431,651	... 180,000	... 30*	... 245,482
1919	... 724,179	... 400,000	... 20†	... 395,286

\* Free of tax.

† This dividend is, of course, payable on a greatly enlarged capital, the number of £1 ordinary shares ranking for dividend having been increased fivefold by the capitalisation in October last of £1,600,000 of undivided profits, and under this arrangement four new fully paid shares were issued in respect of each ordinary share then held.

## 7. Drapery, etc.

The following comparison shows how Messrs. Selfridge's retail stores have fared during recent years. It will be noted that whereas in 1914 the

rate of ordinary dividend was 5 per cent., in 1920 and 1921 the rate was 10 per cent.

Year to January 31.	Net profits.	Allocations.	Ordinary Dividend, Per Cent.
1914.....	£131,500	£55,000	5
• 1915.....	134,800	34,000	5
1916.....	150,200	21,000	6
1917.....	225,000	80,500	7
1918.....	258,800	125,000	7
1919.....	322,800	200,500	7
1920.....	372,479	277,000	10
1921.....	375,031	205,000	10

In the case of Messrs. Copestake, Crompton and Co., wholesale drapers, the profits for each of the four years, before charging interest on deposits, bank loans and partners' capital, depreciation, and income tax, were as follows:—

Year ending June 30th,	1917	Before charging Excess Profits Duty.			.....	After charging Excess Profits Duty.		
		£	s.	d.		£	s.	d.
.....	1917	116,973	18	7	.....	64,965	16	7
.....	1918	279,670	14	11	.....	94,371	10	11
.....	1919	234,006	8	10	.....	128,406	8	10
.....	1920	299,852	19	4	.....	191,287	19	4

After charging Excess Profits Duty, profits in 1920 were approximately three times as large as in 1917.

Another firm of wholesale drapers, etc., Messrs. J. and N. Phillips and Co. Limited, were equally successful. The annual profits of this company, after providing for interest, loans and deposits, depreciation and directors' fees, and after making provision for Excess Profits Duty, but before charging income tax or managing directors' commission on profits, were as follows:—

Year 1916 .....	£125,052
" 1917 .....	127,580
" 1918 .....	187,739
" 1919 .....	352,916

Messrs. T. H. Downing and Co. Limited, wholesale hosiery warehousemen, manufacturers, and shippers, made the following profits for the years 1916 to 1920, after providing for all expenses, and after full deductions for Excess Profits Duty on each year, and for managing directors' remuneration, but before the deduction of income tax, corporation tax, interest on partners' capital and interest on loans:—

Year ending April 30th, 1916 .....	£51,715
"       "       1917 .....	65,223
"       "       1918 .....	76,139
"       "       1919 .....	84,360
"       "       1920 .....	138,777

## J. BONUS SHARES AND RESERVES.

The above examples of profits made by British industry from 1914 to 1920 are startling in their magnitude. During the period under review unprecedented dividends were declared. In many cases efforts were made to hide profits by allocating increased amounts to general and special reserve funds, but the piling up of a reserve fund, if effected very rapidly, tends to become embarrassing, and the way out of the difficulty is generally found by "capitalising" a proportion of the reserve fund, i.e., by issuing bonus shares, out of undivided profits, as fully paid up, ranking with

original shares for dividend. In one industry in particular—the cotton spinning industry—capitalisation took place on such a large scale that the total figure of share capital in the industry to-day is probably three times as much as it was in 1914. This means that, if the firms are to maintain the level of dividends paid in the pre-war period, three times the pre-war profits will have to be realised, with practically the same productive power as before; for during this period little extension on the capital outlay took place, that is to say, the spindleage of the cotton spinning mills shows no increase comparable with the increase in share capital. The recapitalisation policy is useful to the capitalist, as it enables him to express inordinate and extortionate rates of profits as a “not unreasonable” return on capital.

If the pre-war rates of profit are to be maintained by cotton spinning firms, the excessive dividend claims arising out of capitalisation of reserves and recapitalisation of assets based on boom period prices can only be met out of wages or prices. It is inconceivable that profits should have the prior claim on the product of industry, and, therefore, if these additional profits are to be realised, it must be at the expense of the consumer, who will be required to meet an increased cost of living if demand for goods is strong, or, on the other hand, will be faced with unemployment if demand is weak.

This inflation of share capital has not been confined to the cotton trade. The germ of inflation has inoculated many branches of British industrial and commercial enterprise. The results of the trading of Messrs. John Lysaght have been given above. It will be seen that although the net profit in 1919 was £724,179, as against £280,867 in 1913, the rates of dividend on ordinary shares were 20 per cent. and 25 per cent. respectively, whilst the amounts distributed as ordinary dividend were £400,000 and £100,000: in short, the amount distributed in 1919 was four times the amount distributed in 1913. The explanation of this decrease in the declared rate of dividend is that in October, 1919, this company greatly enlarged its capital, the number of £1 ordinary shares ranking for dividend were increased *five-fold* by the capitalisation of £1,600,000 of undivided profits, and consequently under this arrangement *four* new fully paid bonus shares were issued in respect of each ordinary share then held, so that the return of 20 per cent. in 1919 really represents a return of 100 per cent. on the original capital.

The prospectus of the General Electric Company, Limited, which appeared in *The Times* on 2nd June, 1921, and which we have quoted above, is very interesting. It is shown that the rate of dividend on the ordinary shares for the years 1915 to 1920 has been maintained at 10 per cent., but that in 1917, 1918, 1919 and 1920, it was 10 per cent. free of income tax. This rate was maintained in spite of the fact that the amounts written off for depreciation and the amounts transferred to reserve account were progressively increased.

The amounts written off for depreciation and the amounts transferred to reserve accounts for the years under consideration were as follows:—

	Amount written off for depreciation.	Amount transferred to Reserve Account.
1915 .....	£18,855	£20,000
1916 .....	19,260	40,000
1917 .....	30,541	40,000
1918 .....	39,715	100,000
1919 .....	73,653	117,000
1920 .....	85,329	150,000

If, therefore, the reasonableness of the demands of capital on the product of industry and commerce is to be measured by expressing profits distributed as a percentage return on share capital, a grave injustice will be done. It means, in effect, that share capital by virtue of this capitalisation policy is to be remunerated at much bigger rates than those prevailing in pre-war years.

### K. A GENERAL REVIEW OF PROFITS.

The following lengthy quotation from *The Economist* (January 8th, 1921) gives a valuable general review of profits in 1920 and previous years:—

“ During the past three months the reports of 334 companies have been analysed, and the aggregate net profits disclosed, after payment of debenture interest et c., amounted to £27,633,839, as compared with £21,726,731 shown by the same companies for the previous year. This increase of £5,907,108, or 27.1 per cent., is compared in the table below with the increases shown in each of the three previous quarters of the year:—

	Number of Companies.	Reports Published in		Increase.	
		1919. £	1920. £	£	Per cent.
First Quarter .....	500	34,590,797	43,926,134	9,335,337	26.9
Second Quarter.....*	355	25,974,556	35,778,799	9,804,243	37.8
Third Quarter .....	252	19,045,351	27,032,462	7,987,111	41.9
Fourth Quarter ...	334	21,726,731	27,633,839	5,907,108	27.1
	1,441	101,337,435	134,371,234	33,033,799	32.6

“ The average profit per company works out at over £82,700, as compared with £107,300 in the previous quarter and £65,000 in the corresponding period of 1919. An analysis of the figures by groups for the past quarter shows the following changes:—

#### Net Profits (after payment of Debenture Interest, etc.):—

	No. of Co's.	Reports published in Quarter ended December 31st.		Increase.		Decrease.	
		1919. £	1920. £	£	Per cent.	£	Per cent.
Breweries .....	56	2,581,920	2,222,910	...	...	359,010	13.8
Hotels, Restaurants, etc.	10	470,442	603,140	132,698	28.1	...	...
Iron, Coal, and Steel ...	21	1,231,621	1,620,129	388,508	31.5	...	...
Land Mortgage, Finance, etc. ....	29	1,847,286	1,589,876	...	...	257,360	13.9
Motor and Cycle .....	18	1,068,796	1,129,184	60,388	5.6	...	...
Nitrate .....	5	169,099	269,115	100,016	59.0	...	...
Oil .....	3	969,384	2,490,189	1,520,805	157.0	...	...
Rubber, etc. ....	71	674,421	1,258,589	584,168	86.6	...	...
Shipping .....	7	1,105,659	1,707,341	601,682	54.2	...	...
Shops and Stores.....	4	477,704	810,691	332,987	69.8	...	...
Tea.....	11	70,643	Dr. 12,545*	...	...	83,188	11.80
Telegraph, etc.....	6	2,248,013	3,464,045	1,216,032	54.0	...	...
Textiles.....	8	4,407,206	4,662,579	255,378	5.8	...	...
Tramways .....	6	83,971	71,905	...	...	12,066	14.4
Trust Companies .....	15	528,538	1,238,590	710,052	134.5	...	...
Miscellaneous .....	64	3,792,078	4,508,101	716,023	18.9	...	...
	334	21,726,731	27,633,839	5,907,108	27.1	...	...

\* Loss.

“ A feature of the table is the fact that the majority of the groups show very substantial increases—in several cases more than 50 per cent. For the large increase in the oil group the figures of the Anglo-Persian Oil Company, which refer to the year ended March 31st last, are responsible. In the telegraph group the Eastern, Eastern Extension, and Western Companies all showed substantial increases. The large increase shown by

rubber companies is perhaps surprising in view of the dwindling price of the raw material. It can be accounted for in part by the figures of the Anglo-Dutch Plantations of Java, which are responsible for £126,000 of the increase, but there are many other companies which have recorded increases. The Amalgamated Cotton Mills Trust, which has been included under Trust Companies, accounts for the whole of the increase shown in this section. Among shops and stores, Harrods (Buenos Aires) is conspicuous with an increase of over £383,000. In the tea group six of the companies show a substantial net loss, and only two show an increase in profits. The next table shows the manner in which the profits were appropriated in each quarter of the past year:—

#### DISTRIBUTION OF PROFITS.

1920.	Net Profits.	Ordinary Dividend.	Preference Dividend.	Reserve, etc.			
	£	£	Per cent.	£	Per cent.		
First Quarter .....	43,926,134	21,797,686	49·5	6,515,017	14·9	15,613,431	35·6
Second Quarter ...	35,778,799	19,472,761	54·3	3,591,611	10·1	12,714,427	35·6
Third Quarter .....	27,032,462	16,252,981	60·0	2,357,136	8·7	8,422,345	31·3
Fourth Quarter ...	27,633,839	14,390,397	52·1	3,115,713	11·3	10,127,729	36·6
	134,371,234	71,913,825	53·4	15,579,477	11·6	46,877,932	35·0

“ The last column includes, in addition to amounts specifically set aside to reserve, the amounts by which the balances carried forward exceeded the amounts brought into the accounts. The diversity of method adopted by company directors in drawing up their published accounts makes the compilation of strictly comparative statistics somewhat difficult, but uniformity in the method of treatment is adopted so far as possible. In the last quarter of the year the amount of profits reserved rose to 36.6 per cent. of total profits, but a year ago the percentage for the corresponding quarter was 38.0, although the figure was 33.5 per cent., as against 35.0 per cent. for the year 1920.”

#### L. THE MULTIPLICITY OF PROFITS.

We would point out here that the consumer suffers, not only from the size of the profits which are made on the manufacture and sale of the commodities he buys, but from the number of profits which are made. Wholesale merchants and factors seem to abound in certain trades, intercepting goods, or obtaining a claim upon goods during their passage from the manufacturer to the consumer, and extorting a profit in the process. It is obvious that the business of manufacture and the business of selling the goods manufactured to retailers or consumers are two different processes, though, of course, they may be conducted by the same firm. What we wish to emphasise, however, is the hierarchy of merchants of one kind and another who each levy toll on goods, which often enough they never see. The subject is one which demands closer inquiry than we have been able to give to it.

We are, however, convinced of the unnecessary and unjustifiable addition to prices resulting from the intervention of middlemen in the distribution of commodities. The Lord Mayor of Leeds, himself a business man, speaking at Leeds Chamber of Commerce on January 13th, 1921, said that after leaving the manufacturer and before reaching the consumer the cost of goods is increased by from 33 to 50 per cent. This is certainly an underestimate as regards some classes of goods, as the following message from the Toronto correspondent of *The Times*\* shows:—

\* See *The Times*, January 10th, 1921.

The *Montreal Star*, discussing messages from London saying that Canadian apples, for which the grower receives 27s. 6d. the barrel, are sold in Great Britain for 130s. the barrel, writes: —

“ This sort of thing works manifest hardship on the British consumer and the Canadian producer. Under present conditions the British consumer finds Canadian apples classed with the most expensive luxuries of the table, while the Canadian grower is far from getting rich at his end of the table. One of these days the whole question of food distribution will come up for serious study, and settlement by the leading nations of the world. Not only on this continent, but practically everywhere, men are using an outworn and discredited system which satisfies nobody but the small and parasitic class which levies toll upon all foods without doing anything to add to their quality or quantity.”

The difference between the price received by the grower of apples in Canada and the wholesale price in this country is not to be accounted for by freight and distributive costs and profits on a scale which even a Profiteering Act Committee would consider “ not unreasonable.” It is to be explained, we believe, mainly by the number of wholesale profits obtained during the passage of the growers’ produce to the British dealer.

Another example of the effect of the introduction of unnecessary middlemen, often mere speculators, between the manufacturer and the consumer, is to be found in recent transactions in soda crystals. It is known that soda crystals bought from the manufacturer at £5 10s. per ton have changed hands several times, and ultimately been purchased by a dealer for two and a-half times the manufacturer’s price, or even more. As a result of these transactions the wholesale price of soda crystals was increased by an amount equal to 1d. per lb., which, of course, exceeds the whole sum obtained by the manufacturers for producing the commodity.

### III.—COMBINATIONS AND MONOPOLIES.

As the artificial conditions produced by the war pass away, it might be thought that competition will result in the elimination of profiteering and the exploitation of the consumer. But it must be borne in mind that competition is not now the dominant factor in industry and commerce. Competition is a diminishing influence in the determination of prices, owing to the development of combinations of one sort and another. One of the outstanding features of the economic system of to-day is the growth of trusts, kartells, rings, pools and understandings with regard to output and prices, for the purpose of eliminating the wastes of competition and reaping larger profits.

Conditions during the war were favourable to the growth of organisation, and the Government itself actually fostered the association of manufacturers and traders. The trust movement has in consequence received a considerable impetus. It was not unknown before the war; but it has rapidly increased in importance during and since the war.

The Committee on Trusts appointed by the Minister of Reconstruction drew attention in its Report\* to the problems of combination. The Addendum

to the Report, signed by Messrs. Ernest Bevin, J. A. Hobson, W. H. Watkins and Mr. Sidney Webb, and the valuable memorandum, of Mr. John Hilton merit careful attention. The position is summarised in the Addendum\* as follows:—

"The fact is that free competition no longer governs the business world. The common assumption that the rivalry of traders affords a guarantee that the price of commodities will oscillate closely about the necessary cost of production—whatever may have been its degree of truth in the past—is now, in this country, nowhere to be implicitly relied on. It is nowadays open to doubt whether we ever buy anything at the cost of production. We find that capitalist combination, in one or other form, and at one or other stage of production, transportation, and distribution, now loads in varying degrees the price of practically everything that we purchase."

#### A. MEAT.

The Report gives some account of the American Meat Trust, and quotes the report of the Federal Trade Committee on the meat packing industry.† The American Meat Trust is an excellent example of the developments which are taking place in the world, and we make no apology for quoting at some length from the American official report:—

"Five corporations: Armour and Company, Swift and Company, Morris and Company, Wilson and Company, Inc. and Cudahy Packing Company, hereafter referred to as the 'Big Five' or 'The Packers,' together with the subsidiaries and affiliated companies, not only have a monopolistic control over the American meat industry, but have secured control, similar in purpose, if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable oil products, and are rapidly extending their powers to cover fish and nearly every kind of food-stuff.

"In addition to these immense properties in the United States, the Armour, Swift, Morris, and Wilson interests, either separately or jointly, own or control more than half of the export production of the Argentine, Brazil, and Uruguay, and have large investments in other surplus meat producing countries, including Australia. Under present shipping conditions, the big American packers control more than half of the meat upon which the Allies are dependent.

"The monopolistic position of the 'Big Five' is based not only upon the large proportion of the business which they handle, ranging from 61 to 86 per cent. in the principal lines, but primarily their ownership, separately or jointly, of stockyards, car lines, cold-storage plants, branch houses, and the other essential facilities for the distribution of perishable foods.

"The control of these five great corporations, furthermore, rests in the hands of a small group of individuals, namely, J. Ogden Armour, the Swift brothers, the Morris brothers, Thomas E. Wilson (acting under the veto of a small group of bankers) and the Cudahys.

"A new and important aspect was added to the situation when the control of Sulzberger and Sons Company (now known as Wilson and Company, Inc.) was secured, 1916, by a group of New York banks—Chase National Bank, Guaranty Trust Company, Kuhn, Loeb, and Company, William Saloman and Company, and Hallgarten and Company. The report of the Committee appointed by the House of Representatives to 'Investigate the concentration of control of money and credit' (the Pujo Committee) states (page 59): 'Morgan and Company control absolutely the Guaranty Trust Company.' The Chase National Bank, a majority of its stock being owned by George F. Baker, is closely affiliated with the First National Bank. William Saloman and Company and Hallgarten and Company are closely affiliated with Kuhn, Loeb, and Company. Thus we have three of the most powerful banking groups in the country, which the Pujo Committee classed among the 'six most active agents in forwarding and bringing about the concentration of control of money and credit,' now participating in the rapidly

\* *Ibid*, page 18.

† *Ibid*, page 8. See also the report of the Interdepartmental Committee on Meat Supplies, Cmd. 456, and the Interim Report of the Profiteering Department's Committee on Meat, Cmd. 1057.

maturing food monopoly above described. The entrance of the bankers into the packing business, it should also be noted, was not at all displeasing to the big packers. J. Ogden Armour and Louis F. Smith were frequently consulted during the negotiations, and Paul D. Cravath is quoted by Henry Veeder as giving assurance that the final arrangements would be 'more than satisfactory' to Armour and Swift.

"The menace of this concentrated control of the nation's food is increased by the fact that these five corporations and their five hundred and odd subsidiary, controlled, and affiliated companies, are bound together by joint ownership, agreements, understandings, communities of interest, and family relationships.

"The combination among the 'Big Five' is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

"There are undoubtedly rivalries in certain lines among the five corporations. Their agreements do not cover every phase of their manifold activities, nor is each of the five corporations a party to all agreements and understandings which exist. Each of the companies is free to secure advantages and profits for itself so long as it does not disturb the basic compact. Elaborate steps have been taken to disguise their real relations by maintaining a show of intense competition at the most conspicuous points of contact.

"The Armour, Swift, Morris, and Wilson interests have entered into a combination with certain foreign corporations by which export shipments of beef, mutton, and other meats from the principal South American meat producing countries are apportioned among the several companies on the basis of agreed percentages. In conjunction with this conspiracy, meetings are held for the purpose of securing the maintenance of the agreement, and making such readjustments as from time to time may be desirable. The agreements restrict South American shipments to European countries and to the United States.

"Since the meat supplies of North and South America constitute practically the only sources from which the United States and her Allies can satisfy their needs for their armies, navies, and civil populations, these two agreements constitute a conspiracy, on the part of the 'Big Five,' in conjunction with certain foreign corporations, to monopolise an essential of the food of the United States, England, France, and Italy.

"The power of the 'Big Five' in the United States has been, and is being unfairly and illegally used to:—

- " Manipulate live-stock markets;
- " Restrict inter-state and international supplies of food;
- " Control the prices of dressed meats and other foods;
- " Defraud both the producers of food and consumers;
- " Crush effective competition;
- " Secure special privileges from railroads, stockyard companies, and municipalities; and profiteer.

"The packers' profits in 1917 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915-1916-1917 four of the five packers made net profits of 178,000,000 dollars."

The foregoing quotation does not completely cover the scope of the operations of the "Big Five." There are in Australia and New Zealand, Argentina, Brazil, Canada, Denmark, France, Germany, Great Britain, Italy, Paraguay, and Uruguay a considerable number of companies, subsidiary to or affiliated with one or other of the "Big Five."

The Federal Trade Commissioner, in transmitting this striking report\* to the President of the United States, wrote:—

"As we have followed these five great corporations through their amazing and devious ramifications, followed them through important branches of

\* *Ibid*, page 10.

industry, of commerce, and of finance, we have been able to trace back to its source the great power which has made possible their growth. We have found that it is not so much the means of production and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution.

"If these five great concerns owned no packing plants and killed no cattle, and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is.

"The producer of live stock is at the mercy of these five companies, because they control the market facilities and, to some extent, the rolling stock which transports the product to the market.

"The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

"The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief."

The Standing Committee on Trusts, one of the Standing Committees of the Central Profiteering Committee, has examined several combinations and provided the public with illustrations of their operations.

## B. SOAP.

The conclusions reached by the Sub-Committee of the Standing Committee on Trusts appointed to inquire into trade combinations of soap makers\* show clearly the influence of combinations on prices.

Our conclusions may be summarised as follows:—

1.—There are in the soap trade three combinations, namely:—

- (a) The Soap Makers' Federation,
- (b) The United Soap Makers' Alliance,
- (c) The United Kingdom Soap Manufacturers' Association,

of which the first two have no influence on prices and are no longer active bodies.

2.—The third combination, i.e., the United Kingdom Soap Manufacturers' Association fixes—directly for non-proprietary and, in our opinion, indirectly for proprietary soaps—the manufacturers' and retail minimum prices for 80 per cent. of the soaps sold in this country.

3.—Those prices become the recognised prices of practically all soaps sold in this country; there is virtually no competition in price.

4.—Thirty-seven of the principal soap-making firms, responsible for at least 70 per cent. of the total British output, constitute one group under the control of Lever Brothers Limited—referred to in the report as the "Lever Combine." The Lever Combine is responsible for 80 per cent. of the output of the United Kingdom Soap Manufacturers' Association, and has a majority of representatives on the Council of the Association and on each of its committees.

6.—The Lever Combine dominates the Association and is in a position substantially to determine the price at which soap shall be sold in this country. This power is not seriously affected by the potential competition of independent makers in this country, nor is it, under present conditions at any rate, affected by the possibility of keener foreign competition. The only effective limit on raising of prices is the fear of reducing demand, and this has undoubtedly been operative to prevent full use of the power of the combine. There is nothing, however, to prevent the Lever Combine from maintaining soap prices definitely higher than they would have been had the companies remained unassociated under their own financial control.

8.—The prices of recent years (1913 to 1919) have been such as to allow Lever Brothers and other manufacturers, associated with them or not, to make a very largely increased money turnover, not accompanied by increased output, profits per cent., of turnover, which were:—

- (a) greater per cent. than the profit on the pre-war turnover;
- (b) greater per cent. than the profit of 10 per cent. asked for as reasonable in 1918 by the Soapmakers' Federation themselves.

\* Cmd. 1126, page 16-17.

10.—Lever Brothers added that normally the policy of basing selling prices on replacement rather than actual cost of raw materials would be continued after prices had reached their maximum and were falling; that unless this were done those who held more extensive stocks of materials and tried to keep up the price would be undersold by other makers, and that the market should be followed down as well as up—the excessive profits made in good times being used to some extent to make up losses in bad times.

11.—In the present case, however, the policy of basing selling prices on replacement cost was abandoned as soon as the prices of raw materials began to fall. In August, 1919, when the retail price of soap first reached 11d. per lb., the cost of raw materials per ton was £94 10s. On December 20th, 1920, when the retail price was again 11d. per lb., the cost of raw materials was less than £50 per ton, i.e., little more than half what they cost when soap first reached its present price. This difference is very much greater than can be accounted for by increase in manufacturing costs between the two dates. If replacement value were still taken as a costing basis, allowing increased manufacturing costs claimed by soapmakers and the 10 per cent. profit on turnover that they themselves suggested in 1918, the selling price of best household soap to-day should be less than 9d. instead of the actual price of 11d. per lb., and the prices of other soaps should be proportionately lower than they are.

12.—Lord Leverhulme explained this change of policy by the fact that the bulk of excess profits made during rising prices, instead of being available to meet losses now, were paid as Excess Profits Duties. The soapmakers were, therefore, he explained, not in a position to follow the raw material market down as well as up. Even if this explanation be accepted we must point out:

- (a) that, as a consequence the Excess Profits Duty is really being paid by the present consumers of soap;
- (b) that shareholders, have received enhanced dividends, and large sums have been placed to reserve;
- (c) that there is a provision of the Finance Act allowing losses or reduced profits to be set against earlier excess profits;
- (d) that the United Kingdom Soap Manufacturers' Association is now in a position to fix soap prices above the replacement value level without fear of competition.

We take this last point as final demonstration of the complete power over prices possessed by Lever Brothers, acting through the United Kingdom Soap Manufacturers' Association.

13.—While some improvements and economies of organisation have no doubt taken place through the extension of Lever Brothers' control, the evidence does not satisfy us that these economies have been substantial, or represent to the public any advantage comparable with the loss and danger involved to them in the fixing of excessive prices.

14.—Since the prices fixed by the association will usually be such as to afford to the least efficient member of the association a sufficient profit, the system of price fixing by the association tends to protect inefficiency and to ensure added prosperity to the efficient; it prevents prices falling as low as they would under a competitive system. The benefit of any economies that may be made by a particular manufacturer is, as a rule, retained wholly by him in place of reaching the consumer.

### C. YEAST.

Another commodity the price of which is not regulated by competition is yeast. The manufacture of yeast in this country is practically confined to three firms: the Distillers Company Limited, Edinburgh, the United Distillers Limited, Belfast; and James Calder and Company Limited, Edinburgh. As regards its distribution, the following quotation from the Report\* of the Sub-Committee on Yeast, appointed by the Standing Committee on Trusts, is of interest, as it throws light on the numerous profits made by distributors of various kinds—a problem to which we have already referred.

“ . . . there are, throughout the United Kingdom, some 23 wholesalers, known as ‘merchants,’ and a very large number of retailers, known as ‘dealers.’ Each of the distillery companies has, amongst the number of

\* Cmd. 1216, pages 5 and 6.

merchants, its accredited agents, and delivers practically its whole output to those agents. Of the 23 merchants, some six thus receive their supplies direct from the distillers and the other merchants obtain their supplies from those few agent-merchants. From the evidence heard, we understand that the distillers never supply direct to any merchants or dealers other than their recognised agents. The whole of the merchants on their part supply the dealers throughout the country, and most of them also act as retailers and deliver direct to the consumer, namely, the baker. Home baking by the householder is, in the South, unusual, and supplies are generally delivered to bakeries, but, in the North, where home baking is very common, supplies of yeast are delivered also to grocers, who, in turn, sell to householders in very small quantities. Yeast passes in some cases from the distillers' agent direct to the baker-consumer, and in other cases it passes from the distillers' agent to another merchant, and thence to a dealer before it reaches the grocer who supplies the consumer. That is the minimum and maximum number of stages of distribution. Sometimes either the intermediary merchant or dealer may be eliminated, as there appears to be no definite line of demarcation between the merchant and the dealer. It will be seen, therefore, that in some cases yeast passes through two more stages of distribution than in other cases."

The part played by the wholesalers in determining prices is explained in a further passage of the Sub-Committee's Report:—

**"WHOLESALE YEAST MERCHANTS' ASSOCIATION AND YEAST DEALERS' ASSOCIATIONS.**

"All the 23 members are members—and they are the only members—of the Wholesale Yeast Merchants' Association, which was formed in 1893 'to safeguard the interests of the trade generally.' There are also some 45 yeast dealers' associations covering different areas of the United Kingdom, which associations, we are informed, are not affiliated. Some of these dealers' associations were in existence prior to the war, but the complete organisation now in existence was made about the middle of 1915. At that time war conditions required economies in distribution (transport and petrol), and it was, we are told, to meet those requirements that the remaining associations were formed to complete the organised distribution of this essential commodity. All the yeast dealers are members of one or more of these associations, according to the district or districts in which they trade. All the merchants are likewise members, for the districts in which they operate, of the respective Yeast Dealers' Associations, and thus serve as liaison between the Wholesale Merchants' Association and the Dealers' Associations.

**"PRICE TO CONSUMER AGREED BY MERCHANTS.**

"Whenever a change in price is made by the distillers, the Wholesale Yeast Merchants' Association decides, not the price that shall be charged to merchants or dealers, but the amount of change which shall be made in the slightly varying prices being charged to them. The reason for this is, of course, that different merchants and dealers obtain their supplies directly or indirectly from different distillers, and although the distillers agree as to the amount of price changes, their prices are not identical. **The Wholesale Yeast Merchants' Association does, however, fix a scale of maximum prices at which yeast shall be sold, according to the quantity delivered by merchants and dealers to the baker and grocer, and notifies the many Yeast Dealers' Associations of the prices so fixed.** The Yeast Dealers' Associations appear to have no jurisdiction in the matter of price fixing, and always accept, though not always without protestations, the scale of prices fixed by the Merchants' Association.

**"MAXIMUM PRICES BECOME MINIMUM.**

"The margin to the dealer is such that there is little possibility of his selling below the prices fixed by the merchant. It is moreover clear from the evidence we have heard that if a dealer were to sell below the prices fixed and were to disregard the representations of the association, he would soon find himself unable to obtain supplies of British yeast. **In practice therefore the maximum prices become also minimum prices.** Moreover, as the dealers are generally in competition with the merchants who fix the maximum prices, it is obviously impossible for the former to exceed those prices, even though the margin at which they sell is only a portion of that at which the competitor (merchant) sells. The dealer, who has to pay to the merchant a price which gives the merchant a profit, is compelled to sell to the consumer at the same price as that at which the merchant is selling, i.e., at a lower margin."

The Distillers Company, who are by far the most important manufacturers of yeast in this country and produce about 70 per cent. of the British output, have a controlling interest in the United Yeast Company, Limited, through which practically all their yeast is distributed. "They also have a pecuniary interest in several other distributing firms. The United Yeast Company, Limited, is the most important distributing firm; has more than 150 depots and branches, and last year sold about two-thirds of the yeast consumed in this country . . . . Seeing that the Distillers Company, Limited, produce about two-thirds of the British yeast, control the most important distributing firm and through it distribute practically their whole output, it is clear that they have a strong voice in all matters affecting the distributing trade."

"The chief officers and the members who are apparently most active in influencing the policy of the Wholesale Yeast Merchants' Association, are representatives of the United Yeast Company Ltd., or of the few merchant firms which obtain supplies direct from the distillers. The Wholesale Yeast Merchants' Association is, therefore, if not actually controlled, at any rate, strongly influenced, by the distillers through their distributing firms and agents. We have also noticed that the addresses of many of the Yeast Dealers' Associations coincide with those of the distributing firms controlled or influenced by the distillers. Although the local Dealers' Associations are, we are told, independent of the Wholesale Merchants' Association, they appear to be virtually under its control. As the Wholesale Merchants' Association generally passes on the changes in price made by the distillers, and does not itself determine the selling price, it is clear that the price to the consumer is practically determined by the distillers, and that the Association does not, in itself, appreciably affect the price. The prices at all stages of distribution, although technically free from the control of the distillers, are undoubtedly virtually controlled by the distillers through the merchants in whom they are interested financially, by directors or as principals."

#### D. SEWING COTTON.

The Standing Committee on Trusts appointed a Sub-Committee "to inquire into the alleged existence of a combine amongst manufacturers of sewing cotton, and its effect, if proved to exist, on prices." The Sub-Committee in all published three reports.\* In their First Report† the Committee state:—

"The evidence obtained by us shows that the manufacture of sewing cotton in this country is very largely in the hands of Messrs. J. and P. Coats Limited, of Glasgow, and the following firms, of which they own the capital and control the operations:—

- " Messrs. Jonas, Brook and Brothers Limited.
- " Messrs. Clark and Company Limited.
- " Messrs. I. P. Clarke and Company Limited.
- " Messrs. James Chadwick and Brothers Limited.
- " Messrs. Kerr and Company Limited.
- " The Central Agency Limited (selling agency).

"In addition to these firms, Messrs. J. and P. Coats Limited control and operate a number of companies abroad, and also hold stock and shares in other allied companies abroad.

"There are a number of competing sewing cotton manufacturing firms outside Messrs. Coats' control, but a witness, heard by us, estimates that 95 per cent. of the sewing cotton used for domestic purposes, and a very considerable portion of the sewing cotton used for manufacturing and other purposes, is made by Messrs. Coats and their subsidiary companies.

"To a very great extent, therefore, the supply and price of sewing cotton to the British public can be affected by Messrs. Coats and, at all events, in the matter of the supply of sewing cotton for domestic purposes, we think they may be regarded as having virtually a monopoly."

Whilst the Committee regard the manufacture of sewing cotton as practically a monopoly, it reports that "in fairness to Messrs. Coats, however, we feel constrained to express the opinion that they have not taken full advantage of their monopolistic position to increase prices." Yet it is

\* Cmd. 563, Cmd. 930, and Cmd. 1173.

† Cmd. 563, page 3.

indisputable, as the figures quoted below show, that the combine has made enormous profits. The following table gives the net profits of Messrs. Coats over a period of years:—

TABLE XXII.  
Profits of Messrs. Coats.

	Net Profits before deductions for Income Tax and Excess Profits Duty.		Net Profits after deductions for Income Tax and Excess Profits Duty.
June 30th, 1913.....	£2,903,239	.....	£2,773,998
" 1914.....	2,634,388	.....	2,508,585
" 1915.....	2,598,966	.....	2,492,619
" 1916.....	3,944,344	.....	3,277,379
" 1917.....	3,960,950	.....	3,166,819
" 1918.....	4,121,795	.....	2,982,065
" 1919.....	4,895,149	.....	3,694,011
	Percentage of Net Profits to Total Invested Capital at Home and Abroad before deducting Income Tax and Excess Profits Duty Per Cent.		Percentage of Net Profits to Total Invested Capital at Home and Abroad after deducting Income Tax and Excess Profits Duty Per Cent.
1913.....	.....	.....	.....
June 30th, 1914.....	13·16	.....	12·53
" 1915.....	12·86	.....	12·34
" 1916.....	19·15	.....	15·91
" 1917.....	18·21	.....	14·56
" 1918.....	18·16	.....	13·13
" 1919.....	19·79	.....	14·93

Part of the capital of the company is invested in securities unconnected with the general business either at home or abroad. If this is eliminated, together with the revenue arising therefrom, the percentage return on the firm's capital rose from 14.26 per cent. in 1914 to 22.10 per cent. in 1919, before the deduction of income tax and Excess Profits Duty. After deducting these taxes the return increased from 13.55 to 16.53 per cent. It is important to point out that the firm's output of sewing cotton in the year 1918-19 was 20 per cent. less by weight than in the year 1913-14. "With the output smaller," report the Committee, "it might have been expected that the firm's profits would have been correspondingly less, but instead, they are immensely higher, having increased from £2,634,388 in 1914 to £4,895,149 in 1919, an increase of 86 per cent."

#### E. ELECTRIC LAMPS.

The Sub-Committee of the Standing Committee on Trusts set up to investigate the electric lamp industry, brought to light a powerful combination. Its findings are summarised in its Report\* as follows:—

(a) There is in the electric lamp industry a trade combination—the Electric Lamp Manufacturers' Association—which includes from 90 per cent. to 95 per cent. of the industry, controls factors and retailers, fixes prices at all stages, and regulates output.

(b) The prices fixed by the Electric Lamp Manufacturers' Association become the standard prices for all lamps sold in this country, whether made by Association or non-Association manufacturers, or imported from abroad.

(c) British lamp manufacturers outside the Association produce and sell to the trade (presumably at a profit) lamps of comparable quality at a lower price than Association firms.

(d) Because of the standard price policy originated by the Association, non-Association lamps are sold to the public at the same price as Association lamps, the advantage on the lower-priced lamps going wholly to distributors.

Hence, either Association manufacturers are making an undue profit, or they manufacture less economically than non-Association makers.

(e) **The trading discounts received by factors and retailers are considerably higher than is necessary, and should be reduced.**

(f) Standard vacuum lamps now sold to the public at 3s. could be sold at 2s., at which price the manufacturer and the distributor would still have a satisfactory working profit.

(g) One and a-quarter million half-watt lamps, sold to the public in 1919 at 12s 6d., were purchased in Holland by the three associated manufacturers at about 3s. per lamp. . . . .

(i) The Electric Lamp Manufacturers' Association has been created primarily in the interests of three firms—the British Thomson-Houston Company, the General Electric Company and Messrs. Siemens Brothers. These impose onerous conditions upon other firms in the Association, e.g., a limitation of output upon licensees, and a stipulation that the validity of their patents shall not be questioned or disputed.

(j) **The limitation of output imposed upon licensees is contrary to the best interests of the industry and of the consumer.**

(k) **Since the largest of the three dominant firms in the Association is under majority control of an American electrical concern, there is some danger of the interests of the British lamp industry being subordinated to American interests.**

(l) **There is a possibility of an international combination, comprising British, Dutch and American manufacturers, which would be able to control supplies and dominate prices over a considerable part of the world.**

#### F. METALLIC BEDSTEADS.

Since 1912 there has been in existence the Bedstead Makers' Federation. The Sub-Committee which reported\* on the subject stated that:—

“ . . . . the Federation is, for the two-thirds of the members of the trade which it represents, a complete organisation governing and controlling the trade, both home and export. . . . The Federation at its general meetings decides on all matters concerning its policy and management, including the regulation of the manner and terms of delivery, and also selling prices. The regulations of the Federation stipulate that no firm shall sell bedsteads at lower prices or higher discounts, or in different terms than those specified by the Federation from time to time. Every firm must give the secretary full access to its books. We are informed that the Federation has made considerable progress in standardising the types of bedsteads produced. Some years ago each firm in the Federation made its own tools and dies, but the Federation has now organised a central workshop for the manufacture of the implements. Up-to-date machinery has been installed, every tool, die, and gauge produced is of the same size and pattern. Economy, we are informed, has been thus effected and the work of standardisation of the finished bedsteads has been in a great measure achieved.”

The economies which have been introduced by the Federation do not appear to have benefited the consumer, as, according to the Committee, “the profit accruing to manufacturers on bedsteads of the type indicated had in November, 1919, increased approximately four times per bedstead as compared with June, 1917,” though the aggregate profits had not increased owing to the diminution of output.

#### G. GLASSWARE.

The Sub-Committee appointed by the Standing Committee on Trusts to inquire into the Glassware Trade state in their final report that:—

“(a) We have found no actual combination or combinations of manufacturers of domestic glassware controlled by one central organisation from the point of view of capital and output, but there are in existence in the domestic glassware trade two associations, viz., The British Flint Glass Manufacturers' Association and the Northern Association of Pressed Glass Manufacturers,

\* Cmd. 607, page 4.

† Cmd. 1885, pages 8 & 9.

which represent a combination of interests on the part of the manufacturers concerned. **Both these associations regulate selling prices and are in a position to exercise considerable influence in this respect.**

“(b) We have no evidence to show that the British Flint Glass Manufacturers’ Association has acted or is acting unreasonably.

“(c) From the figures submitted to us by certain members of the Northern Association of Pressed Glass Manufacturers, we do not think that the profits shown since the Armistice are justified. We consider that these figures prove the urgent necessity of Government supervision over the operation of such associations.

“(d) Messrs. Pilkington Brothers Limited, St. Helens, are the only firm in this country manufacturing plate-glass, and are at the same time one of two firms manufacturing sheet window glass.

“(e) We have no evidence to point to the existence of any definite arrangement as to selling prices between the two manufacturers of sheet window glass. They generally have the same tariffs, but their discounts are not a matter of arrangement—they are what each firm chooses to allow.

“(f) The only association operating in the plate-glass trade is the Plate Glass Merchants’ Association, of which there are branches in various parts of the country. Prices are the same in all parts of the country, and are fixed in accordance with those of Messrs. Pilkington Brothers Limited, who indirectly regulate the association’s prices.

“(g) The business of this firm, which is a virtual monopoly, should be brought within the scope of any scheme of control of trusts, combinations, or monopolies.”

## H. EXPLOSIVES.

The extent to which combination has proceeded in the explosives industry is shown by the following extracts from the Report of the Sub-Committee of investigation appointed by the Standing Committee on Trusts\* :—

- “(a) There are in the explosives industry four combinations, viz. :—
- i. The High Explosives Trade Association.
  - ii. The Safety Explosives Trade Association.
  - iii. The Electric Detonator Fuse Trade Association.
  - iv. The Fog Signal Association.

“(b) These Associations fix the manufacturers’ and retail minimum prices of practically all explosives, detonators and fog signals manufactured and sold in this country. Moreover, by reason of supplementary agreements with foreign manufacturers, these prices become the standard prices of practically all imported explosives; there is virtually no price competition.

“(c) Foreign competition may be said to be negligible except in the case of sporting and rifle ammunition, and there seems to be little prospect of its becoming severe in the near future in view of the agreements held by the Nobel Combine and the principal associations with foreign manufacturers which have for their purpose, amongst other things, the standardisation of prices and territorial restrictions of markets.

“(d) All the explosives’ companies in this country, with the exception of three relatively small concerns, constitute one group under the control of Nobel Industries Limited, referred to in our Report as the Nobel Combine.

“(e) This combine at the present time practically controls the policy of the various trade associations, and is thus able substantially to determine the prices at which explosives and detonators are sold in this country. The power of the Combine is not affected by the competition of the independent manufacturers, and there is nothing to prevent the Nobel Combine from maintaining prices at a higher level than they would have been had their constituent companies remained un-associated.”

## J. MOTOR FUEL.

An example of combination of an international character is to be found in the production and distribution of motor fuel. The Committee on Motor Fuel in its First Report† drew attention to the following important points:—

1. Motor fuel is rapidly becoming of vital importance to practically every industry, not excluding agriculture, in all civilised countries.

\* Cmd. 1847, page 11.

† Cmd. 597, page 8.

2. The concentration of control, over the price and disposition of motor fuel, in the hands of two enormously powerful capitalistic combines, practically world-wide in their scope, constitutes so dangerous a power, if it happens to be improperly used, that it is imperative that the Governments of the world should give some attention to it.

3. In view of the world-wide operations of these Trusts, it does not appear possible for the British Government by itself to deal effectively with this problem.

4. Their possession of the main sources of supply, the chief pipe lines, the tank steamers, and a considerable part of the distributing arrangements in the various consuming countries, practically prevents the setting up of any private competition which might operate to destroy their monopoly or force them to reduce their prices.

5. Experience in a number of industries during the war has shown the danger of attempting to fix prices without taking effective steps for securing supplies and controlling distribution.

The menacing character of the situation becomes doubly serious in view of the fact that the interests which control the sources of supply of petrol, also control the machinery of transport and distribution. The two main groups concerned are the Standard Oil and the Royal Dutch Shell, which control a large number of subsidiary companies. In its Second Report\* the Sub-Committee emphasise the gravity of the motor fuel monopoly:—

**“The first and most important fact is that the prices of petroleum products are controlled by powerful combinations, whose financial resources are enormous and the scope of whose operations is world-wide. These combinations own the principal sources of supply, and their possession of the bulk of the distributive machinery renders effective competition impossible. Their possession of tank steamers so obscures the position, that an entirely false impression is created as to the actual cost of freight. Competitive private enterprise is unable to set any effective check on the power of these combinations, and nothing less than Government action can affect this alarming situation.”**

#### K. LIGHT CASTINGS.

Conspicuous amongst the combinations in this country are those affecting the supply of various building materials. The manufacture of light castings—comprising grates, stoves, mantels, registers, rain-water pipes, baths, etc.—is regulated by the National Light Castings Association, the declared object of which, as the Committee which investigated the industry pointed out in its Report, † is that “of raising and maintaining prices by means of a pooling arrangement.”

The following clauses stood at the head of the original rules of the association:—

**1. The object the association has in view is that of raising and keeping up the price to the buyer of goods and articles made and/or supplied by its members.**

**2. This shall be done by means of pooling arrangements so controlling production that prices will rise naturally and inevitably, as they always must do when supply is brought into equilibrium with or is ever so little below demand.**

The Committee in its Report explains the working of the “pool” ‡:—

“Under the pooling arrangement each member of the association on joining had to declare in confidence to the Secretary the amount of his output in the three years prior to his joining the association. From the figures so furnished the average annual aggregate output of all the members of the association was ascertained as also the percentage of that total done by each member. To each member was given a percentage figure which represented

\* Cmd. 1119, page 8.

† Cmd. 1200.

‡ *Ibid*, page 5.

his quota of the industry. The scheme provides that if any member does more trade in any year than represents his pre-association percentage of the total trade he shall pay into a 'pool'  $7\frac{1}{2}$  per cent. of the amount\* by which his sales exceed his quota. On the other hand, any manufacturers who does less than his quota draws from the 'pool'  $7\frac{1}{2}$  per cent. of the amount by which his sales fall below his quota. The export trade only is exempted from pool payment.

"It should be understood that these quotas are not percentages of a fixed and inexpandable total, but of whatever may turn out to be the total output of the members of each year. There is, therefore, no absolute limitation upon the total output of the industry, and it has been contended before us that the effect of the pooling system is not to restrain production, but merely to ensure that all the firms in the association expand or contract their output in the same ratio. We are not able to adopt this view. If no manufacturer, however favourably placed and however progressive, is to be allowed to increase the volume of his business disproportionately to the rest without paying a penalty, the result must be, we think, to put a drag upon expansion and improvement. In the words of one witness, an ironfounder who had been at one time a member of the N.L.C.A., it 'penalises progress and encourages laziness.' It must discount to some extent the incentive of the manufacturer to increase his trade; it must tend to make members refuse any order which will not yield a profit substantially greater than the pool percentage; it must tend to stereotype the lay-out of the industry.

"The National Castings Association has during the last two years engaged in certain activities designed to raise the level of efficiency and lower the costs of production throughout the industry." These are, of course, estimable objects to pursue, but, in the opinion of the Light Castings Committee, "these activities do not at present adequately balance the restrictive influence of the association, and there is no guarantee that the results of improved efficiency would reach the public in the shape of lower prices." The Committee concludes: "We are of opinion that the powers of an association which wields such control over an industry are so open to abuse as to make it a menace to the community."<sup>o</sup>

But it is not only on the manufacturing side of the light castings industry that there is effective control. On the distributive side the Building Materials Central Committee, which comprises the majority of the principal hardware merchants throughout the country, fixes the price at which hardware goods should be sold by builders' merchants. Amongst the goods so priced are light castings.

The Building Materials Central Committee was set up under the auspices of the Builders Merchants' Alliance in order to negotiate with the National Light Castings Association. As a result, the N.L.C.A. has since 1913 controlled the price of light castings by "fixing the price below which they should not be sold to the ultimate purchaser, allowing discounts upon an agreed scale to the various middlemen through which they may pass."<sup>†</sup> Purchasers are classified into four groups: (a) Merchants, ironmongers, and others who regularly carry stocks of N.L.C.A. goods for resale, and who receive the largest discounts; (b) merchants and ironmongers who do not regularly carry stocks of N.L.C.A. goods for sale, and who receive less advantageous terms; (c) contractors, builders, plumbers, certain industrial concerns, public bodies, etc., who only receive a discount on baths; and (d) the general public, who are charged the standard list price, plus 10 per cent., except in the case of baths, which are charged list price.

The effect of the various discounts is clearly to provide a living to the merchants. Over and above these discounts there are discounts given in the shape of tonnage allowance (applying to all buyers), deferred rebate, super rebate, and cash discounts. The deferred and super rebates and cash discounts are as follows‡:—

"DEFERRED REBATE.—A discount of  $7\frac{1}{2}$  per cent. on the net cash received for all scheduled goods is given to merchants and ironmongers on certain

\* *Ibid*, page 5.

† *Ibid*, page 5.

‡ *Ibid*, page 6.

conditions. The most important of these conditions are, first, that the merchant or ironmonger shall have strictly adhered to the N.L.C.A. price schedule; and, second, that during the three months prior to claiming the rebate he shall not have purchased any light castings from any ironfounder who is not a member of the N.L.C.A., or from any source whatever outside the N.L.C.A., unless from merchants who have purchased the goods from a member of the N.L.C.A.

“**SUPER-REBATE.**—A super-rebate is given to merchants whose purchases of N.L.C.A. goods exceeded £1,000 in value during the year. The super-rebate varies from 1½ per cent. on purchases between £1,000 and £2,000 worth per annum to 7½ per cent. on purchases of over £8,000 worth per annum. (In the case of baths the super-rebate begins at 1½ per cent. at £200 per annum and rises to 5 per cent. at £3,000 per annum.)

“**CASH DISCOUNTS.**—A cash discount of 5 per cent. is given for cash monthly, and of 2½ per cent. for cash quarterly.”

The total discounts received by a merchant or ironmonger depend on whether he regularly stocks N.L.C.A. goods, on the amount of business he does in them, on whether he has signed the agreement not to buy any other than N.L.C.A. castings, and on the kind of light castings he mainly handles.

As regards their investigations into the existence of combinations, the Sub-Committee conclude that “the light castings industry, on both its producing and distributive sides, is effectively controlled by the National Light Castings Association and the Building Materials Central Committee.”

#### L. CEMENT.

Cement—another important commodity for building purposes—is now effectively controlled, and the Sub-Committee on Cement and Mortar\* set up under the Profiteering Acts summarises its chief findings as follows:—

- (a) That combines or trusts do exist in the cement industry.
- (b) That there exists what is generally referred to as “The Combine” in the cement industry, and this combine consists of the Associated Portland Cement Manufacturers’ Limited and the British Portland Cement Manufacturers Limited. Each of these two concerns constitutes an amalgamation of a number of firms and companies which formerly operated independently. The directorates of the Associated Portland Cement Manufacturers Limited and the British Portland Cement Manufacturers Limited are interlocked so as to make the two concerns practically one company, and as such they produce about 75 per cent. of the cement manufactured in the British Isles.
- (c) That there exists, in addition, an organisation known as the Cement Makers’ Federation, which includes in its membership manufacturers producing about 90 per cent. of the cement manufactured in the British Isles. This Federation deals with labour questions affecting the industry and fixes the minimum prices of the cement sold for home use by its members within the British Isles to merchants and others. The Federation also fixes the minimum prices to be charged by such merchants to the actual users.
- (d) We do not approve of the present system adopted by the Cement Makers’ Federation whereby increases in prices to consumers corresponding to increases in the cost of specific items of production are determined by the mere addition of such increments of cost to a schedule of prices prepared years ago by former organisations without due allowance for such varied cost of production as might accrue, for instance, from improved methods of manufacture. We consider that a minimum price should be regulated by a periodical consideration of current production costs determined over the whole process of manufacture. . . .
- (f) The rule of the Federation whereby a merchant, to obtain most favourable terms, undertakes to deal exclusively with members of the Federation, in our opinion, may tend in a normal period to operate against the interests of the consumer, in that it will close the normal channels of distribution to independent manufacturers and tend to prevent newcomers from entering the industry.

\* See Cmd. 1091, page 16.

## M. DRAIN PIPES.

In the drain pipe trade there are in existence several associations which, though not actually affiliated, work together. The chief of these associations is the Midland Pipe Association\* It is stated in the Report† of the Committee which investigated the subject that:—

“There are from 25 to 30 members of the association, and the principal objects of the association, in addition to those usually connected with the operations of trade associations in the form of collective dealing with labour, trade protection, etc., are as follows:—

“(a) To preserve to each member his due proportion of the trade.

“(b) To compensate members for temporary loss of trade.

“(c) To regulate minimum selling prices and the maximum discounts and rebates to be allowed to members.

“(d) To promote agreements for the preservation of the trade of members of this association in other areas than the Midland area, and vice-versa, for compensation in respect of temporary loss of trade, and for the due observance by members of other associations of prices in the Midland area and vice-versa.

“For the fulfilment of (a) and (b) each member's percentage of the total average annual sales made by the whole of the members is ascertained, and if the percentage of any member, after submitting his monthly sales (including export sales) is found to be under his quantum a certain percentage of his under sales is allowed him from the funds of the association. The same principle operates in the case of a member exceeding his quantum, and a similar percentage of such excess of sales is paid into the funds of the association. With regard to preserving to each member his due proportion of the trade, members are graded month by month, and those members under their proportionate percentage are given the option of quoting certain reduced prices worked out on a percentage basis. The Association determines minimum prices at which pipes shall be sold in the Midland area and issues a standard list of prices, subject to variation, below which members may not sell. There are very few manufacturers of drain pipes not associated; and it has been represented to us that the total output of the non-associated firms does not exceed 1 to 5 per cent. There is no doubt that the practice followed by Government Departments during the war, with a view to obtaining collective action with regard to wages and prices, has encouraged and strengthened the formation and continuation of those trade associations.”

The members of the Association allow a rebate to all merchants on the Association's list and an additional rebate to all merchants who are members of the Builders Merchants' Alliance on the following conditions:—

(a) That the goods are not sold at higher rates of discount or at lower net prices than those fixed by the Midland Pipe Association; and

(b) that the merchants do not purchase such goods from any manufacturers other than members of the association.

These facts, as the Sectional Committee point out, are “sufficient to indicate the influence the Midland Pipe Association is able to exercise with regard to control and prices,” and “the part played by the merchant in the operation of the association.”

## N. FLOORING AND ROOFING TILES.

The Report from which we have quoted refers also to the existence of organisations in the trade of manufacturing flooring and roofing tiles. It is stated that, “although the manufacture of flooring and roofing tiles is in some cases carried on side by side, the trade is operated by two distinct

\* See the Final Report on the Stone, Brick, and Clayware Trades, prepared by a Sectional Committee of the Sub-Committee on Building Materials, appointed by the Standing Committees on the Investigation of Prices and Trusts. Cmd. 1209.

† *Ibid*, page 3.

associations, namely, the Glazed and Floor Tile Manufacturers' Association and the National Association of Roofing Tile Manufacturers. . . . The principal objects of these associations are similar to those of the Midland Pipe Association, in that a due proportion of trade is preserved to each member, compensation is afforded for temporary loss of trade, and minimum prices, maximum costs, rebates, and allowances are regulated."\* The two bodies, it is said, have not yet been able fully to attain their objects, but they appear to be sufficiently well organised to achieve them in the future. "Of the total number of manufacturers engaged in the flooring tile trade, 85 per cent. are members of the Glazed and Floor Tile Manufacturers' Association, and their output is approximately 90 per cent. of the total trade of this country. In the case of roofing tiles, 60 per cent. of the total number of manufacturers are members of the National Association of Roofing Tile Manufacturers and their output [represents] approximately 75 per cent. of the whole trade."\*

A rebate of 10 per cent. is allowed to all merchants who sign the rebate agreement of the Glazed and Floor Tile Manufacturers' Association, binding them to purchase glazed and floor tiles from members of the association only. Super-rebates of 10 per cent. for glazed tiles and 5 per cent. for flooring tiles are granted to merchants of an approved merchants' organisation who sign the super-rebate agreement.

#### O. PIPES AND CASTINGS.

Attention was called in the House of Commons to the probable existence of a combination of manufacturers of pipes and castings by Mr. Alfred Short, M.P., who asked the President of the Board of Trade whether he was aware that the London County Council had recently called for tenders for the pipes and castings in connection with the erection of the North Woolwich Pumping Station, and whether tenders were submitted by firms in Nottingham, Dudley, Chesterfield, and Middlesbrough; and whether in all cases the tenders were for the same amount, namely, £27,072 10s. ordinary section and £29,152 10s. special section. As a consequence of this question, a Sub-Committee of Inquiry was appointed by the Standing Committee on Trusts. The Sub-Committee proved† that:—

"(a) There is an effective combination of manufacturers of pipes and castings, namely, the Cast Iron Pipe Association, which fixes minimum prices and which comprises practically all manufacturers of cast iron pipes.

"(b) In view of the fact that prices are fixed by an association, the practice of submitting tenders has become, in fact, of no value as a protection to the ratepayer.

"(c) The municipal authorities are more or less at the mercy of the Cast Iron Pipe Association, as they are unable to secure pipes of British manufacture, except through members of the association; and we are of opinion that the association has it within its power to act unreasonably if so disposed. We suggest, therefore, that as a safeguard to the ratepayer the Board of Trade should have power to require the production of audited statements of costs of production, together with the latest balance sheets, etc."

#### P. CUT NAILS.

In the case of cut nails, which is an item in the necessary cost of buildings, the manufacturers have combined for mutual benefit. It is reported‡ that:—

"An organisation known as the Cut Nails Association exists among the manufacturers of steel nails, and includes in its membership manufacturers producing approximately 99 per cent. of the total production of this country.

\* *Ibid*, page 6.

† Cmd. 1217, page 5.

‡ See Report on Iron and Steel Products. Cmd. 1288, page 9.

" This association fixes the minimum prices of all the nails manufactured by its members and maintains these prices by agreements and penalties. The association further controls the output of its members by means of a pooling system.

" We are satisfied that the control exercised by the association effectively prevents competition among home manufacturers, and that in the absence of imports the consumer is compelled at the present time to pay the prices for his supplies which are fixed by the association."

#### Q. COMBINATIONS AFFECTING BUILDING MATERIALS.

The foregoing paragraphs on light castings, cement, drain pipes, flooring and roofing tiles, pipes and castings, and cut nails deal with articles essential to housing. But we have not covered all the building materials which are affected by combinations.

The Report of the Ministry of Reconstruction's Committee on Trusts contains in the Appendix a memorandum dealing with combinations in building material trades\*. Building materials are classified according as they are uncontrolled, partially controlled, or fully controlled. By " partially controlled " is meant that " there are local or partial combinations amongst manufacturers or merchants, but that these are not sufficiently widespread or strong completely to govern output or prices in the country as a whole." By " controlled " is meant " not necessarily that every manufacturer or merchant is a member of a combination or association, but that the proportion acting in combination is sufficiently great virtually to determine prices, directly or indirectly, as well as to control the output of the whole industry."

It is, of course, difficult to determine whether certain materials should be classified as " controlled " or " partially controlled." The following list, as given in the memorandum (which was prepared in 1917) is certainly not an exaggeration of the position which obtains to-day:—

#### UNCONTROLLED.

- Timber, including joinery and carpentry.
- Breeze partition blocks.
- Sundry materials, such as glue, oil, putty, etc.
- Minerals, such as ashes, hard bricks, sand, gravel, granite chip-pings, etc.

#### PARTIALLY CONTROLLED.

- Bricks, common building, etc.
- Lime, plasters, and mortars.
- Gas pipes and fittings (or electric light).
- Metal goods, such as locks, latches, furnishing ironmongery, nails, screws etc.
- Wrought-iron or steel cisterns and water tanks.
- Slates.
- Paint, varnish, etc., for painting and decorating.

\* Cd. 9236, pp. 35-7.

CONTROLLED.

Tiles, roofing, ridging, etc., and chimney pots.  
 Glazed and floor tiles.  
 Earthenware pipes.  
 Sanitary earthenware.  
 Lead pipes, sheet lead, etc.  
 Portland cement.  
 Iron castings.  
 Wall paper.  
 Glass.  
 Wrought-iron tubes.  
 Boilers.

The building costs of a number of groups of typical cottages were analysed, and it was found that "on the average 42.07 per cent. of the materials used were uncontrolled, 33.25 per cent. partially controlled, and 24.68 per cent. controlled. . . . If, however, instead of taking merely materials used in the construction of the cottages we analysed the total cost of the cottages, including labour and overhead expenses, but excluding the cost of the developed site, then the proportions of the total cost of the cottages affected by the trade associations were as follows: Uncontrolled, 24.94 per cent.; partially controlled, 19.68; controlled, 14.64 per cent."\* These figures at the present time are, we think, an underestimate, but they serve to show that, excluding the cost of the developed site, over a third of the expenditure on housing is devoted to materials over the prices of which manufacturers or merchants, or both, exercise control.

The memorandum states:—

"In the course of our investigation we have come across no combination whose primary object is to increase the efficiency of the business, but since our inquiry has not covered the whole ground it is possible such may exist. In every case examined the primary object has been to regulate prices. . . . A common practice on the part of several associations is to offer substantial rebates to merchants provided that they sign agreements to the effect that during the term of the agreement they have not purchased from non-associated manufacturers nor sold goods at less than schedule prices.

"In view of the secrecy which almost invariably characterises these trade combinations, and the natural reluctance of persons bound by them to impart information for fear of injurious consequences, we cannot say definitely how widely the above methods are practised or whether similar practices are in vogue of which we have not been informed. Yet the very fact that it is difficult to obtain reliable information is significant, and we are sometimes able to read between the lines.

"Speaking generally, there is no doubt that combinations have achieved the two ends for which they primarily existed. They have limited competition and raised the price of building materials against the consumer. Especially has this been the case where the modifying influence of foreign and colonial competition on the price of home products has diminished or has ceased.

"The builders' merchant without doubt plays an important part in many associations, for while in some cases he may hold the position of a man tied by the policy and regulations of a manufacturers' association, through the membership of which alone he can get his supplies of materials, in others he is a willing co-operator in the policy of keeping up the price of materials to the builder and the public."

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\* *Ibid.*, p. 35.

## R. COMBINATIONS AND THE CONSUMER.

In referring to some of the official documents relating to combinations, we have quoted the words of the reports in order to show the conclusions reached by Committees composed largely of business men. We now desire to draw attention to the character of the problem with which we are faced. Combinations may take many forms, from "unofficial" and informal, but nevertheless effective, price fixing arrangements, to kartells and amalgamations. These combinations seek to increase gains by (a) abolishing competition and reaping the advantages accruing from the elimination of waste and the superior efficiency of large scale operations and specialisation, or (b) increasing prices against the consumer, or by both methods.

It would appear that combinations have succeeded in increasing profits, but it is not clear to what extent their augmented gains are due respectively to lower net costs and increased prices. It is, however, certain that there is no guarantee that the community, which allows these combinations to operate, will benefit, as regards prices, from their operations. Moreover, the consumer cannot be sure that the power which combinations possess to control prices will not be used either to raise prices or to prevent a fall in prices. It is often assumed that the power of combinations is limited by the possibility of calling new competitors into existence, and by the possibility of the consumer foregoing consumption or relying on substitutes. But it must be pointed out that the rise of new competitors becomes increasingly unlikely as the size of combinations increases. New competitors would be crushed out of existence. Nor has the consumer the wide choice which is generally assumed. The housewife cannot do without sewing cotton and soap. In the case of the former she relies upon Messrs. Coats, and in the case of the latter upon Lord Leverhulme, unless she is a member of a co-operative society. There are no effective and practicable substitutes for these household commodities. In any case, we are entitled to ask why the consumer to avoid exploitation should do without what he wants, or buy a substitute for what he wants. To wait for the rise of new competitors is a hopeless policy; to expect the consumer to combat the operations of combinations by foregoing what he requires, or to put up with substitutes which serve his purpose less efficiently, is to expect him to suffer because of exploitation by trusts which are beyond his control.

**We are of the opinion that supplies and prices will be determined more and more by combinations, and that, therefore, some constructive policy is necessary if the public is not to be left at their mercy. To this problem we shall return in a later section of our Report.**

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## IV.—INEFFICIENCY IN INDUSTRY.

The high cost of living to-day and the exploitation of the consumer in the past are in large measure due to the inefficiency of industry. We referred to this question in our reply to the Memorandum of the Federation of British Industries,\* but it is necessary to deal here with this important aspect of our subject in rather more detail. We cannot accept the assumption that our industries and economic services are adequately performing their purpose. It is too commonly taken for granted that such defects as exist are due to deficiencies amongst the workers. In our view—and it is supported by ample evidence—the efficiency of British industry is far below

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\* "Wages and Prices: A Reply to the Federation of British Industries." Price 2d.

what is reasonably possible, owing to unenlightened management. Whereas every public enterprise is scrutinised and subjected to continuous and often captious or unjust criticism, the fierce searchlight of publicity has never played upon the operations of capitalist industry. It has worked in an atmosphere of secrecy and self-complacency, and the consumer has been too readily disposed to accept at its face value the unsupported testimony of capitalists as to the efficiency of British industry.

The level of efficiency in almost every industry varies enormously as between the best and the worst firms. It is not to be expected that the cost of production of a standard commodity would be exactly identical in every factory in the industry producing that commodity, but analyses of costs when they can be obtained, show enormous variations between one business and another. There are wide differences in the cost of labour and raw material and in overhead charges per unit of product. Making every allowance for geographical and other difficulties which may increase costs, we cannot resist the conclusion that these factors do not completely explain the varying costs of production of similar commodities. These wide variations can be explained, in our view, only by wide variations in efficiency.

#### A. METHODS AND MACHINERY.

In our pamphlet on "Wages and Prices" we gave illustrations of inefficiency on the part of those responsible for the direction and management of industrial undertakings. Many other examples might be quoted. The Timber Committee of the Profiteering Act Department reported that "at the Surrey Commercial Docks there is an absence of modern methods of handling timber, and it frequently happens that the first ship's cargo is unloaded (by hand) on to the quay and buried under the delivery of one or two later cargoes, so that the cargo of the first ship may be held up for months."\* In the pottery industry, to give an example of a quite different kind, the organised workers assert that output could be considerably increased by the introduction of more up-to-date machinery and by better facilities for the delivery of clay to the workers' benches. The bakers, again, insist on the waste due to old-fashioned methods of baking, and affirm that with adequate machinery the output may be increased up to 25 and 35 sacks per man per week, as against ten sacks per week in hand-made bakeries.

The Sub-Committee, appointed under the Profiteering Acts to investigate costs, profits and prices at all stages in respect of furniture† discovered that:—

"There is a considerable difference in the quantity of waste allowed for in the conversion of timber from the log to the size required for the job. This varies from 10 per cent. to 50 per cent. of the net amount of timber used. In the case of one manufacturer who calculated a loss of 50 per cent. in conversion, special attention was given to the matter by the Chief Accountant of the Department who was responsible for checking the costing, and it was reported by him that all the records agreed with the financial account and that the 50 per cent. allowed in this case was correct.

"The Sub-Committee are of the opinion, however, by comparing this allowance with those of other firms, that it is very excessive; indeed, if it were the general practice, it would mean that in every article of furniture made, one-half of the original timber is waste. From evidence which has been received, 15 per cent. to 30 per cent. would appear to be a good margin to allow for waste, according to the method of conversion."

\* Cmd. 985, p. 5.

† Cmd. 988, p. 11.

The Committee which investigated prices, costs, and profits in the biscuit trade, reported that the costings published in an appendix to its Report "disclose the fact that in spite of widely varying costs and profits of the different manufacturers, identical prices are being charged by these manufacturers for similar types of biscuits."\* The Committee regards this as evidence of some form of agreement amongst manufacturers, but what we are concerned with is the existence of "widely varying costs."

We may refer to the inquiry of the Industrial Fatigue Research Board, assisted by a panel of representatives of the organised workers and employers concerned, into fatigue and efficiency in the iron and steel industry. It is stated in the Report prepared by Dr. H. M. Vernon that:—

"Substantial improvements of plant must necessarily depend on the management, and nothing was more striking than to compare the efficiency of the plant employed in various districts of Great Britain. One district was greatly ahead of others in one respect and another in another. In one district the capacity of the blastfurnaces was only a-fifth as great as in another district—partly, it is true, because of the lack of coking coal—and none of these small furnaces were mechanically charged, though some of the large ones in the other district were so charged. In two districts it appeared to be the rule, rather than the exception, to charge the open hearth furnaces with molten iron instead of cold iron, but in three other districts this procedure is almost unknown, though it improves the output of basic steel furnaces 30 per cent. or more with little if any increase of expenses. It seems probable that if all the iron and steel works in this country adopted the most efficient methods they could, on an average, improve their output by something between 50 and 100 per cent. In other words, they could enable their employes to earn more in eight-hour shifts than they had previously done in twelve-hour shifts. Then, again, very few works in my experience seem to have laid down their plant in correct proportions. In only one works to my knowledge did the blastfurnace produce slightly more iron than was required for the steel furnaces, the steel furnaces produce slightly more steel than was required for the rolling mills, and the soaking pits supply sufficient ingots to keep the mills running with practically no delays whatever, other than from unavoidable causes, such as breakdowns of machinery. Yet this system is the ideal one if true efficiency is aimed at, for any surplus production of iron or of steel can easily find a market elsewhere."†

This striking passage is an indictment of one of the most important industries in the country. The iron and steel industry, however, does not stand alone, and the extract quoted is but an indication of a general phenomenon. Comparisons of output per worker in the United States of America and in this country are often used in criticism of British workers; but such comparisons are far more damaging to British capitalists, for they indicate a more extensive use of machinery and mechanical appliances and the employment of a larger amount of capital per worker in America.

#### B. LAY OUT OF FACTORIES.

It is not only obsolete machinery or the retention of methods superseded by the most enlightened firms which give rise to inefficiency. Whilst in new factories the "lay out" of the plant is often given a good deal of consideration, in other factories the "lay out," quite apart from the character of the machinery used, is a source of inefficiency. Even in new factories there is not always sufficient forethought, and where existing premises are extended by the absorption of adjacent buildings—a common development during the war—the efficiency of the "lay out" of the mechanical equipment often actually suffers. Too often the workpeople are overcrowded and lack sufficient room for efficient work. Further, there are still in use buildings erected two or three generations ago when industrial

\* Cmd. 856, page 4.

† Industrial Fatigue Research Board, Report No. 5. Fatigue and Efficiency in the Iron and Steel Industry, 1920, pages 95-96.

architecture was an unexplored territory. This aspect of the problem of economic efficiency is obviously one of considerable importance. "It is a primary necessity," an expert has said, "in the consideration of any new scheme for a manufacturing plant, to recognise the established fact that the cost of production is materially affected by its general design and lay-out."\* We cannot say what proportion of British goods are produced in buildings which do not conform, as regards their general arrangements and the disposition of the plant, with even reasonable standards, but our opinion is that it is no small fraction.

#### C. HEATING, LIGHTING, VENTILATION, ETC.

Further, such apparently small questions as heating, lighting, humidity and ventilation are really important factors in production. A scientific investigator writing on this subject quotes the case of a factory in which "the lighting was increased from 4,000 to 12,000 foot candles, and at the end of a month the output was increased by from 8 per cent. to 27 per cent., the only change being the better lighting." † Notwithstanding the obvious importance of inadequate lighting, many workers, as for example, silk weavers, are to be seen working in an artificial light even on the brightest days. ‡ Yet, according to an official report "under artificial illumination production falls, even if electric light of sufficient intensity is provided. The magnitude of this fall is of the order of 10 per cent. of the daylight value of the rate of the output. Every unnecessary hour under artificial light means a direct loss of production and makes the task of the worker more difficult than it need be." § Notwithstanding the Report of the Departmental Committee on the lighting of factories and workshops, || which recommended many methods of securing additional daylight, inefficient lighting is still allowed to hamper production. Factory owners who, as has been said, "should be concerned in securing the best and most productive working conditions, have been quite indifferent to this very important matter." ¶

Adequate ventilation has also been neglected. In an inquiry conducted by the Industrial Fatigue Research Board into the influence of hours of work and of ventilation on output in tin plate manufacture, it was found that in "two unventilated factories the average output was, respectively, 11 and 18 per cent. less in the hottest weeks of the year (when the mean temperature was 65 degrees Fahrenheit or more) than in the coldest weeks (when it was 40 degrees or less). It is probable that thoroughly efficient ventilation may increase the average output of an unventilated factory by 12 per cent. or more."\*\* Here, again, is an obvious means of increasing production without making any further calls on the worker.

#### D. EFFICIENCY AND THE CONSUMER.

These few illustrations will serve to support our contention that employers are guilty of "restriction of output," because of bad organisation, out-of-date factory equipment, and inattention to the many factors which

\* *The Design and Construction of Industrial Buildings.* By M. Kahn (Published by Technical Journals Ltd., 1917), page 1.

† *Mind and Work*, by Dr. C. S. Myers, page 67.

‡ Industrial Fatigue Research Board, Report No. 9. A study of output in silk weaving during the winter months, 1920, page 55.

§ See Cd. 8,000.

|| See Cd. 8,000.

¶ Kahn *op. cit.* page 19.

\*\* Industrial Fatigue Research Board. Report No. 1. The influence of hours of work and of ventilation on output in tinplate manufacture, 1919, page 29.

influence production. This inefficiency is paid for by the consumer. In other words, prices are higher than they would be under a reasonably efficient system of production. **Output could be increased considerably in this country, to the benefit of the consuming public and without throwing any further burden on the workers, if industrial management were more intelligent.** It is true that there are outstanding examples in many industries of firms which have utilised the lessons of experience and the fruits of invention and research; but the fact that these cases are outstanding supports our view that most other firms fall far short of the standard set by the most efficient concerns. It is usually urged in justification of private "enterprise," that it encourages initiative. The kind of initiative which it develops, however, does not normally express itself in overcoming inefficiency, otherwise efficient firms would be the rule rather than the exception. The truth is that there is an innate conservatism in the conduct of British industry, an inertia which readily accepts existing conditions, and a contempt for the results of scientific investigations. These evils are partly due to lack of education amongst employers and to the accident which puts people, who are not by nature fitted for the rôle, in control of businesses. They are partly due to the fact that, as a consequence of the widespread fallacy that all was well with British industry, public attention has not been drawn to its deficiencies. Partly, again, they are due to the secrecy which surrounds private "enterprise." In our opinion, those mainly responsible for British industry have not fulfilled their obligations to the consumer, who subsidises the inefficient and rewards extravagantly the efficient who have in some measure performed what is only their duty.

Well-equipped and well-managed factories can obviously produce more cheaply than ill-equipped and ill-managed factories. But inefficient firms must pay their way if they are to continue in existence, as so many succeed in doing. This, broadly speaking, is possible only by such firms obtaining prices which cover their cost of production and profits. It is these "marginal firms" which, under the present system, determine prices. The consumer pays the price necessitated by inefficient management, whilst the more efficient firms gain additional profits.

It is sometimes argued that the workers themselves place obstacles in the way of improved efficiency. But this contention is irrelevant so far as our present point is concerned. What we have been considering are methods or machinery which have already been introduced partially, but which, owing to shortsightedness or lack of imagination, have not been generally applied. We may, however, point out that organised Labour will not blindly oppose well-considered reforms, if the fundamental interests of the workers are safeguarded.

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## V.—RESTRICTION OF OUTPUT.

In earlier sections of our Report we have drawn attention to restriction of output on the part of employers due to inefficiency or deliberate policy. Inefficiency of plant, equipment, and management obviously diminishes output. Combination, on the other hand, may lead consciously to the adoption of a policy which eventually restricts production. Pooling arrangements, under which manufacturers are penalised if they exceed a certain quota of output and gain if they diminish their allotted output, are not in the interests of greater production. But powerful combinations may go further than this encouragement to "ca'canny." They may of set

purpose decide to diminish output in order to maintain prices. It is not the object of capitalist industry to produce goods in abundance; its primary object is to make profits for investors of capital. It cannot be assumed that the pursuit of profits necessarily means the production of goods in abundance. For if the profit seeker, or those acting on his behalf, can produce more profits by higher prices on a smaller output, they will, in general, prefer that course to a policy of larger output and smaller prices.

Restriction of output by manufacturers is regarded as something not merely pardonable but normal. Restriction of output by workpeople, on the other hand, is regarded as a sin against society. It is necessary that we should consider the question of restriction of output on the part of the workers. It is asserted that the production per worker in many industries has fallen considerably since the war, and that the output per person is not so large as it was before the war. We cannot accept without examination the figures which have been put forward to bear out this view. But it is not surprising that production should have fallen off. This country, in common with the people of other countries, is now paying the penalty of the strain and effort of four and a-quarter years of war.

Even if we make allowance for the reactions of the war and of war time, for the impediments placed in the way of production by lack of equipment, defective transport and other causes, it will be said that we have not disposed of the fact of reduced output. It is, we think, undeniable that, consciously or sub-consciously, "the will to work" is not being fully exercised, at any rate in some industries. "Ca'canny" is not to be explained by reference to "an idle working class." That there are idlers in the working class, as well as in other classes of society, is not a new discovery. The reason for restriction of output of a more or less deliberate character is to be found in the industrial system itself.

Often greater production has been encouraged; when it has been secured, rates have been cut unjustifiably, and the workman, being deprived of the fruits of his greater application, slackens his efforts, and production falls off. In the interests of self-protection and in order to safeguard the standard rate, the worker has recourse to diminishing his production. "There are many instances," says Dr. Myers in *Mind and Work*, "far more numerous than is generally supposed—in which the rate has been cut here [Great Britain], and it is undoubtedly an important cause of the deliberate restriction of output by the employé. One of the absurdest cases on record occurred where the earnings were originally based on the performance of a certain task in 5 hours. The workers finished it in 4 hours, whereupon the time rate was cut to 4 hours. The workers then managed to finish it in 3½ hours, whereupon the time rate was at once cut to 3½ hours. The workers then finished the job in 3 hours, and the time rate was further cut to 3 hours. But by this time the workers had learned wisdom. They now took 7 hours for the job. The time rate was raised to 4 hours, but without effect, then to 5 hours; whereupon the workers finished the job in 3½ hours. Once again the time rate was cut, and once again the job took 7 hours to accomplish!"†

Moreover, it is widely held that the more one worker does the less there may be for his fellows to do. This view is not confined to the organised worker. As Dr. Myers has pointed out, "the restriction of output by workers has been shown in the United States to occur in what are there called 'open shops,' i.e., where there is no Trade

\* *Mind and Work*, page 116.

† Pages 114-115.

Unionism, as well as in shops where the men are members of a Trade Union. Restriction of output, therefore, is not limited to Trade Unionists." People who are unfamiliar with working-class psychology and the insecurity of the manual worker's life recommend as a remedy a course of "sound economics." It is argued that the more one worker does, the more there will be for others to do; but the argument is unconvincing. Even though it is admitted that, on a long view, restriction of production is fatal to the interests of the workers, the worker's problem is not solved. He is inevitably driven by his economic circumstances to take the short view. His hold upon industry is precarious, whilst the gap which divides him and his family from privation and even destitution is but a narrow one. The worker must have regard first of all to present needs; he cannot tighten his belt until, at long last, economic forces have run their course, and output is added to output, in which he participates. Until there is "security of tenure" for the worker in industry, occasions will arise when "ca'canny" will appear to be the lesser of two evils. Briefly, the worker must be assured of "work or maintenance."

But there is a restriction of output due to more fundamental causes. So far as restriction is due to rate cutting or fear of unemployment, it can be easily remedied. Where, however, it is due to lack of confidence in the present industrial system, resentment against working under conditions imposed from above, to a revolt against working for the production of profits, we are face to face with a more serious problem. Education and the spread of ideas have worked a change in the outlook of labour. It is no longer prepared to be a docile tool in the hands of the employing class. It is becoming increasingly unwilling to work within and to perpetuate a system of which it disapproves. **We shall not get the maximum of production until the industrial system is brought more closely into harmony with the wishes of the mass of organised workers.** In other words, in the twentieth century, it is no longer possible to expect efficient service from a system which is outworn and which is repugnant to a large section of those whose co-operation is essential to its working.

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## PART III.

### CONSTRUCTIVE PROPOSALS.

In Part II. of this Report we have dealt with profiteering, the trust movement, industrial inefficiency, and the various forms of "restriction of output" in relation to prices. We now propose to outline our proposals for reducing the cost of living and relieving the consumers of the exploitation from which they suffer. These must, of course, be considered in conjunction with the suggestions contained in our First and Second Interim Reports.

So far as our present problem is concerned, we believe the solution to lie primarily in a far-reaching reorganisation of the economic system. The growing complexity of industry and commerce, the decline of competition, the growth of combinations, and the increasing resentment of the workers against capitalism necessitate drastic changes.

We do not think that the interests of either producers or consumers, or the general interests of the community, are served by a virtually uncontrolled economic system. Trade Unions, it is true, have limited the autocratic power of employers, legislation has tempered the harshness of the capitalist system of industry and safeguarded in some degree the consumer from adulteration and fraud, and the co-operative movement has provided an alternative method of production and distribution. But in all essentials capitalism remains intact, implacably opposed to industrial democracy, flouting the general body of consumers, and even imposing its will upon the State.

The one thing to which modern industry can lay claim is that it has given the world a productivity which it never possessed before. But even in this respect industry has failed to utilise the possibilities opened to it by scientific discovery and research. The economic system has never done justice to the mass of producers, nor has it dealt fairly with consumers. And so long as the principle of self-interest and private gain dominates it industry will be marked by injustice. "Reforms" which leave untouched the central principle of capitalism are futile. The need is for a change of motive. A desire for such a change exists, but it is warped and thwarted by the whole apparatus of capitalism, from the fear of unemployment to the Press, which is the handmaiden of the *status quo*. We think, however, that if public opinion were focussed upon certain definite proposals that a great step forward might be made in the direction of infusing a new social motive into the economic system.

Capital, which is now the taskmaster of the producer and the exploiter of the consumer, must become the servant of both. The public, as producers, consumers and citizens, are vitally concerned in the economic system. But their fundamental interests can be assured only when it is recognised that industry was made for man and not man for industry, and that industry and commerce must be subordinated to the common weal. This, we suggest, can be achieved by—

- o (a) public ownership—national and local;
- (b) voluntary co-operation;
- (c) public regulation of the economic system.

The following sections are devoted to our proposals under these three heads.

## I.—PUBLIC OWNERSHIP.

The opposition to public ownership rests upon three main arguments—that it is bureaucratic, that it is inefficient, and that it destroys initiative. These criticisms die hard, for they are kept alive by those whose interests are jeopardised by nationalisation. **Part of our case against capitalism is based upon the very arguments which are adduced against public ownership.**

The increase in the size of the economic unit and the gradual growth of amalgamations of capitalist concerns have led to bureaucracy. A railway company is a bureaucracy, the Lever combine is a bureaucracy, Messrs. Coats is a bureaucracy. In so far as combinations become the predominant form of organisation in industry the issue is not between private ownership, untrammelled by "officialism" and "red tape," and nationalisation of a bureaucratic kind. If we assume for the moment that bureaucracy is an essential feature of nationalisation, the issue is between bureaucratic management under no sort of public control and a bureaucracy under direct public control. Of these alternatives we have no doubt that the latter is preferable. But we do not grant that bureaucracy is inevitable in publicly owned services. It is inherent in large-scale capitalist enterprise; it is a tendency which, if unchecked, will assert itself more and more as the scale of operations increases. It cannot, indeed, be avoided in a trust, where executive control is concentrated in the hands of a few people, and where the employers are officials, and nothing more, engaged in carrying out instructions about which they have not been consulted, and in following a policy which they have had no part in determining. Nationalisation may lead to bureaucracy, but the proposals which have recently been put forward, for example, with regard to the miners, are deliberately designed to avoid this evil. It is recognised that the administrative methods of Departments of State are not suitable to nationalised undertakings, and that any attempt to conduct, say, the mines as if they were a State Department concerned with the administration of the laws of the country would be to court disaster. It is also realised that the real safeguard to bureaucracy is directly to associate with the administration of a public undertaking, not only the community which owns it, but the various grades of employes concerned in it, and to give the consumers recognition on all questions affecting their interests. **Bureaucracy, that is to say, would be avoided under public ownership by the freedom of administration from unsuitable civil service restrictions and the institution of democratic government.**

Whether nationalisation would be inefficient or not is perhaps a matter of speculation. But the inefficiency of modern industry is a matter of knowledge. In our judgment the capitalist system has passed its zenith, and will "slow down" as a result of the growing lack of confidence on the part of the workers in its operations, and their unwillingness to give adherence to a system with which they are out of sympathy. In other words, industry is likely to become less rather than more efficient. We have referred earlier in this Report to the inefficiency which now exists in industry, and we need not further emphasise this defect. But it is important to insist upon the bankruptcy of capitalist industry and the discredit into which it has fallen. **The choice is not between an efficient capitalism and inefficient nationalised services. The choice is between a system which will inevitably become less able to perform its functions effectively, and a system which will possess the overwhelmingly important advantage of securing the approval and support of the workers. It is clear that no form of industrial organisation can be efficient unless it can claim the loyalty of the workers, and that this loyalty and co-operation is the greatest single factor determining efficiency.**

Public ownership in certain industries at least, would to-day enjoy this great asset. We do not pretend that the reorganisation of industries in harmony with the motive of public service, in an environment permeated with the traditions and practices of capitalism, would not be without great difficulties. We do not wish to minimise them. But the elimination of the wastes of competition and of the social menace of combinations, and the development of a new spirit in industry, would, on the other hand, be gains which it is difficult to over-estimate.

The argument that public ownership would destroy initiative rests upon a misconception of the existing organisation of industry. It is assumed that industry is carried on because the prospect of profit conduces to effort. It is thought that "industrial progress" depends upon the existence of a financial incentive. In point of fact, however, the real burden of responsibility is passing to a salariat, which does not benefit by the receipt of profits from the exercise of initiative. The railway service is administered by a salaried staff; the banking service is conducted by a salaried staff; many collieries, engineering shops and textile factories depend upon the services of salaried staffs. There is in industry and commerce to-day a large number of people in receipt of fixed salaries, who undertake work of the most responsible kind, requiring initiative, and the results of whose labours redound to the credit of those who receive profits. It is, of course, true that the *entrepreneur* with the same functions is rewarded by profits; but we see no reason why he should be more handsomely remunerated than civil servants and professional men generally. Nor can we accept the view that *entrepreneurs*, alone of all groups of responsible people exercising initiative, should be paid by profits, when other people possessing the same qualities are paid salaries. There is also a large mass of shareholders who draw dividends, but it can hardly be contended that the efficiency of industry depends upon the "initiative" of a body of non-active absentee shareholders, whose only part in production is the investment of capital. Industry and commerce stand alone as services in which, to secure the best effort from a small handful of people in positions of responsibility, it appears to be necessary to allow them to take out of the service as much as they can get. It is the more absurd because their functions in industry and commerce are being performed by a considerable group of salaried employes who carry out their duties without the inducement of further claims. We cannot, however, agree that the financial incentive has always produced the results anticipated. It has often made for a short-sighted and greedy policy of rapid gain, detrimental to public interest. And it is, we think, undoubtedly true that the initiative of salaried persons—the fruits of knowledge and special experience—is often hampered by those whose functions they are really performing, through the refusal of capitalists to look beyond immediate gain. We do not think that a nationalised service would show less initiative than profit-makers have shown. On the contrary, with a new motive, such services would show greater initiative, whilst the short-sighted policy of personal gain would be replaced by a national policy for the public advantage.

- If it were true that nationalisation spelt inefficiency, bureaucracy and stagnation, it would stand condemned; but we accept the alternative view that public ownership, with which producers and consumers were directly associated, would provide either a cheaper service or a better service for the same money.

We consider below the nationalisation of the land, the coal mines, certain forms of transport, electrical supply and banking, and, as an illustration of a manufacturing industry, the wool textile industry.

## A. LAND.

The nationalisation of the land is a policy which commands considerable support. Public ownership would enable the community to insist that the occupation of land involved the duty of utilising it in the most effective way. It cannot be claimed that the soil of the country is at the present time being put to the best possible use. It is undeniable that the land could produce far more cereals, meat, milk, and vegetables than it yields now, and that a larger supply of these foodstuffs would be of direct benefit to the general public. Lord Bledisloe recently stated that "by following the teaching of science and the most approved farming practice" the land "can be made to yield for the nation at least 50 per cent. more human and animal food," and "with far greater profit" to the farmers than they reaped in pre-war days.\* We do not anticipate such an increase so long as the present system of land tenure exists and there is no co-ordinated national agricultural policy.

Land nationalisation, in effect, means that the State would become the general landlord of the country, and all landholders, large and small, would rent their lands from the State. Occupiers would be assured of security of tenure, subject, of course, to satisfactory cultivation. Rents would be revised each seven years by Fair Rent Courts. The State might, if it thought fit, farm some of its own land, but in the first instance its attention would be mainly directed to research, experimental farming and agricultural education, and to the gradual improvement of standards of cultivation.

We need not enter into the question whether the State should foster farming on a larger scale or encourage the extension of small holdings. Each policy has its supporters, and there are advantages to be obtained from both. We may, however, suggest that, as the State itself embarks on farming, it will carry out certain operations on a large scale. It may in practice encourage both large scale and intensive cultivation under due safeguards. Nor need we discuss the question as to whether arable land should be extended, though we may point out that from the point of view of the supply of milk and meat, there is much to be said for arable as against grass land. One of the most vital needs of agriculture is capital. Existing freeholders who become State tenants with security of tenure would, by a State purchase scheme, obtain control for development purposes of that portion of their capital which is at present sunk in the purchase of their farms. The State might, in various ways—for example, by the sale of fertilisers, seeds, etc., at cost price—encourage the application of more capital to the land of the country. The further development of the co-operative movement would stimulate the greater use of machinery for agricultural purposes. The general introduction of costings in agriculture would eliminate waste and set free savings for investment. The active encouragement of better methods by the State would reduce costs of production and yield the farmer a return which would enable him to develop his farm. Moreover, the security which occupiers would enjoy under public ownership, and the certainty that should they relinquish their tenancies they would receive full compensation for all improvements made by them, would be a direct incentive to the investment of their capital for development purposes.

State ownership would render possible a co-ordinated policy of agricultural development; it would give tenants security of tenure and stimulate the application of much-needed capital to land and agriculture.

\* *Times*, June 9th, 1921.

Below we refer to the development of publicly owned transport facilities in rural districts linked with the railway system. If the land were publicly owned, the construction of a road system suitable for motor traffic would present less difficulties than it does at the present time.

We would also point out, in conclusion, that the advantages of the public ownership of the land are not confined to the agricultural industry and to rural areas. Municipal and other local authorities and quasi-public bodies would be able to secure the use of land on reasonable terms, and the holding-up of land would become an evil of the past.

#### B. RAILWAYS.

The nationalisation of railways also counts upon a large measure of support. As in the case of land, this policy has won approval for special reasons. The fundamental importance of transport in a modern community has been recognised by the establishment of a Ministry of Transport and the need for co-ordination of the railway system by a Government Bill. But the Government, whilst acknowledging the monopolistic character of the railway service, has not faced the need for nationalisation. The Railway Trade Unions, however, have prepared a Bill—the Ministry of Transport (Transfer of Railways) Bill—providing for “the purchase by the State of all the railway undertakings in Great Britain and for their subsequent management in the public interest under the direction of the Minister of Transport.” It is proposed that the purchase price should be calculated on the basis of the pre-war market price of the existing railway stocks, subject to a reduction relative to the amount by which securities generally have depreciated in value in consequence of the war. This proposal follows the policy which the Liquor Trade Finance Committee for England and Wales\* suggested should be pursued in the event of the State purchase of the liquor trade. The Bill provides that the reduction in view of the general depreciation of the value of securities shall be made at the rate of 30 per cent. Railway shareholders would be handed new interest-bearing stock in return for their present holdings. Under the Bill the general direction of the railways would devolve upon seven commissioners, with a Minister responsible to Parliament. Three of the commissioners would be appointed by the Minister on nominations submitted by the recognised railway Trade Unions. In addition, machinery would be set up for adjusting disputes concerning salaries and wages and conditions of service.

Under unified control it would be possible to provide the country with an efficient railway service. We think it would be desirable to organise a motor service in conjunction with the railway system, in order to provide the rural areas with adequate transport facilities, and to bring into the markets supplies which might otherwise not reach the public. A co-ordinated system of transport would result in the more expeditious carriage of goods, and ultimately in cheaper freights.

#### C COAL MINES.

The nationalisation of the coal mines is a policy to which organised Labour is deeply pledged, and to which public opinion has recently been directed.

The subject was examined by the Coal Industry Commission, which came unanimously to the conclusion that the whole of the mineral rights should be acquired by the State. All the commissioners, with the exception of the mineowners, recognised that the present system of working had proved

inefficient. The disadvantages of private ownership were summarised by Sir Arthur Duckham, who reported that "the working of over 3,000 collieries by more than 1,500 separate interests had resulted in heavy losses of coal and inefficient working and unnecessary difficulties in the winning of coal." Mr. Justice Sankey, the Chairman of the Commission, and the three employers' representatives not connected with the industry, in their Interim Report stated that "even upon the evidence already given, the present system of ownership and working in the coal industry stand condemned, and some other system must be substituted for it, either nationalisation or a method of unification by national purchase and/or by joint control." In his final Report, the Chairman of the Commission unhesitatingly declared for national ownership. "Coal mining," he said, "is our national key industry, upon which nearly all other industries depend. A cheap and adequate supply of coal is essential to the comfort of individuals and to the maintenance of the trade of this country. In this respect, and in the peculiar conditions of its working, the coal mining industry occupies a unique and exceptional place in our national life, and there is no other industry with which it can be compared."

Mr. Justice Sankey pointed out that "under State ownership . . . the difficulties caused under the present system in regard to barriers, drainage, pumping, boundaries, and support will largely disappear," for "the object to be aimed at under State ownership is national co-ordination of effort in respect of the production of the national asset and of its export and inland supply."

The Miners' Federation has prepared a Bill for national ownership which provides for the control of the industry by the various grades of employes—manual, clerical, and administrative—under the control of a Minister of Mines. The Bill also makes provision for municipalities to undertake the distribution of coal. We believe that this plan offers the only real hope of an efficient coal industry.

#### D. ELECTRICITY SUPPLY.

With the nationalisation of railways and coal mines we would associate a national electricity supply. An official committee,\* presided over by Sir A. Williamson, which investigated electric power supply, emphasised the fact that "the present use of motive power per employé [in this country] is only about half that in the United States of America." It was suggested that "it is only by largely increasing the amount of power used in industry (by two or more times) that the average output per head (and as a consequence the wages of the individual) can be increased," and, we would add, prices substantially reduced. "Power," we are told, "may be most efficiently applied to industry by the medium of electricity." We are informed in another official document that "witnesses of high authority estimate the loss incurred by the nation through failure to take advantage of electrical progress at not less than £100,000,000 a year, a loss preventable by concentrating generation under improved administration."†

The Coal Conservation's Sub-Committee, in its Interim Report on Electric Power Supply in Great Britain,‡ stated that:—

"Technically and economically the electrical energy can be best provided by a comprehensive system, as may be amply proved from the experience

\* Interim Report on Electric Power Supply in Great Britain, 1917. Cd. 8880.

† Report of the Committee of Chairmen on Electric Supply. Cmd. 93, page 4.

‡ Cd. 8880, page 5.

gained in those parts of the world where such systems are in existence, notably in Chicago (Illinois), on the North-East Coast of England, on the Rand, and in certain industrial districts of Germany. Power production in large super-plants, with generating machines of 50,000 h.p. or more, will not only be far more economical than in a large number of smaller plants, but will ultimately involve great economies of capital by securing a better load and a more effective use of the plant. Such super-plants, if suitably situated on large sites, would make it possible—so far as it was economical to do so—to extract the by-products in the shape of oils, motor spirit, etc., from the coal before using it as fuel, thus avoiding to a large extent the necessity of importing them.

“The super-plants would feed into the main trunk distribution system, which must be laid down throughout the country. For this purpose the country should be divided into some 16 districts, throughout each of which there should be a standard periodicity and trunk main voltage.

“If power supply in the United Kingdom were dealt with on comprehensive lines and advantage taken of the most modern engineering development, the saving in coal throughout the country would, in the near future, amount to 55,000,000 tons\* per annum, on the present output of manufactured products.

“The present system of electrical power distribution throughout the country, which is undertaken by over 600 authorities in as many separate districts, is technically wrong and commercially uneconomical. The present average size of generating station is only 5,000 h.p., or about one-fourth of what should now be the smallest generating machine in the power station. The ‘Power Act’ legislation inaugurated some fifteen years ago has not had the desired result, on account of the restrictions imposed upon the Power Companies.

“A national system of electric power supply would greatly facilitate the electrification of railways with its attendant advantages, save large sums of money at present spent on the transport and distribution of coal, and bring within reach of the community as a whole the great benefits of an increase in the use of electricity for domestic purposes, advantages which, taken together, are perhaps of more value than the direct coal saving.”

We are strongly of the opinion that such a unified system of electricity supply as is outlined above ought to be nationally owned and controlled. We see no advantage in committing what must be a monopoly to private hands, even under conditions imposing a limitation of profits. A national electricity supply is in principle no different from a local gas, electricity, or water supply, and the municipalisation of these services no longer meets with serious opposition.

## E RAILWAYS, COAL, AND ELECTRICITY SUPPLY.

The nationalisation of the railways, the coal mines, and electricity supply should be considered together. The national coal mines would supply the coal for conversion into electrical energy, and electricity would be gradually applied to the national railways, and more extensively applied to industry. If these three key industries—transport, coal, and power—were developed in co-ordination, with a single eye to performing the maximum service to the community, the effect upon all other industries which depend so largely upon transport, coal and power, would be profound. Industry would gain, and the general body of consumers would gain.

## F BANKING.

In our First Interim Report we recommended public control of the banking system. We pointed to the process of consolidation which had been in progress in the banking industry and the dangers involved in this movement towards amalgamation. We emphasise this aspect of the subject

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\* This figure takes no account of the saving possible on domestic coal consumption as the result of a comprehensive system of electric power distribution.

by reference to the Report of the Treasury Committee on Bank Amalgamations.\*

"Any approach to a banking combine or money trust, by this or any other means, would undoubtedly cause great apprehension to all classes of the community and give rise to a demand for nationalising the banking trade. Such a combine would mean that the financial safety of the country and the interest of individual depositors and traders would be placed in the hands of a few individuals, who would naturally operate mainly in the interests of the shareholders. Moreover, the position of the Bank of England—which would, it may be assumed, stand outside any such Trust—would be seriously undermined by so overwhelming a combination, and the Bank might find it extremely difficult to carry out its very important duties as supporter and regulator of the Money Market. Any such result would, in our opinion, be a grave menace to the public interest.

"Further, it has been represented to us that the Government of the day might not find it easy to adopt a course of which the combine, for its own reasons, disapproved.

"While we believe that there is at present no idea of a Money Trust, it appears to us not altogether impossible that circumstances might produce something approaching to it at a comparatively early date. Experience shows that, in order to preserve an approximate equality of resources and of competitive power, the larger English banks consider it necessary to meet each important amalgamation sooner or later by another. If, therefore, the argument from size . . . is to prevail it can only lead, and fairly rapidly, to the creation of a very few preponderant combinations; and if those combinations amalgamated or entered into a joint agreement as to rates and policy, etc., the Money Trust would immediately spring to birth.

"But on a careful review of all the above considerations we are forced to the conclusion that the possible dangers resulting from further large amalgamations are material enough to outweigh the arguments against Government interference, and that, in view of the exceptional extent to which the interests of the whole community depend on banking arrangements, some measure of Government control is essential. Our conclusions on this point were confirmed by the resolution passed at the recent annual meeting of the Association of Chambers of Commerce, in which it was proposed that steps should be taken to guard against amalgamations, etc., shown to be injurious to commercial interests.

"We, therefore, recommend that legislation be passed requiring that the prior approval of the Government must be obtained before any amalgamations are announced or carried into effect. And in order that such legislation may not merely have the effect of producing hidden amalgamations instead we recommend that all proposals for interlocking directorates, or for agreements which in effect would alter the status of a bank as regards its separate entity and control, or for purchase by one bank of the shares of another bank, be also submitted for the prior approval of the Government before they are carried out."

The Committee, whose Report we have quoted, refuses to face the logic of its own argument. In our judgment, it makes an overwhelming case for nationalisation. Its policy, however, is merely negative. It proposes to place obstacles in the way of further amalgamations. The Committee appears to be unaware of the price-fixing arrangements which are common in industry and require neither "hidden amalgamations" nor "interlocking directorates," but only occasional conversations, to destroy effective competition. The consolidation of the joint stock banks has rendered the public control of credit a vital necessity.

We would draw attention, in the absence of a unified national banking system, to the possibilities and advantages of municipal banking. The experience of the Birmingham Municipal Bank is both interesting and valuable. It was opened on 1st September, 1919. By March 31st, 1921, in addition to the head office, 30 branch offices had been opened in various parts of the city.

The objects of the bank are:—

(a) To receive deposits, and to guarantee the payment of interest on and the repayment of such deposits.

(b) To advance money to any such depositors desiring to purchase or acquire a dwelling house or houses in the city of Birmingham, or any interest therein.

(c) To utilise and invest the funds of the bank in accordance with the Act and the regulations made thereunder, or such other regulations as may be made, as therein provided.

The Birmingham Corporation Savings Bank, which was established as a temporary institution, did not cease to take deposits until 31st October, 1919; thus for two months, both the Birmingham Municipal Bank and the Corporation Savings Bank were attracting deposits. When the Corporation Savings Bank ceased to do business, its depositors were invited to transfer their accounts to the new bank, and out of a total of 24,411 open accounts, no less than 22,592, representing a sum of £325,408 16s. 3d., were transferred to the Municipal Bank.

The growth of the Bank during the seven months from its inception, i.e., 1st September, 1919, to March 31st, 1920, was remarkable. During this period, the amount received from depositors totalled £873,705 9s. 8d., and the amount repaid to depositors £136,099 7s. 3d. The number of new accounts opened was 41,573; the number of accounts closed was 1,383, whilst the number of transactions was 163,787. By the end of March, 1921, there were 62,119 open accounts in the Savings Bank Department. During the year ending March 31st, 1921, the transactions numbered 385,466, and the amount received from depositors reached the high figure of £1,226,321 10s. 2d., whilst the amount paid out to depositors amounted to £567,327 11s. 4d. At the end of the last financial year, there was £1,405,977 19s. 9d. standing to the credit of depositors.

It is clear from the above summary of the facts that the Birmingham Municipal Bank has gone a considerable way towards mobilising the tiny streams of savings of the working classes, which it is more than probable, but for the Municipal Bank, would not have been available for public use.

But the collection of deposits does not exhaust the activities of the Bank. It has set up a House Purchase Department, which has met with considerable success. From 1st September, 1919, to March 31st, 1921, no less than 745 applications for advances were granted. The Bank limits the amount of its advances to a maximum of £600 on any house, and by this means seeks to benefit those for whom it was especially established.

Further, under the provisions of the Land Settlement (Facilities) Act, 1919, advances may be made to smallholders for the purchase of live-stock, seeds, implements, etc. The Birmingham Agricultural and Small Holdings Committee, which is responsible for working the Act, have arranged with the Bank Committee to make such advances as may be approved, at the same time guaranteeing the Bank against any loss which may be incurred; whilst the interest coupons on local Housing Bonds, in virtue of an arrangement made by the City Treasurer, can be cashed on maturity at the head office of the Bank or at any of its branches.

The Bank has also succeeded in attracting deposits of Trade Unions and various societies and organisations throughout the city, and, with the concurrence of the Citizens' Committee, it has taken over the funds of the Birmingham Provident Society.

Another important feature of the Bank's activities is to be found in its co-operation with the Schools Savings Banks. An arrangement has been made with the Education Committee whereby the collections in the various schools are paid over to the Municipal Bank and the accounts of children transferred thereto prior to leaving school. The balance sheet for 31st March, 1921, shows that its assets consisted mainly of Treasury Bills (£892,187 18s. 2d.), and cash with the Corporation "at call" (£273,160 17s. 3d.), whilst £233,202 6s. 3d. was repayable by depositors to the House Purchase Department.

It is, of course, an advantage to the Corporation to be able to get at least some part of its short-dated loan accommodation from the Municipal Bank, in preference to having to seek the whole of this accommodation at the hands of one or more of the big banking corporations. Any profits arising out of the transactions of the Bank obviously will benefit the municipality, and will not go to enrich the shareholders of any of the "Big Five."

This is not the only saving which might accrue from the establishment and development of the Municipal Bank. We do not see why such banks should not undertake to collect at their various branches local rates and municipal gas, water, and electricity accounts. We understand that this would be perfectly practicable, as the busy times for the bank branches are well defined, and there are periods when little or no business is being done. We are also given to understand that these services could be performed for a fraction of the cost of the present method of collection of rates and municipal accounts.

Representatives of many municipalities have visited Birmingham for the purpose of studying the Municipal Bank, but there is a serious difficulty in the way of the extension of the municipal banks. The Birmingham Corporation obtained Parliamentary powers for their proposed bank, and every other local authority which wishes to open its own bank must pursue the same tedious and expensive course. The only other method is that adopted at Kirkintilloch in Dumbartonshire. There a banking company has been created, the directors and shareholders of which must be members of the Town Council. We understand that the Corporation takes the deposits of the bank day by day, paying for deposits 5 per cent. and for savings bank accounts 3 per cent. Up to March, 1921, it had received £13,000, of which £3,600 had been withdrawn. The liability for interest is about £450 per annum, and, if the money had been raised by loan, the Corporation would have had to pay £700 in interest. We think it imperative that a short Act of Parliament should be passed enabling local authorities to establish and conduct local banks, subject to the fulfilment of certain general conditions.

If this step were taken, many local banks would probably be established, for, as we have already shown, local authorities would stand to gain by their establishment. The movement would not, however, end there. We attach considerable importance to the formation of a federation of municipal and county banks, and to the mobilisation of small streams of savings which would be temporarily at the disposal of public bodies on terms more favourable than those obtainable from the joint stock banks.

#### G. THE WOOL AND TEXTILE INDUSTRY.

Many schemes have been put forward for the nationalisation of industries or services not concerned with the manufacture of goods, but we think it will be of interest and value to present the outline of a plan for the establishment of public ownership and control in a manufacturing industry. We, therefore, give below a scheme for the nationalisation of the wool textile industry. This industry has already come under notice in this Report in connection with

“profiteering.” From the point of view of nationalisation the industry possesses certain advantages. It is to a large extent localised, and it was under a system of Government control during the war, so that a good deal of experience is available.

It would be possible, if the public so desired, to transfer the whole woollen and worsted industry at once by purchase to the State. Opponents of nationalisation would, however, hope to succeed in preventing the acquisition of the industry by the nation by pointing to the large sum which would be involved in the scheme of purchase. Consequently we have considered it desirable to formulate a scheme of nationalisation which does not involve the State in relatively large commitments at the outset.

### 1 *The Organisation of the Wool Textile Industry.*

In the first place, it will be necessary to explain the organisation of the wool textile industry. This industry, which is of a complex character, has two main branches—the woollen trade and the worsted trade. The processes of manufacture and the organisation of the trade are different in each case.

In the worsted industry the various processes are standardised and firms are specialised. Very few individual firms carry on all the processes from the handling of the raw wool to the manufacture of worsted cloth. The different stages of manufacture are generally carried out by separate firms. In the woollen industry on the other hand, the manufacturer of woollen cloth usually buys his raw material and treats it in all its stages down to the production of the finished cloth, the various processes being carried on in the same mill.

The chain of processes involved in the manufacture of worsted cloths is broadly as follows:—

PROCESS.	PERSONS CONCERNED.
1. Wool Sorting .....	Wool Merchant and Topmaker.
2. Scouring .....	—
3. Combing .....	Wool Comber.
4. Spinning .....	Worsted Spinner.
5. Weaving .....	Worsted Manufacturer.
6. Dyeing, Finishing and Shrinking	Dyer and Finisher.

The first three processes are generally carried out by the wool comber on whose premises the raw wool is sorted, blended, washed, and scoured, and then combed. The resultant product—to which the term “top” is applied—is now ready for conversion into yarn, which is the business of the worsted spinner. The spinner having converted the “tops” into yarn, sells his product to the manufacturer, who weaves the worsted yarn into cloth. After the cloth is woven, it then requires dyeing and finishing, and usually this process is carried out by dyers and finishers, who do the work at contractual rates.

It should be borne in mind that, in general, the woolcomber and the dyer and finisher do not own the product which they treat. The woolcomber usually performs the service of converting raw wool into “tops” for a “topmaker” on a commission basis. The topmaker is essentially a merchant; he purchases the wool and arranges for its being sorted, scoured and combed. He rarely owns machinery of any description. It is from the topmaker that the spinner usually purchases his tops. In some cases, however, the spinner combines the function of topmaking with that of worsted spinning; that is to say, he buys his own wool and arranges with the woolcomber for its conversion into tops. There are, in addition, a relatively small number of spinner-combers, who treat the raw wool in all its stages up to the finished yarn.

The woollen industry, on the other hand, is characterised by "single unit production." The manufacturer of woollen cloths usually purchases his raw materials, washes and scours the raw wool, blends the raw materials, and does the carding, spinning, manufacturing and dyeing, milling and finishing. Dyeing in the woollen trade is not one of the last processes of manufacture. Most of the dyeing in the woollen trade is done before the raw material reaches the weaving stage.

It should be noted that the manufacturer of shoddy is an integral part of the woollen industry. Shoddy is one of its raw materials. The shoddy manufacturer converts cloth, stockings, rags, etc. into a form in which it can be used for blending with wool for the purpose of making woollen yarn. Some woollen manufacturers possess machinery for the production of their own shoddy. There only remains one other important branch of the industry, namely, carbonising. Carbonising is one of the preliminary processes in manufacture, and consists in cleaning and removing foreign matter from the shorter wools suitable for the woollen trade. Carbonising, like woolcombing, is generally done on a commission basis.

## 2. *Raw Materials.*

The principal raw material for the industry—wool—would, under our scheme, be purchased by the State. Government buyers will enter the world's markets and purchase such wool as the industry may require. Private trading in wool must, of course, be made illegal, and importation into the country, except on Government account, forbidden. The State will arrange transport and freight, storage, and distribution. The nationalisation scheme, as regards wool, will follow the broad lines of the arrangements in operation during the war, except that only such part of the British Colonial wool as is required will be purchased, it being of course understood that so far as the present scheme is concerned the British producers and Colonial wool-owners will sell their wool to private buyers in other countries if they prefer to do so. The British Government buyers will, by virtue of their relatively enormous demand, be in a strong position in the world's markets.

The war-time scheme virtually excluded South American wools, and had little to do with the Cape clips. Under a nationalisation scheme, Government buyers would, of course, operate in these markets as required, and would also purchase East Indian wools, and the smaller clips of the Falkland Islands, Iceland, and European countries.

As regards other necessary raw materials and requirements of the woollen and worsted industry—soap, oil, coal, cotton yarn, machinery, etc.—it is suggested that arrangements should be made as far as possible for common purchase by the users. That is to say, representatives of those branches of the trade requiring a particular commodity should ascertain their total demand during a given period and negotiate with the producers of the commodity on the basis of this total demand, with a view to obtaining supplies at the lowest possible price for all users.

## 3. *Production.*

The first stage in the production of worsted fabrics, as we have already explained, is topmaking. The topmaker is primarily a merchant speculator, and, as under the control scheme during the war, he would disappear.

Wool sorting and wool-combing are now carried out for the topmaker on commission by the woolcombers. A large proportion of the sorting takes place on the premises of the comber, and these two processes may, for our purpose, be treated as one. Fortunately, the combing section of the industry is already partly unified. Wool Combers Limited, a strong trade combination,

owns about half the combs in the country, and nearly the whole of the remainder are in the hands of a single firm. The combing trade might, therefore, be taken over by the State at the outset. As the State would buy the wool and sort and comb it in its own factories, there is, as we have said, no need for the topmaker. Any surplus of tops or worsted yarns would be exported abroad by the State.

Carbonising, which is a specialised process carried on by a limited number of firms, might also be purchased by the State when the Government scheme came into operation. Similarly, in the woollen industry, the number of specialised shoddy manufacturing firms is not large, and they could be brought under public ownership. It is suggested, in short, that sorting, combing, carbonising, and shoddy manufacturing firms should be nationalised, but it is not proposed to nationalise firms which carry on any of these processes in conjunction with other processes which are not for the time being to be nationalised.

As regards worsted spinning and manufacturing, woollen spinning and manufacturing, finishing and ancillary processes, hosiery manufacturing, and blanket and flannel manufacturing, it is suggested that they should in the first instance come under public control, and that the plant and equipment should be gradually acquired by the method explained below.

The dyeing industry stands in a special position, as both wool and cotton are dyed by many of the firms in the trade. It is not intended, therefore, that our schemes should be applied to the dyeing industry, except that firms engaged in other branches of the wool textile industry which are publicly controlled, who dye their own wares, will come under the operation of the costings regulations as regards all the processes carried on by them. The dyeing industry as a whole will be required to work on a conversion cost basis.

#### *4 The State and the Industry.*

Our proposal is that certain branches of the wool textile industry, as outlined above, should be purchased at the outset, and that the remaining branches should come under public control, whilst for the time being retaining private ownership. The State should, therefore, take power to acquire the whole industry, but it would not exercise its powers to the full immediately. It would also take power to control profits in those sections of the industry which are not publicly owned, and to institute costs records and examine the books of firms in the industry when it thinks fit, with a view to checking costs and seeing that each firm is carried on efficiently. It should also be empowered to close, after due notice, works which are not adequately equipped, or to purchase them on an efficiency basis, to be assessed by the Board of Trustees referred to below. Finally, the Government should arm itself with power to confiscate for public use any mill whose owners are shown to have knowingly evaded or sought to evade the provisions of the scheme. It is intended that mills owned by the Co-operative Wholesale Society should be excluded from the scope of the scheme, and that they should be provided with raw materials by the State.

The State would provide the woollen manufacturers with wool at fixed prices. In the case of the worsted trade it would sort and comb the wool and sell the tops to the worsted spinners at prices determined on a costings basis. Shoddy would be manufactured by the State and sold to the woollen manufacturers on similar terms. Carbonising, again, would be done for the trade on commission at terms representing cost plus necessary allowances.

Worsted spinners and manufacturers, woollen manufacturers, hosiery manufacturers, blanket and flannel manufacturers would be subject to

control of profits. It is suggested that a flat rate of return on capital would be fixed for each section of the industry, after full investigation into the profits of the various sections of the trade, and the Board of Trustees would from time to time assess the capital value of each individual undertaking. In addition to the flat rate, the individual firms would be entitled to an efficiency bonus, expressed as a percentage of the total profits earned. This bonus might be on a sliding scale, increasing with the efficiency of the firm. The remaining profits would accrue to the State.

We have already pointed out that any surplus of tops or worsted yarns would be exported abroad by the State. The question arises as to whether the sale of cloth abroad should be left in private hands. This is a problem of some importance. The wool textile industry has a considerable export trade, and so far as this is concerned the economies of unification and public control would be enjoyed, not by the home consumer or the foreign consumer, but by the exporter who would make larger profits. We suggest that the State should undertake the foreign sales of wool products. If, in the early stages, this were not thought desirable, export merchants should be licensed and a percentage of their receipts from foreign trade paid to the Government.

The profits accruing to the State should be placed with a Board of Trustees responsible to a Minister of the Crown. It would be their duty to utilise the funds at their disposal for:—

(a) The purchase of undertakings in the woollen and worsted industry.

It would, we think, be on the whole advantageous to devote funds first to the purchase of worsted spinning mills. When the whole of this branch of the industry was nationalised the purchase could then be considered of worsted manufacturing firms. After this section of the trade had been acquired, woollen manufacturing firms would then be purchased. The order in which different sections of the trade should be brought under public ownership, and the principles determining the order in which firms in each section should be taken over, must, however, be left to the Board of Trustees and the assessors.

(b) Research.

The British Research Association for the Woollen and Worsted Trades, which is already financed by the Government to the extent of 50 per cent., should be absorbed into the nationalisation scheme and funds allocated to it by the Trustees.

The Board of Trustees should consist of persons independent of the woollen and worsted industry, presided over by a judge with experience of commercial cases. Attached to the Board there should be assessors, comprising accountants, insurance assessors, and representatives of the various sections of the industry.

It will be necessary under our scheme to set up a Ministry of Wool and Wool Textiles, though in the early stages it might be more convenient to organise a separate Department of the Board of Trade to carry out or supervise the duties involved in the scheme. As regards those sections of the industry nationalised, there should be a National Council representative of the various grades of employes in the different sections of the industry, together with representatives of the central administrative and technical staff. The Chairman of the Council should be the Minister, or, in the event of the establishment of a Department in the Board of Trade, a Parliamentary Secretary, who should devote himself entirely to the Department of Wool and Wool Textiles. The Council would be responsible for carrying on the nationalised sections of the industry as a public business

enterprise. The Council should regularly consult representatives of the various classes of consumers of the State products.

There should also be a Control Board for the control of those sections of the woollen and worsted industry not acquired by the State. This body, over which the Minister (or Parliamentary Secretary) should preside, would be representative, in equal numbers, of the organised employers in the branches of the trade controlled, the organised workers, and public servants employed either in the nationalised sections of the trade or attached to the Central Department. The Control Board would be responsible for the administration of the Acts of Parliament relating to the control of private enterprises in the wool textile industry. It should be the duty of the Board to consult regularly a Consumers' Committee, representative of both clothiers and the general public.

We may here refer to the recommendation made by the Uniform Clothing Sub-Committee of the Standing Committee on Trusts.\*

"(j) It is an advantage . . . that the purchasers of uniform clothing are a limited number of public and quasi-public authorities. The chief 'consumers' are:—

"(1) Government departments, (2) local authorities, (3) railway companies, tramway companies and other public utility services under private ownership.

"We suggest that steps should be taken to organise these various purchasers of uniform clothing for the purpose of taking common counsel and action.

"(k) We recommend that a Standing Joint Committee should be set up consisting of representatives of Government departments, local authorities, railway companies, and other purchasers of uniform clothing, with a view to protecting their common interests."

"With the approval of the various public and other authorities concerned, the requirements of purchasers of uniform clothing should be reported to the Standing Joint Committee, who should act in an advisory capacity towards the purchasers as regards the placing of their orders with the manufacturers of cloth and clothing, with a view to ensuring as far as possible regularity of employment and economical manufacture.

"(l) We also suggest that steps should be taken to standardise further uniform cloths and to reduce, as far as practicable, the number of types and qualities.

"(m) We further regard it as essential that in connection with the Board of Trade there should be established means for supplying the Standing Joint Committee with all necessary information as to production, costs of manufacture, etc., and that the Board of Trade should have power to examine the books of the contractors and to call for such information as the Standing Joint Committee may desire.

"(n) The purpose of the above recommendation is to lead to the organisation of the purchasers of uniform clothing for the purpose of negotiating on the basis of accurate costing and other relevant statistics with the organised manufacturers of uniform cloth and uniform clothing, and to arrange as far as possible for the simplification of patterns and the regular employment of the plant and labour employed in the uniform cloth and manufacturing trades. It is suggested that the foregoing proposals, if adopted, would maintain the efficiency resulting from combination, whilst at the same time safeguarding the interests of the public and quasi-public authorities who are purchasers

\* Cmd. 1339, page 9.

of uniform clothing, and benefiting the workers employed in the trades concerned."

We think that the proposed Standing Joint Committee should act under the Department of Wool and Wool Textiles. As regards clause (m), the Government would, under our scheme, be in possession of all the necessary information as to costs. The Standing Joint Committee should be a Committee of the Control Board.

The Control Board should arrange for the manufacture of a limited but reasonable number of "standard cloths" on the lines introduced under the war-time control scheme.

As the nationalisation of the industry proceeded, the functions of the National Council would clearly become wider, and those of the Control Board less, until ultimately the latter would go out of existence.

Under the proposals which we have outlined we believe that the community would gain substantially. Certain intermediate profits would be eliminated, which would reduce the price of finished products. The costings system and the powers of the State to close or purchase inefficient factories would make for greater efficiency and, therefore, lower prices. The publication of facts as to costs and regular discussions with representatives of consumers would minimise "profiteering." The production of "standard cloths," which would, of course, be sold at "standard" prices, would be a further gain to the consumer.

#### H. THE STATE AS MERCHANT.

In the scheme for the nationalisation of the wool and worsted industry, the State would become the sole importer of raw wool. It would transact the functions of a merchant. **There is no reason why the State should not become a merchant** of other commodities. In the first place its operations might well be confined to certain staple commodities, e.g., cotton, sugar, timber, hides, meat, rubber, etc. If the State were to undertake merchandising functions it would, of course, forbid the importation of the kinds of commodities imported by the State, except on Government account or under licence. Licences would be granted to firms such as Lipton's or to the Co-operative Wholesale Society which own abroad sources of supply of wares sold by them. The buyer purchasing for the Government would be chosen from the experts now engaged in similar work. The Government would normally fix wholesale prices in relation to world prices. To sell raw materials for manufacture at prices considerably below world prices would merely result in enabling exporters of the manufactured products to gain larger profits in foreign markets, and if efforts were made to secure advantages to home consumers, goods would be diverted abroad, unless there was established an elaborate machinery of licensing exports which would be undesirable. Moreover, if foreign raw materials were sold wholesale at prices substantially below world prices, there would arise an illicit sale of such raw materials by English traders to foreign buyers, unless, again, there was some sort of machinery for preventing the re-export of raw materials. Whilst we think that the wholesale purchaser may gain some advantage from unified Government purchase, we do not consider it practicable in the case of raw materials to sell wholesale at cost plus expenses. Consequently a profit would accrue to the State which would relieve taxation, and therefore the cost of living. Alternatively the profits could be devoted to the purchase of interests in foreign sources of supply of raw materials. If and when the Government undertook the manufacture of the commodities the raw material for which it imported, the advantages of unified purchasing could then be passed directly to the home consumer of the manufactured articles.

As regards imported foodstuffs, the case is different. When the State imports foods which are not produced in this country, as for example, tea and rice, the wholesale prices should cover the prices paid by the Government plus the cost of administration. There should, that is to say, be no profit. The Government's wholesale prices should be published so that the public should know the cost to the importer, together with a fair retail price schedule. Where the foods imported by the State are also produced at home, as in the case of meat, prices would need to be fixed in relation to home prices. The direct gain to the consumer would consequently not be so great as in the case of wholly imported foods, but the control of the prices of imported foods also produced in this country would undoubtedly give the Government an indirect control over home-grown goods. It would be necessary to prohibit the export of foods imported on Government account. This procedure, moreover, would be open to the same objections as the prohibition of the export of manufactured foods made from State imported raw materials.

The State is itself a larger purchaser of a considerable variety of articles for its own use, e.g., clothing, office furniture, stationery, motor and other vehicles, etc. Local authorities also purchase quantities of these things. We think that purchases for public use, whether by national or local authorities, should be co-ordinated by a Ministry of Supply. In the previous section of this Report we have referred to the proposal made by a Government Committee for organising the public purchases of uniform cloths with the object of further standardisation of cloths and common negotiation with the manufacturers. This plan, it seems to us, might well be extended to other commodities used in considerable quantities by Government departments and local authorities. We believe that the system of unified purchase, and the standardisation which could be introduced, would result in considerable economies to public bodies. The question would probably arise sooner or later as to whether it would not be more advantageous to public authorities if articles of which they were large consumers were manufactured under public management.

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## II.—THE CO-OPERATIVE MOVEMENT.

### A. THE CO-OPERATIVE WHOLESALE SOCIETIES AND DISTRIBUTIVE SOCIETIES.

The co-operative movement is a form of industrial and commercial organisation based on the idea of Production for Use, and not for profit.

This organisation of industry on the basis of consumption, with the idea of production for use instead of production for exchange, has proved successful in both large and small industries, and it is a matter of surprise how few people are aware of the extent to which co-operation has developed in this country, and of the magnitude of its attack on competitive industry.

After only three-quarters of a century of co-operative development there are 1,857 retail distributive societies with 4,181,477 members, with share and loan capital of £74,411,306, and controlling sales in 1919 to the value of £198,930,437.

The English Co-operative Wholesale Society in 1919 had share and loan capital to the value of £15,772,555, whilst the volume of its wholesale distributive trade amounted to £89,349,318. The Scottish Co-operative Wholesale Society in 1919 had share and loan capital to the value of £5,518,210, whilst the volume of its wholesale distributive trade amounted to £24,789,040. The English and Scottish Co-operative Wholesale Societies, to which the separate co-operative societies bear the same relationship as

individual members do to the retail co-operative store, manufactured goods during the year ended June 26th, 1920, to the value of £30,099,233. They have their own biscuit, preserve, soup, flour and provender, tobacco, and lard-refining works, their own margarine and printing works, a colliery flannel, blanket, hosiery, corset, shirt, and woollen factories, weaving sheds and clothing factories, boot and shoe works, tanneries, cabinet factories, brush works, iron works, bucket and fender works, tinsplate, paint and varnish works and other factories. In addition the Co-operative Wholesale Societies own in Great Britain over 34,000 acres of land, whilst the two societies conduct tea plantations in the East over 59,000 acres in extent.

The turnover (i.e., deposits and withdrawals) of the C.W.S. Banking Department during the year ending June 26th, 1920, amounted to over £588,000,000. At the end of June, 1920, the number of current accounts with the Bank was as follows:

Co-operative societies .....	1,016
Trade Unions and friendly societies .....	3,347
Clubs and other mutual organisations .....	1,391

In addition, there were 281 deposit accounts of Trade Union and friendly societies who had no current accounts with the Department. The C.W.S. is rapidly becoming the Bank of the Trade Union movement.

From the above description of the colossal business conducted by the co-operative movement it is pertinent to inquire as to the way in which the co-operative enterprise differs from capitalist enterprise. The difference is one of vital principles. Co-operative enterprise is distinguished from ordinary business activities by (a) the practice of distributing profits to consumers as a dividend on purchases, and (b) the existence of democratic control by the consumer. By means of the method of distributing profits as dividend, the results accruing from improved organisation, or the lowering of the cost of production of commodities are reaped exclusively by the consumer either in the form of increased dividend or in a reduction of price.

The distributive co-operative societies are controlled by the members, who are purchasers of the goods sold by the societies. Each member or shareholder is entitled to only one vote. The co-operative wholesale societies are controlled by the societies affiliated to them. The movement is primarily one in which organised consumers co-operate for the supply of commodities which they need.

By means of the co-operative movement the consumers have in their own hands a means of escape from at least some of the burdens imposed by the profit-maker. The variety of co-operative products and the volume of co-operative trade are an indication of the success of the movement, and suggest possibilities of even greater developments in the future.

## B. CO-OPERATIVE PRODUCTION SOCIETIES.

There are also a number of "co-operative production societies"—95 in all, which in 1919 had a total share and loan capital of £2,999,566 and produced goods to the value of £7,047,147 sterling. The productive societies are organisations of producers with self-governing workshops. Their products are purchased mainly by the distributive co-operative societies. The classes of goods manufactured by them are also made in the factories of the Co-operative Wholesale Societies. Production in the co-operative movement, therefore, takes two forms (a) production in factories owned by organised consumers, and (b) production by co-operative organisations of workers for sale to consumers. We refer below to the most recent development of "co-operative production"—the Building Guilds.

### C. CO-OPERATION AND INTERNATIONAL TRADE.

At this time we should particularly welcome an extension of the international activities of the co-operative movement. Co-operative organisations now exist in most countries, and we believe that the restoration of international trade could be powerfully assisted by direct trading between the co-operative movements of different countries. Moreover, with the development of trusts on an international scale, it is of the utmost importance that there should be a counteracting agency of a democratic character which would carry on trade between countries in the interests of the respective consumers.

### D. CO-OPERATION AND PUBLIC OWNERSHIP.

The large and growing co-operative movement is the only real remedy which the consumer has at present against exploitation by private industry. Capitalist industry, as we have insisted, is destroying competition, and turning it to a spurious form of co-operation, which we would describe as the association of private interests. We have in a previous section suggested public ownership as a means of realising co-operation in the public interest. The further development of the co-operative movement provides an alternative method of achieving the same general end. It is not our purpose to attempt to estimate the relative positions which will be occupied by publicly owned services and co-operative enterprises in the future, but we are satisfied that in the interests of the whole body of consumers the extension of both public ownership and voluntary co-operation is greatly to be desired.

### E. BUILDING GUILDS.

The most recent development of co-operation is to be found in the Building Guilds. The first step was taken by the Manchester building operatives in January, 1920. The District Committee of the Operative Bricklayers' Society, having considered the possibilities of a Guild, unanimously passed a resolution in favour of the scheme and referred it to the Manchester Branch of the Federation of Building Trades Operatives. This body, in its turn, unanimously endorsed the proposed organisation, and referred it to a special meeting of the Management Committees. This was held at the Milton Hall, Manchester, on January 20th, 1920, when it was unanimously resolved:—

“ That this meeting of management, district, and branch committees, representing all the organised building workers of Manchester and district, heartily approves of the Building Guild Committee, and hereby pledges its support, and agrees to nominate and elect a direct representative of each Trade Union on the Building Guild Committee.”\*

The first meeting of the Manchester Building Guild Committee was held before the end of the month, and it decided to negotiate at once, for the building of artisan houses, with the Manchester Council and the Irlam Urban District Council. The movement spread rapidly, and at a conference in March, 1920, representing delegates from many parts of the country, the Guild was put on a national basis and a constitution adopted. The Building Guild Limited was incorporated under the Companies Acts, 1908 to 1917. The Guild of Builders (London) Limited, which was established later than the Manchester Committee, is registered under the Industrial and Provident Societies Acts, 1893 to 1913. It is not at present affiliated with the Building Guild, but we understand that the two organisations will shortly be federated.

There was from the outset considerable difficulty in obtaining the approval of the Ministry of Health to contracts between local authorities

\* “The Building Guild: its principles, objects, and structure.” Page 1.

and the Guild. Ultimately, however, the following terms were agreed upon between the Ministry of Health and the Guild:—

1. The Guild will give an estimate of the cost of each type of house, which estimate must be agreed as reasonable between the parties and approved by the Ministry.

2. The Guild will be paid a lump sum of £40 per house in respect of remuneration for disposal by the Guild to provide for continuous pay to those employed on Guild contracts or for other purposes of the Guild.

3. The Guild will be paid 6 per cent. on the cost (subject to paragraph 5 below) to cover plant and all overhead charges, salaries of buyers, head office expenses, and salaries of supervising staff not wholly employed on the site of the individual housing schemes.

4. Any surplus under paragraphs 2 or 3 to be devoted to improvement of the service.

5. The charge of 6 per cent. to cover the purposes mentioned in paragraph 3 will be paid on increased cost due to increases in the rates of wages, but not on increases in the cost of materials.

6. If the estimated net cost is, say, £900 and the actual cost proves to be, say, £800, the actual cost will be paid by the local authority, plus 6 per cent. for overhead charges (subject to any modification due to paragraph 5) and £40 as above.

7. The Co-operative Wholesale Society may be associated in the contract for the purchase of materials. This position to be clearly defined to the satisfaction of all concerned.

8. The contract to include a "break clause," which shall not take effect for three months from the commencement, allowing the contract to be terminated if the costs exceed the estimate, plus any increases in the rates of wages and standard costs of materials which may have taken place since the making of the estimate.

9. The Co-operative Wholesale Society will, on being satisfied with the contract, insure the local authority against loss under the contract for a payment of 2s. 6d. per £100.

10. A satisfactory costing system shall be arranged.

In August, 1920, the model contract based on these terms was finally agreed between the Ministry of Health, the Building Guild Limited, the Co-operative Wholesale Society, and the Co-operative Insurance Society.

Before considering the work which is being carried out under this scheme, we may turn to the constitution and purpose of the Guilds. The Building Guild Limited is a small limited company with a nominal capital of £100, all the shares of which are held by the directors. But the directors cannot own the shares registered in their names, and have no personal property in the shares; nor have they any power to distribute profits. The local Building Guild Committees are affiliated to the Guild. These Committees are mostly constituted on the model of that at Manchester, which is composed of "one representative from each Trade Union connected with the building industry, together with one representative from the administrative and one from the technical department." Provision is made, if it is thought necessary, for the appointment of a Labour director, who must be a Trade Unionist. It is laid down in the constitution that—

"Each representative upon the Committee shall be responsible, in co-operation with the Labour director or district secretary, for the supply, conditions of employment, and discipline of the employees in his own Trade Union. If the Labour director or district secretary and the

Guild Committee representative do not agree the matter shall be referred to the Building Guild Committee. If any point touching Trade Union rules and regulations be raised, the local managing committee of the Trade Union concerned shall be consulted. The decision of a joint session of the local managing committee and the Building Guild Committee shall be final."

• Moneys received are paid into the credit of the Committee, and any balance at the bank is under the control of the Committee, but all plants and other assets are by a deed of trust vested in trustees appointed by the Committee. The local committee appoints all departmental foremen on the recommendation of the managing committee of the Trade Union concerned.

The Guild of Builders (London) Limited acts through a committee consisting, in the words of the prospectus, of "representatives elected by the following Trade Unions or approved groups within the district:

"(a) The Trade Unions affiliated to the district section of the National Federation of Building Trade Operatives.

"(b) Any other Trade Unions or groups of building trade workers within the district, whether administrative, technical, clerical or operative, that may be approved by the Committee."

Managers are appointed by the Guild Committee, and therefore are responsible primarily to the organised building trade workers in the district. The general foremen are nominated by the local committees and the appointments ratified by the Guild. Departmental foremen are elected on the job by the different crafts concerned.

It will be seen that the Building Guilds are essentially organisations of producers working on a basis of costs, without "profits." The Guild is therefore a co-operative enterprise of producers, under full self-government. The consumer is protected by full publicity, and, knows that he is paying only the cost of labour and materials plus reasonable allowances which are devoted to the maintenance of the workers during periods of unemployment, and to the improvement of the efficiency of the industry.

As, however, actual building operations did not begin until October, 1920, we have but limited experience of the working of the Guilds on which to draw. At present 13 Guild contracts have been sanctioned, of which two are London Guild contracts. Two houses (part of a contract for 27 houses) built by Guild labour for the Bentley-with-Arksey Urban District Council, have been completed. The summary of cost, as certified by the Council's surveyor, was as follows:—

	£	s.	d.
Bricklayers' materials .....	238	14	7
Tilers' materials .....	96	1	8
Plasterers' materials .....	41	17	9
Plumbers' materials .....	109	0	6
Painters' materials .....	2	8	8
Carpenters' and Joiners' materials.....	298	14	1
Ironmongery.....	58	14	1
Electrician .....	40	8	0
Water charges .....	2	0	0
Carriage (railway) .....	9	12	0
Carting .....	17	18	0
Wages.....	457	6	8
	£1,867	10	10
5 per cent. establishment charges .....	88	7	1
Allowance for continuous pay .....	80	0	0
Insurance .....	4	0	0
	£1,519	17	11

Each house has, therefore, cost roughly £760, a figure considerably less than the original estimate furnished by the Guild, and a saving on the private builders' price of at least £200. An independent investigator has reported that:—

“With regard to all other Guild contracts, there is no satisfactory evidence of lower costs apart from the actual estimates submitted in competition with other contractors; but in the schemes visited, all the evidence, apart from actual figures, indicated that the final costs would be considerably below contract figures.

“An analysis of the estimates sent in by the seven competitors for the Walthamstow Council scheme for 400 workmen's dwellings, shows that the accepted estimate of the London Guild was more than £14,000 below the lowest estimate submitted by the private contractors, or an average saving of approximately £36 per house.

“At Walkden a contract was secured by the Bolton Building Guild. There were four competitors for the first 64 houses. The difference between the highest tender and the Guild estimate was £12,244, or £191 a house. The Guild estimate was £5,626 (or £87 18s. a house) less than the lowest tender submitted by a building contractor. Even the Guild estimate was regarded as too high by the Ministry of Health. In conjunction with the Ministry the estimates were revised, and on the revised figures, the Guild secured a contract for 138 houses. The contract figures (gross) were as follows:—

A Type .....	£923
B „ .....	960
B4 „ .....	981

“The Manchester City Corporation has entered into contracts for the building of 2,500 houses. At Clayton and Weaste, the Guild has secured contracts for 100 and 184 houses respectively. It was not possible to obtain figures as to the estimates submitted by private contractors, nor was it possible to obtain actual figures as to the cost of houses which private contractors had completed. Tenders were submitted for particular types of houses regardless of location of housing schemes within the city. The following estimates apply to both contracts which the Manchester Guild has obtained. It should be noted that these estimates were sent in at the end of October when building costs were at their highest. The figures are as follows:—

Type A 3, drawing 6 .....	£824
„ B 3, „ 4 .....	1,038
„ B 3, „ 12 .....	1,054
„ B 4, „ 8 .....	1,060

“ Guild officials are confident that the final costs will be considerably below this, and this view is supported by officials of the Manchester City Corporation.”\*

The real value of the operations of the Guilds so far is to be found not in the work actually accomplished, but in the influence which the Guilds have had upon the estimates submitted by private builders. Builders' prices, we understand, have been considerably reduced, and revised estimates have on some occasions been submitted to local authorities showing tenders thousands of pounds less than the original estimates. We have been informed of one case where, owing to the competition of the Guild, the private builders reduced their prices £300 per house.

\* See “An Inquiry into the Working of the Building Guilds,” by Ernest Selley (*Garden Cities and Town Planning*, June, 1921. 1s.).

The Guild is able to compete successfully with the private builder, partly because of the elimination of profits and partly because of greater output, combined with high quality. The investigator, to whom we have already referred, says:—

- “ On the question of output generally I was careful to interview
- the people best able to decide, viz., clerks of the works. Some were more guarded in their replies than others, but all were pleased with output. Some went so far as to say that outputs on Guild schemes were 25 per cent. above the average for similar kinds of work by other contractors.

“ Notwithstanding the increased speed the Guilds are putting forth none of the work is scamped. The quality of Guild work is of a very high standard. The Surveyor to the Bentley-with-Arksey Urban District Council stated in writing: ‘ The quality of the work is extra good and far superior to that done by any other contractors in the district.’ A high official of the Ministry of Health declared that the work of the Guildsmen at the Clayton Estate was ‘ the best in England and Wales.’ The chairman of the Contracts Sub-Committee of the Manchester City Corporation said, ‘ Work on Guild contracts beats everything.’ The brickwork on the Clayton Estate is the finest I have ever seen. I heard complaints concerning this scheme; production was excellent, but quality was too good! The Guild, of course, could reduce costs even lower by putting in inferior work.”

We regret that the Ministry of Health has not shown greater sympathy with the Guilds and given local authorities greater encouragement to utilise the services of the Guilds for housing schemes. In so far as the Guilds eliminate private contractors and produce better and cheaper houses, they will prepare the way for a more comprehensive scheme based on public ownership, whilst they will provide the workers with a necessary experience in management and equip them with a knowledge of the problems involved in the control of industry. In view of the present unsatisfied demand for houses and the need for houses produced at prices within the reach of the working class, it is desirable that a scheme which holds out hopes of fulfilling these requirements should receive every support from the Government and from the general public.

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### III.—PUBLIC REGULATION.

It was found necessary during the 19th century to impose legal restrictions on industry, which were invariably opposed by capitalists. Similar opposition may be anticipated on the part of vested interests against any further regulation of industry. Just as every new legal enactment curtailing the power of employers was met by gloomy prophecies of economic ruin, so will proposals for bringing industry under more effective public supervision and control be obstructed on similar grounds. But we believe that the fears expressed by self-interested parties will prove as groundless in the latter case as they have done in the past. The proposals which we submit will, we acknowledge, deprive the capitalist employer of the freedom he has enjoyed to pursue his own ends regardless of the public interest, but they will do something to protect the public.

#### A. PUBLICITY.

In the first place we wish to draw attention to the need for the utmost publicity in industry and commerce. It is not that there has been

merely a conspiracy of secrecy and attempts made, as we have shown earlier in this Report, to withhold information which publicly constituted authorities have demanded; there has also been a generally accepted tradition that the finances of a business are sacred to the persons owning it, and that an individual's wealth is a matter concerning himself alone. The information which is at the disposal of the public with regard to the financial position of industry is of the scantiest kind. It is true that in the case of public companies there are published balance sheets, that the amount of dividends and bonus shares distributed can be ascertained, and that the market prices of securities are available to the public. But this information does not carry us far enough. Nor does it cover all business enterprises. We insist that neither self-interest nor traditions of secrecy should be allowed to prevent the full facts as to the financial position of British industries being brought before the public. The consumer ought not to be kept in ignorance of the financial operations in industry. Secrecy is one of the greatest assets of the "profiteer" and one of the most prolific sources of suspicion amongst the workers, and until it is destroyed, the interests of consumers cannot be adequately safeguarded. What in our judgment is necessary is that **all businesses over a certain size should be required to publish each year a statement of their accounts in a form (which would probably vary from industry to industry) prescribed or approved by the Board of Trade, together with other relevant information as required by the Board of Trade.** Such information would include particulars as to costs, the course of prices, wholesale and retail, the value of orders in hand, etc. It is clear, however, that if such a statement as we suggest is to be published, it will be necessary to introduce an adequate system of costings.

#### B. A COSTINGS SYSTEM.

During the war Departments of State discovered that large numbers of firms kept no costings record. Such firms would not, therefore, know with any degree of accuracy the cost of production of the articles they manufactured or handled, nor would they be able to discover whether each department or each process of manufacture was being carried on as economically and efficiently as possible. There would be no real check on extravagance and waste. How much the community has lost through these slipshod business methods cannot of course be computed; but it is clear that the public must suffer from the continual drain due to excessive and unnecessarily high costs of production. The inquiries prosecuted under the Profiteering Acts showed that after the war certain industries and certain firms did not keep records of costs: it is true that during the war, under Government pressure, the use of costings was extended, but the system is even yet by no means general. The Standing Committee on the Investigation of Prices in its Report on Costings in Government Departments\* state that they were "much impressed in the course of their investigations by the need for attracting the interest of the trade of the country to scientific costings systems."\*

We are of opinion that **every firm should be required to keep records of costs on a method prescribed or approved by an accountancy department attached to the Board of Trade.** The accountancy department should at regular intervals, and if possible annually, publish a report on each of the staple industries of the country, showing the relative importance of the various items of cost, and the disparities in cost between firm and firm. Moreover, it is desirable that **there should be from time to time detailed inquiries into different industries.** The accounts of Departments of State

\* Cmd. 1047, page 4.

are already subject to examination, presumably because public money is involved. In the case of capitalist industry the public as purchaser is also concerned.

The Profiteering Act Committee, which inquired into pipes and castings,\* emphasised the importance of costings. Its recommendation on this head has already been quoted in this Report, but it will bear repetition here:—

“ The municipal authorities are more or less at the mercy of the Cast Iron Pipe Association, as they are unable to secure pipes of British manufacture except through members of the association; and we are of opinion that the association has it within its power to act unreasonably if so disposed. We suggest, therefore, that as a safeguard to the rate-payers the Board of Trade should have power to require the production of audited statements of costs of production, together with the latest balance sheets, etc.”

Such examinations as we have in mind would be undertaken industry by industry. Costs of production would be analysed in detail and the reasons for inefficiency explored. **The reports of the inquiries should be published.** Then at least the public would know the facts.

Our views are supported by the findings of the Standing Committee on the Investigation of Prices, which suggested that “ a permanent Costings Department be set up under the Board of Trade and be empowered to conduct surveys of the trade of the country and to publish regularly statistical information on the subject of costs, profits and prices.”†

#### C. A CONSUMERS' COUNCIL.

both costings records and publicity are desirable and, indeed, essential if the secrecy which surrounds the world of industry and business is to be overcome and the public protected from the inevitable consequences of secrecy. Whether the utmost publicity will prove a salutary check to the exploitation of the consumer remains to be seen. We think, however, that **there should be established in the Board of Trade a permanent Consumers' Council, which should consider the evidence concerning costs and prices and advise the Government on any further action which the Council thought advisable.** Such a body would focus public opinion on the information and special reports published, and keep alive healthy public criticism.

#### D. CONTROL OF COMBINATIONS.

Certain combinations, such as Lever Brothers and Messrs. Coats' are ripe for nationalisation, and could with ease be transferred to public ownership. But what we wish especially to consider in this section of our Report is the policy to be adopted towards combinations in private hands.

The recommendations of the Ministry of Reconstruction's Committee on Trusts‡ were as follow:—

“ It shall be made the duty of the Board of Trade to make preliminary inquiry into any complaints which may be made with regard to the existence or action of any organisation specified in (a).

“ In the event of the information obtainable by the Board of Trade being, in the opinion of that Department, insufficient to enable it to discharge its duties under (a) or (b) above, or if, in the opinion of the Board, as the result of investigations undertaken on its own initiative or on complaints made to it, there is prima facie evidence that the public interest is adversely affected

\* See Cmd. 1217.

† Report on Costings in Government Departments. Cmd. 1047, page 4.

‡ Cd. 9,286, page 12.

by the operation of any monopoly, combination, or agreement, the Board of Trade shall be empowered to:—

“(1) Apply to the tribunal hereafter provided for an order to such companies, firms, or individuals as may be specified in the application, to furnish such information as may be specified thereunder; or

“(2) Refer the whole matter to the said Tribunal for investigation and report.

“(d) There shall be established a tribunal consisting of a person of legal qualifications, as permanent chairman, and not less than two, or more than seven, other members selected by him from time to time from a panel appointed for the purpose by the President of the Board of Trade after considering nominations made by representative trade organisations, including the Co-operative Movement and Trade Unions, which Tribunal shall have power:—

“(1) On the application of the Board of Trade, to make orders of the kind specified under (c) (4) above and

“(2) On reference from the Board of Trade, to investigate the operation of any organisation specified in (a) and for that purpose to call for all books and papers, to take evidence upon oath and to adopt such other measures of inquiry as it may deem necessary to elicit the facts; and when it shall be proved that acts injurious to the public interest have been committed, such facts as are relevant to the particular offence shall be published immediately on the conclusion of each inquiry.

“(e) It shall be the duty of the Board of Trade to make recommendations as to State action for the remedying of any grievances which the tribunal may find to be established.”

Many of the Sub-Committees set up by the Standing Committee on Trusts of the Profiteering Act Department in their Reports recommended the adoption of the proposals made by the Reconstruction Committee on Trusts. The Sub-Committee on Iron and Steel Products,\* for example, suggested that Parliament should authorise the Board of Trade to exercise surveillance over the existence, development and activities of trade combinations in this country, on the lines of the recommendations contained in the report dated 24th April, 1919, of the Committee on Trusts appointed by the Minister of Reconstruction in February, 1918.

Recommendations of a similar character were included in the reports of the electric lamp, soap, explosives, electrical cable, yeast, dyeing and cleaning, light castings, road transport and other Committees. The Government, however, took no action on any of the recommendations of the various Sub-Committees. The Profiteering Act Department came to an end on May, 19th, 1921, and with it the Standing Committee on Trusts. Consequently even public inquiries into the operations of combinations have ceased. **The Government, however, has repeatedly promised to introduce legislation concerning trusts, but no Bill has yet been introduced.** In the meantime, the Government has found time for an Emergency Powers Act, a measure for decontrolling the coal industry, the Safeguarding of Industries Bill, and a Bill for reducing unemployment insurance benefits and increasing contributions. It can secure the passage into law of measures it chooses to introduce; but it does not choose to make good its oft-repeated promises to bring in a Bill dealing with combinations. Notwithstanding the publication of report after report on the subject, the Government has not lifted a finger to remove the menace of massed capital. It has shown a cynical disregard of the interests of the consumer and exhibited, both openly and by implication, a sympathy with big business.

The proposals put forward by the Committee on Trusts do not appear to us to be sufficient. We have already suggested that in industry as a whole **there should be full publicity**, and combinations would obviously be

\* Cmd. 1,268.

no exception. We have proposed **detailed inquiries into industries**, and such investigations would include inquiry into combinations. But something more is necessary. A combination is either a monopoly or a potential monopoly. That is to say, it either effectively dominates the market, or it will endeavour to strengthen its position and enlarge the scope of its operations in the hope of being able to do so. It is a matter of inquiry whether a combination does or does not exercise a controlling influence on the supply and prices of a commodity or commodities. The reports of several of the Sub-Committees of the Standing Committee on Trusts have satisfied themselves that certain combinations, e.g., Messrs. Coats, Lever Brothers, and the National Light Castings Association, do occupy a position of virtual monopoly, which enables them to control supplies and prices. When such a stage has been reached it is obvious that the check of competition is inoperative. Publicity will do something to deter combinations from using their power to the detriment of the consumer. But the community is entitled to something more than this. It may justly claim to reap advantages in the shape of a better service or cheaper goods from unification and consolidation.

This claim has already been admitted in the "gas-works clause" whereby a private gas undertaking (which necessarily enjoys a monopoly) cannot increase its dividend without at the same time reducing the price of gas to the consumer. This principle should, in our opinion, be extended. We suggest that **each monopolistic undertaking should, after inquiry, be allowed a certain dividend and that higher dividends should be conditional upon lowering the prices of its products.** In other words, the gains from greater efficiency should be shared with the consumer. Combinations, however, may produce a variety of commodities, or a variety of grades of one commodity. But we do not think that this presents an insuperable obstacle to the application of the general principle.

Lastly, we think that **the Board of Trade should publish an annual report on combinations, giving detailed information as to combinations in existence, interlocking directorates, international arrangements by combinations, and other similar subjects.**

We have, it will be seen, followed broadly along the lines of the suggestions made by the Labour and co-operative members of the Ministry of Reconstruction's Committee on Trusts in their Addendum to the Committee's Report. They say:

"The only effective safeguard against the absorption by a capitalist combination of more than the necessary return appears to be the control of prices. We regard the experience, during the war, of the full and precise 'costing' of every part of a commodity as affording valuable suggestions for the future fixing by Government Departments of a maximum price for particular articles which can be standardised. Where, as in the case of gas and electricity, such a prescribed price can be made to vary with the amount of profit taken by the capitalist producers such a 'sliding scale' of prices and dividends appears a useful expedient. It involves, it will be noted, the full application of two principles, which may be destined to ever-wider application in business, but to which the business world is at present hostile, namely, publicity and measurement."

#### E. INTERNATIONAL REGULATION OF COMBINATIONS.

It must be borne in mind that the combination movement is world-wide. We have elsewhere in this Report pointed out that the motor fuel

supply of the world is in the hands of two groups; we have quoted from the Report of the Sub-Committee on the Electric Lamp Industry to the effect that "there is a possibility of an international combination, comprising British, Dutch, and American manufactures, which would be able to control supplies and dominate prices over a considerable part of the world." Explosives, which it should be remembered are of industrial as well as military importance, are now in the hands of combinations which have arranged territorial restrictions of markets. In the face of combinations operating internationally, national regulation alone is clearly insufficient. The international organisation of capital can only be controlled effectively by international action. This has already been realised in the case of motor fuel, the Committee on which (set up under the Profiteering Acts) reported\* that:—

"After very long and careful consideration of the subject in all its aspects, we have reluctantly come to the conclusion that the only two ways of overcoming the present difficulties are:

"(1) Combined action amongst the consuming countries of the world through the Economic Section of the League of Nations.

"(2) The production of substitutes and the adoption of alternative sources of power to such an extent that the supply will reduce prices to a reasonable level. It is essential that the production and distribution of substitutes should not be controlled by monopolists.

"Although in general, we dislike Government control of industry, we see little chance of success unless action is taken by His Majesty's Government to foster and firmly establish on a lasting basis the manufacture of substitutes in large quantities. Actual and healthy competition so constituted will tend to force down the retail prices of all fuels to a figure which bears a fair relation to the cost of production."

In this section we are concerned with the first suggestion of the Motor Fuel Sub-Committee. We believe that the Economic Section of the League of Nations should investigate the operations of all combinations of an international character and submit annual reports of its inquiries. Moreover, there should be a Standing Committee of the Economic Section of the League which should make recommendations for action by individual States. We are, of course, aware that the Washington Labour Convention has not met with success as regards the adoption of its recommendations by the various members of the League, including this country. But we cannot believe that consumers the world over will submit indefinitely to the operations of combinations outside public control, and we think that organised Labour in all countries will press for a common policy of control over combinations of an international character.

#### F. OTHER FORMS OF PROTECTION FOR THE CONSUMER.

The purchaser of goods is entitled to be safeguarded as regards the nature, quality, and quantity of the goods he buys. He has neither the knowledge nor the opportunity to satisfy himself that he has bought what he intended to buy. The State has by legislation given the consumer a certain measure of protection. The Sale of Foods and Drugs Acts, 1875 to 1899, the Margarine Act 1887, and the Butter and Margarine Act 1907 are intended to protect the consumer against injurious adulteration of foods and of fraud. They are primarily concerned with the nature and description of the goods bought by consumers. The various Weights and Measures Acts from 1878 down to 1904, on the other hand, are concerned with provisions

\* See Second Report on Motor Fuel. Cmd. 1,119, page 9.

whereby purchasers shall be protected against receiving false quantities of goods. In this connection particularly we think that further steps are necessary. It appears to us now to be somewhat difficult for those who sell goods to use unjust weights and measures without fear of detection. But we understand that at present it is no offence for a person to give short weight or measure, except in the case of bread and coal. There are elaborate regulations for ensuring that every weight, measure, weighing or measuring instrument in use in trade shall be true, but that is clearly insufficient. A Select Committee of the House of Commons reported in July, 1914, that **it should be made a penal offence to give short weight or measure.** With this suggestion we are in agreement.

#### IV. THE OUTLOOK REGARDING PRICES.

The cost of living, as measured by the Ministry of Labour's "index number," reached its highest point in November last. Since then it has steadily declined. **But the fall which has taken place has not been the result of either the restoration of international trade or a reduction in costs of production.** It is primarily the result of a collapse following upon a period of hectic activity. As the Joint Labour Committee on Unemployment expressed it in their Report,\* "the Allied Governments, under the glamour of a mirage of the 'fruits of victory,' devoted themselves to the conclusion of a dictated peace, whilst **they left private industry to work itself to a standstill by a short-sighted policy of high prices and high profits.**" Here we find the key of the situation. Inflated prices and inflated profits gradually brought industry to a standstill, because the purchasing power of the people was insufficient to enable them to satisfy their demands. There was bound to be an end to the unhealthy trade boom; nervousness showed itself when there were signs of a shrinkage of demand; confidence gave way to caution, and caution to something akin to panic in the business world. The transient trade boom melted away like snow before the sun. Prices have fallen, but they have fallen in the only way in which they could fall, in the absence of a policy of international trade reconstruction and increased industrial efficiency, in a capitalist system. Let us here quote a passage from a memorandum prepared for us by Mr. H. D. Henderson, which we quoted with approval in our First Interim Report: "Before the fall [in wholesale prices] can work round to retail prices, to the cost of living, unemployment and reductions of wages must have diminished the spending power of the working class. For until the demand for these things is diminished there is nothing to reduce their price, and no diminution of profits is likely to affect appreciably the consumption of the necessaries of life by the well-to-do." The fact that it is "virtually impossible to check the tide of rising prices without paralysing trade and industry represents one more instance of the growing instability, inadequacy and disintegration of the capitalist system."

The fall in prices has taken place in the way which we anticipated. The cost of living has been reduced, but the workers are paying the price of this fall in unemployment and lower wages. We think it is important to emphasise the close relation between the fall in prices and the growth of unemployment. The following table shows the cost of living "index number" of the Ministry of Labour, the *Statist* wholesale price "index number," and the Ministry of Labour's figures of unemployment amongst Trade Unionists.

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\* See Unemployment: A Labour Policy, page 6.

TABLE XXIII.

Table showing price "index numbers" and percentages of unemployment.

	Ministry of Labour Cost of Living Index Number. Percentage Increase over July, 1914.	"Statistic" Wholesale Price Index Number.	Percentage of Unemploy- ment. Trade Unions.
January, 1920 .....	125 .....	245·3 .....	3·2
February, 1920 .....	130 .....	260·4 .....	2·9
March, 1920 .....	130 .....	261·8 .....	1·6
April, 1920 .....	132 .....	266·1 .....	1·1
May, 1920 .....	141 .....	260·0 .....	0·9
June, 1920 .....	150 .....	255·7 .....	1·1
July, 1920 .....	152 .....	254·6 .....	1·2
August, 1920 .....	155 .....	253·5 .....	1·4
September, 1920 .....	161 .....	248·7 .....	1·6
October, 1920 .....	164 .....	239·9 .....	2·2
November, 1920 .....	176 .....	223·8 .....	5·3*
December, 1920 .....	169 .....	207·2 .....	3·7
January, 1921 .....	165 .....	197·2 .....	6·1
February, 1921 .....	151 .....	189·0 .....	6·9
March, 1921 .....	141 .....	— .....	8·5
April, 1921 .....	133 .....	— .....	10·0
May, 1921 .....	128 .....	— .....	17·6

\* This figure is affected by the stoppage in the Coal industry.

It will be observed that though the retail prices "index number" of the Ministry of Labour did not reach the maximum until November, 1920, wholesale prices had begun to fall from April, 1920. [See Chart I. and Note at the end of Part I. of the Report.] The volume of unemployment fell until May, 1920, after which it began to increase. The fall in wholesale prices was not reflected in retail prices until some months later, but it was almost immediately reflected in increased unemployment. As wholesale prices have steadily and consistently fallen, unemployment has as steadily and consistently increased. The figure with regard to the latter assumed serious dimensions at the beginning of this year (1921), when the fall of retail prices had begun. The relation between the fall in prices and the increase of unemployment is obviously close.\*

When the present depression draws to an end and trade begins to revive, there will be an increased demand for goods, the effect of which, we think, will be either to raise prices or to act as a brake upon a further fall of prices. The mass of people will embark upon a period of improving trade and improving employment with reduced wages. It is impossible to say to what extent the reduced wages will lower the costs of production. What is clear is that a healthy and permanent fall in prices must depend upon the adoption of the policy outlined in our Reports. It is inevitable that international trade intercourse should increase and to that extent prices should fall. But we cannot be certain that the consumer will enjoy the advantages of as large a fall in the cost of living as we believe to be possible, unless there is strong pressure on the part of the public in favour of measures for eliminating the extravagant toll levied by the capitalist, and increasing the efficiency of industry.

We append a summary of the findings of the Committee.

\* The "coefficient of correlation" of the unemployment percentages and wholesale price "index numbers" is — 0·844, and of the unemployed percentages and the Ministry of Labour's retail prices "index number" — 0·499. For the purposes of the calculation, the abnormal unemployment percentage for November, 1920, was discarded in favour of the mean between the percentages of October and December. Perfect correlation would be expressed by — 1.

## SUMMARY OF CONCLUSIONS.

### THE CALCULATION OF THE COST OF LIVING.

1. After careful inquiry into the rise in the prices of articles of working-class consumption and into the actual facts as to family expenditure, we find that the cost of living in September, 1920, was 189 per cent. above the level of July, 1914, or 28 points higher than the "index number" of the Ministry of Labour. The difference between the two numbers is due to the "overweighting" of rent and rates and the "underweighting" of clothing and "other items" by the Ministry of Labour and to the understatement by the Labour Department of the increase in the prices of certain items of expenditure.

2. We strongly recommend the organised workers either to continue the work we have begun, so that an "index number" may be published monthly, or to press for the adoption of a new "index number" by the Ministry of Labour in keeping with the actual facts as to the cost of living.

### PROFITEERING.

3. During the war and after there was widespread profiteering.

4. Every effort was made by those concerned to hide the facts from the public. Official inquiries were made by Committees set up under the Profiteering Acts, and, in some cases at least, strenuous, and in certain instances successful, attempts were made by the firms or industries into which investigations were being made to withhold relevant information.

5. The obstacles which were put in the way of official Committees of Inquiry are as illuminating as the facts which have been laid bare, or wilfully withheld, as the case may be. They are, moreover, interesting as showing the lengths to which business firms will go to prevent the violation of the secrecy in which they are enveloped.

6. We also wish to draw public attention to the fact that several important investigations were instituted into particular trades by the Profiteering Act Department, and a considerable amount of public money expended, after which nothing further was heard of them and no reports were published.

7. Profits have been allocated to reserves and distributed as bonus shares. Industries have been re-capitalised at inflated values, and capital will only be able to get its accustomed return at the expense of the workers or the consumers.

8. The consumer suffers, not only from the size of the profits which are made on the manufacture and sale of the commodities he buys, but from the number of profits which are made.

## COMBINATIONS AND MONOPOLIES.

9. "Free competition no longer governs the business world. . . . Capitalist combination, in one or other form, and at one or other stage of production, transportation and distribution, now loads in varying degrees the price of practically everything that we purchase."

## INEFFICIENCY IN INDUSTRY.

10. The high cost of living to-day and the exploitation of the consumer in the past are in large measure due to the inefficiency of industry. The efficiency of British industry is far below what is reasonably possible owing to unenlightened management.

11. Methods of machinery are often out of date; the lay-out of factories, heating, lighting, ventilation, etc., are often unsatisfactory, and reduce output.

12. Output could be increased considerably in this country, to the benefit of the consuming public, and without throwing any further burden on the workers, if industrial management were more intelligent.

## RESTRICTION OF OUTPUT.

13. Besides the restriction of production due to inefficiency of plant, equipment and management restriction may be due to the deliberate policy of combinations. It is not the object of capitalist industry to produce goods in abundance; its primary object is to make profits for investors of capital. It cannot be assumed that the pursuit of profits necessarily means the production of goods in abundance. For if the profit seeker, or those acting on his behalf, can produce more profit by higher prices on a smaller output, they will, in general, prefer that course to a policy of larger output and smaller prices.

14. The reason for restriction of output on the part of the workers is to be found in the industrial system itself. Until there is "security of tenure" for the worker in industry occasions will arise when "ca' canny" will appear to be the lesser of two evils. The worker, therefore, must be assured of "work or maintenance." Moreover, we shall not get the maximum of production until the industrial system is brought more closely into harmony with the wishes of the mass of organised workers. In the 20th century, it is no longer possible to expect efficient service from a system which is outworn, and which is repugnant to a large section of those whose co-operation is essential to its working.

## CONSTRUCTIVE PROPOSALS.

15. Capital, which is now the taskmaster of the producer and the exploiter of the consumer, must become the servant of both. The public, as producers, consumers and citizens are vitally concerned in the economic system. But their fundamental interests can be assured only when it is recognised that industry was made for man and not man for industry, and that industry and commerce must be subordinated to the common weal. This, we suggest, can be achieved by—

- (a) public ownership—national and local;
- (b) voluntary co-operation;
- (c) public regulation of the economic system.

**(a) Public Ownership.**

16. The arguments brought against public ownership—that it is bureaucratic, inefficient, and destroys initiative—can be levelled against capitalism. If it were true that nationalisation spelt inefficiency, bureaucracy and stagnation it would stand condemned; but we accept the alternative view that public ownership, with which producers and consumers were directly associated, would provide either a cheaper service or a better service for the same money. We refer to the nationalisation of the land, railways, coalmines and electricity supply, to public banks and to the nationalisation of a manufacturing industry—the wool textile trades.

17. We suggest that the State should become a merchant and import staple commodities. Purchases for public use, whether by national or local authorities, should be co-ordinated by a Ministry of Supply.

**(b) The Co-operative Movement.**

18. The large and growing co-operative movement is the only real remedy which the consumer has at present against exploitation by private industry.

19. It is not our purpose to attempt to estimate the relative positions which will be occupied by publicly owned services and co-operative enterprises in the future, but we are satisfied that in the interests of the whole body of consumers, the extension of both public ownership and voluntary co-operation is greatly to be desired.

20. We regret that the Ministry of Health has not shown greater sympathy with the Building Guilds and given local authorities greater encouragement to utilise the services of the Guilds for housing schemes. In so far as the Guilds eliminate private contractors and produce better and cheaper houses, they will prepare the way for a more comprehensive scheme based on public ownership, whilst they will provide the workers with a necessary experience in management and equip them with a knowledge of the problems involved in the control of industry.

**(c) Public Regulation.**

21. We wish to draw attention to the need for the utmost publicity in industry and commerce.

22. All businesses over a certain size should be required to publish each year a statement of their accounts in a form (which would probably vary from industry to industry) prescribed or approved by the Board of Trade, together with other relevant information as required by the Board of Trade.

23. Every firm should be required to keep records of costs on a method prescribed or approved by an Accounting Department attached to the Board of Trade.

24. There should be from time to time detailed inquiries into different industries and the reports of the inquiries should be published.

25. There should be established in the Board of Trade a permanent Consumers' Council, which should consider the evidence concerning costs and prices and advise the Government on any further action which the Council thought advisable.

26. Though the Government has repeatedly promised to introduce legislation concerning combinations, it has not fulfilled its promises.

27. We have already suggested that in industry as a whole there should be full publicity, and combinations would obviously be no exception. We have proposed detailed inquiries into industries, and such investigations would include inquiry into combinations.

28. Further, we suggest that each monopolistic undertaking should, after inquiry, be allowed a certain dividend, and that higher dividends should be conditional upon lowering the prices of its products.

29. The Board of Trade should publish an annual report on combinations, giving detailed information as to combinations in existence, interlocking directorates, international arrangements by combinations, and other similar subjects.

30. The Economic Section of the League of Nations should investigate the operations of all combinations of an international character and submit annual reports of its inquiries. Moreover, there should be a Standing Committee of the Economic Section of the League which should make recommendations for action by individual States.

31. It should be made a penal offence to give short weight or measure.

32. The fall in prices which has taken place is not the result of either the restoration of international trade or a reduction in costs of production. Private industry has worked itself to a standstill by a short-sighted policy of high prices and high profits. The fall in prices has taken place in the way which we anticipated. The cost of living has been reduced, but the workers are paying the price of this fall in unemployment and lower wages.

33. A healthy and permanent fall in prices must depend upon the adoption of the policy outlined in our Reports. It is inevitable that international trade intercourse should increase and to that extent prices should fall. But we cannot be certain that the consumer will enjoy the advantages of as large a fall in the cost of living as we believe to be possible, unless there is strong pressure on the part of the public in favour of measures for eliminating the extravagant toll levied by the capitalist and increasing the efficiency of industry.

## CONCLUSION.

In closing our Final Report, we appeal to the Trade Union, Co-operative, and political Labour movements to take common action in the interests of the whole body of consumers. Our Committee is representative of the three movements, and we think it is a happy augury for future co-operation that the largest investigation ever undertaken under the auspices of the Parliamentary Committee of the Trades Union Congress has been carried out by the three great workers' movements. We would express the hope that in future investigations affecting the life and interests of the people, the industrial and political Labour movements, and the co-operative movement will continue to be associated.

(Signed):—

E. L. POULTON (Chairman).

(Mrs.) F. HARRISON BELL.

C. W. BOWERMAN.

F. BRAMLEY.

(Mrs.) M. E. COTTRELL.

C. T. CRAMP.

J. DICKINSON.

A. A. H. FINDLAY.

A. GOSSIP.

G. HICKS.

F. HODGES.

A. HORD.

J. R. MACDONALD.

T. OTLEY.

R. SMILLIE.

J. H. THOMAS.

R. B. WALKER.

ARTHUR GREENWOOD (Secretary).

ALEC. S. FIRTH (Assistant).

July, 1921.

## APPENDICES.



APPENDIX I. — Memorandum on “The Problem of the Exchanges,” by the Secretary of the Committee.

APPENDIX II. — Form of Return of Weekly Family Expenditure used by the Committee in its investigation.

APPENDIX III.—Predominant Retail Prices of Foodstuffs, 1914-1920.

APPENDIX IV.—Results of an Inquiry by the Irish Labour Party and Trades Union Congress into the increase in food prices in Ireland.

APPENDIX V.—Appendix to the Report of the High Prices Committee of the Scottish Council of the Labour Party.

APPENDIX VI.—The Tragedy of High Prices: Being Extracts from the Budget Returns.

## APPENDIX I.

### THE PROBLEM OF THE EXCHANGES.

Under the guise of meeting competition arising out of the depreciated exchanges the Government proposes to impose protective tariffs. As will be shown in this memorandum, this device will do nothing to remedy the collapsed exchanges. The international financial situation to-day is the result of the ineptitude and tardiness of the Allied Governments in dealing with the post-war problem. The Government's proposal ignores the essentials of exchanges question, and no policy can be successful which does not grapple with the realities of the present-day situation. It would appear that the Government has not taken into consideration the discussion which took place at the International Finance Conference held at Brussels six months ago, nor the series of very valuable memoranda prepared by experts for the Conference.

The following table gives the mint par of exchange between this and certain other countries (round which rates of exchange fluctuated within narrow limits before the war) and the rates of exchange on March 30th, 1921:—

	PAR.	MARCH 30th, 1921.
New York... ..	\$86.00	3'93-3'94
Paris .....	fr.25.22	33'85-59'35
Brussels.....	fr.25.22	55'60-54'00
Italy .....	lire25.22	94'00-96'50
Berne .....	fr.25.22	22'60-22'70
Berlin .....	m.20.48	246-230
Vienna .....	kr.24.02	1400-1600
Warsaw .....	m.20.44	3100-3400

It will be observed that the exchanges with Paris, Brussels, Italy, Berlin, Vienna, and Warsaw show very considerable deviations from the normal.

Our valuation of a foreign money depends essentially on the relative purchasing power of the currencies of this country and of the particular country under consideration. Apart from minor fluctuations, the rate of exchange between the countries will remain stable if the purchasing power of the two currencies remains unaltered (and provided there is normal freedom of trade between the two countries). But it will be violently disturbed if there are great alterations in the purchasing power of money in either country. The deviation from the pre-war normal exchanges has been due in part to restrictions on international trade during and since the war, and partly to large currency changes. Except in a few cases there is nothing corresponding to the "mint par of exchange," as the gold standard has vanished. The only parity which can be said to exist is a purchasing power parity. If the purchasing power of a unit of money in England is twice as great as the purchasing power of a unit of money in France, a unit of English money will be worth two units of French money, as it will need two units of the latter currency to purchase the same amount of goods as a unit of the former. Wherever the purchasing power of money is relatively low we get it reflected in the exchanges (e.g., Germany, France, Italy, etc.). As Professor Cassel has said, "during the war the buying capacity of the different monetary standards has, owing to the over-abundant supply of means of payment, been much reduced, though in very different proportions.

Consequently the purchasing power parities have undergone very important alterations, and are now quite different from the parities which were in force before the war. There is no reason to believe that exchanges ever will be restored generally to their old parities. These old parities have, in fact, lost their old significance, and can no longer in any respect be regarded as normal. The constant references still made to them are a most serious hindrance against a clear understanding of what has really happened to the world's monetary standards."\*

It will become clear later in this memorandum that the prime problem is the establishment of rates of exchange comparable with real purchasing power parities.

It has been suggested above that restrictions on international trade have an important influence on rates of exchange. They cause deviations from the purchasing power parity. If country A restricts imports from country B, the value of money in B will fall below the purchasing power parity, because the rate of exchange is but "an expression of the valuation of a means of securing the supply of foreign commodities." If this supply is made difficult, the actual value of the B money must fall in proportion.

We here see the essential defect of the proposed 33½ tariff for dealing with collapsed exchanges. It will tend to depress the purchasing power of foreign currencies and accentuate the present evil.

But it is argued that, as a result of depreciated exchanges of many foreign countries, this country is subject to severe and unfair competition, and that the virtual exclusion of foreign products is the only way of safeguarding home industries. The following extract from Professor Cassel's memorandum, already quoted, throws light on this contention:—

"Every alteration in the purchasing power parity of the exchange between two countries naturally must have a disturbing influence on their mutual trade. But as soon as this parity has been stabilised at a certain level it is of no importance whether this level is high or low. Thus the export trade of a country is not hampered by low quotations of the foreign exchanges as long as these quotations only correspond to a high level of prices in foreign countries or a low level at home; nor is it specially stimulated by high quotations of the foreign exchanges as long as these only correspond to the relative purchasing power of the monetary standards quoted. Likewise, low prices on foreign currencies do not mean an encouragement of imports from them or a handicap for the home producer, provided these exchanges are a true expression for the purchasing power of the foreign money; on the same condition high prices of foreign currencies do not in any way hamper the import from them. In fact, the terms 'high' or 'low' exchanges have no sense in themselves; if they are to be used they must obviously refer to the normal rates of exchange, i.e., to the purchasing power parities. But when used, as is generally the case, in reference to old parities which have lost all real significance, they are in the highest degree misleading."

It is clear that what is necessary is the establishment of rates of exchange in the neighbourhood of the purchasing power parities. Exchanges disturb foreign trade only in so far as they deviate from these purchasing power parities. The disturbance created is obviously adverse to the countries whose currency is relatively under-valued. On the other hand;

\* Memorandum on the World's Monetary Problems, by G. Cassel (International Financial Conference, Brussels, 1920).

countries whose currency is over-valued are exposed to reckless dumping and the restriction of their export trade. The reason for dumping from Germany lies not in what are called "collapsed" exchanges (which are "collapsed" as regards pre-war exchanges) but in the fact that the present exchange does not really represent the purchasing power parity. In an interview, published in the "Times" of April 1st, 1921, Mr. G. E. Pearson, General Manager of Messrs. Burroughs, Wellcome & Co., unintentionally supported this point of view. He said that "the German workman in the fine chemical trade is paid 75 marks per week, which, if the exchanges were at par, would place the two countries almost on an equal footing as regards wages, costs. But at the present depreciated rate of exchange the German wages are equivalent to only 6s. 3d. per week, which makes it quite impossible for the British manufacturer to compete." According to Mr. Pearson, the fine chemical trade hoped for a duty of "at least 50 per cent., and whether the 33½ per cent. duty proposed "would be high enough to meet the needs of the case, only experience could show." Obviously, this trade is of opinion that a tariff in the region of 33½ per cent. to 50 per cent. would be sufficient. But it is clear that if the present situation were covered by the deviation of the exchange from the old mint par, an *ad valorem* duty of this amount would be hopelessly inadequate. What the manufacturers are asking for is a duty to counteract the effects of the discrepancy between the rate of exchange and the purchasing power parity.

The problem which confronts the Government is that of the stability of the exchanges.\* This involves two things (1) a new equilibrium, and (2) minimising deviations from it.

When we come to deal with these two aspects of the question of the exchanges, we are faced by the utter failure of the Allied Governments to attack the great economic and financial problems left by the war. Any comprehensive plan must follow the lines laid down by the Labour Party in its international policy, and by the Cost of Living Committee in its First Interim Report on "Money and Prices." There is no short cut to the re-establishment of normal conditions of international trade. The peoples of Europe must pay the price of two and a quarter years of delay in handling the colossal problems arising out of the war.

As regards the establishment of a new equilibrium, it must be recognised that the new normal rates of exchange will differ widely from the pre-war rates. But this is not of great importance. The new equilibrium must be at the purchasing power parity of the countries of the world. Such an equilibrium can be attained only when the purchasing power of the different countries has become relatively stable. In this connection, the vital step is to stop further inflation. This is clearly a matter for each country to deal with, but it is nevertheless one in which there should be an international understanding.

It is stated in one of the resolutions unanimously passed at the Brussels International Financial Conference, that "the chief cause in most countries is that the governments, finding themselves unable to meet their expenditure out of revenue, have been tempted to resort to the artificial creation of fresh purchasing power, either by the direct issue of additional legal tender money, or more frequently by obtaining—especially from the Bank of Issue, which in some cases are unable, and in others unwilling to refuse them—credits which must themselves be satisfied in legal tender money."

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\* The International Financial Conference expressed the conviction that the "instability of the exchanges constitutes a great hindrance to the resumption of normal international trade."

Obviously, it is essential that these practices should cease. Continental states must make their income and expenditure balance. In this connection, it is worth while referring to one of the chief items of national expenditure—viz., armaments. "The statements presented to the Conference," says the Report of the International Financial Conference "show that, on an average, some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments, and to preparations for war. The Conference recommended to the Council of the League of Nations "the desirability of conferring at once with the several governments concerned, with a view to securing a general and agreed reduction of the crushing burden which, on their existing scale, armaments still impose on the impoverished peoples of the world, sapping their resources, imperilling their recovery from the ravages of war.

The bearing of the burden of armaments on the exchange problem is very direct. Without this crushing expenditure continental countries would be more able to avoid the necessity for further inflation to make both ends meet, and the root cause of instability of purchasing power would be removed, and with it the chief obstacle to the establishment of a new equilibrium.

Every nation should, under international agreement, take every possible step to deal with its financial position. In some cases external assistance will be necessary, but whatever measures are necessary, the accounts of European nations must be made to balance, for the stabilisation of the internal value of value, i.e., of its buying capacity against commodities, is from the point of view of the exchanges, the most urgent of all problems. When two countries have reached this end, a new normal rate of exchange

The second question is the prevention of abnormal deviations from the purchasing power parity. This is an important problem because it is from such deviations that we are suffering to-day.

One of the first measures must be "to relieve the exchanges of several forms of unfunded international credits, and especially of the large amounts of paper money which some countries have exported into foreign countries. These amounts of paper money not only disturb the exchanges, but form at the same time a menace to internal stability as an influx into the issuing country is at any time possible."\* Or to put it into the words of Professor Cassel, "when a country, as is the case with Germany, has a large floating debt abroad, in the form of bank rates or other notes, or debts on current accounts of the banks, a preliminary measure must be to exchange this debt against a funded loan. For as long as a floating debt of such a character is allowed to exist, it tends to depreciate the money of the country on the international exchanges beneath its purchasing power parity, and this pernicious effect will then lead the country to extraordinary measures for protection of its international market against an overwhelming buying capacity. A great consolidation loan for the redemption of the outstanding means of payment in German marks is therefore a first step necessary in order to bring the German exchange problem into a normal condition. The loan should, of course, chiefly be subscribed by the present holders of German marks, who would have an inducement to do that in the probable rise of the German exchanges which would follow."†

It is suggested that one means of obtaining stability of the exchanges and preventing abnormal fluctuations is for Germany and other countries with outstanding external floating debts to fund these debts.

\* Dr. G. W. J. Bruins in a memorandum prepared for the International Financial Conference at Brussels; p. 15.

† Memorandum by Professor Cassel, page 32.

Apart from such special measures " the problem of preventing abnormal deviations of the rates of exchanges," says Professor Cassel, " becomes essentially a problem of restoring freedom and equality in international trade." Dr. Bruins, in his memorandum, regards " the restoration of free exchange of commodities " as an " essential condition."

- The International Financial Conference endorsed the declaration of the Supreme Council of March 8th, 1920, " that the States which have been created or enlarged as a result of the war should at once re-establish full and friendly co-operation, and arrange for the unrestricted interchange of commodities in order that the essential unity of European economic life may not be impaired by the erection of artificial economic barriers." The British Government's proposals are directed to increasing the existing restrictions on trade. Not only is it intended to protect certain key industries and erect a tariff barrier against the " dumping " of foreign goods, but the Government actually proposes to impose a tariff in order to deal with the evil arising from depreciated exchanges. The need is for less restrictions on trade rather than more, and the British Government, instead of pursuing a policy of restriction should take the initiative in convening through the League of Nations an International Conference, with a view to ensuring the utmost freedom and equality in international trade.

The measures herein suggested are simple and sufficient. If they were adopted the problem of the exchanges would be solved, and normal international trade would be resumed. Whether when this happens conditions will be such as to provide a case for fiscal protection on ordinary lines is another and quite separate question.

The argument and policy outlined in this memorandum may be summarised as follows :—

1. The exchanges with many countries are not likely to return to the pre-war level.

2. The new normal rate of exchange between two countries must be based on the purchasing power parity.

3. The problem of the exchanges is one of stabilisation. It has two sides:—

(a) The establishment of a new equilibrium.

(b) The prevention of wide fluctuations.

4. As regards (a) the great need is by international agreement to stop the inflation of national currencies, and to balance national budgets. In this connection the reduction of national expenditure on armaments is important.

5. As regards (b) it is necessary :

(i.) That foreign floating loans should be funded, and

(ii.) That artificial restrictions on international trade should, by international agreement, be abolished or reduced to a minimum.

6. The policy of the British Government is condemned, because it will aggravate the disease. A tariff will do nothing to deal with the causes of depreciated exchanges. On the contrary, it will tend to create further depreciation, and foster wide fluctuations of the exchanges.

A. G.

## APPENDIX II.

### Form of Return used by the Committee in its Investigation.

Parliamentary Committee, Trades Union Congress.

#### COST OF LIVING ENQUIRY.

Joint Committee representing

The Parliamentary Committee, Trades Union Congress.  
 The Labour Party.  
 The Co-operative Union Limited.  
 The Triple Alliance.  
 The Federation of Engineering and Shipbuilding Trades.  
 The National Federation of General Workers.  
 The National Federation of Building Trades Operatives.

#### FORM OF RETURN OF WEEKLY FAMILY EXPENDITURE.

The object of the Committee in attempting to secure a considerable number of carefully kept weekly family budgets is threefold:—

- (a) To ascertain the real extent of the rise in the cost of living.
- (b) To obtain particulars from which the burden of indirect taxation can be calculated.
- (c) To obtain particulars which can be used to work out a new basis for the calculation of a cost of living index number, which will be a more accurate reflection of the cost of living than the present index number of the Ministry of Labour.

#### INSTRUCTIONS.

1. If you will kindly answer the questions asked in this form, you will greatly assist the Joint Committee in its enquiry. You are asked to give the quantities and kinds of all foods consumed by your household in four consecutive weeks, and in addition to state your usual weekly expenditure on foods and other household necessaries, and your annual expenditure on Clothing, Household Renewals, etc.

2. Please fill in the form for the first complete week after you receive it and for the three following weeks. If, however, you are away from home for the whole or any part of one of these weeks, omit that week and give particulars for a later week.

3. If you are able to supply any similar figures for an earlier period and particularly for 1914, please do so, even if they are incomplete, as they would be of great value to the Joint Committee.

4. Your answers will be treated as strictly secret and confidential.

5. You are asked to be good enough to return this form not later than Monday, September 20th. If by this date you are not able to give four weekly budgets, please return the form filled in for as many complete weeks as time allows.

6. The completed forms should be returned to—

ARTHUR GREENWOOD,

Cost of Living Committee,

32, Eccleston Square, London, S. W. 1.

**PARTA.—HOUSEHOLD.**

<b>MEMBERS OF HOUSEHOLD.</b> Give names or relationship to head of household. (Husband, wife, son, daughter, etc.)	<b>SEX.</b> Male or Female. M.            F.	<b>AGE.</b> (If under 18 years.)	<b>OCCUPATION.</b> Give full description.
<b>Wage Earners:</b> ..... ..... ..... .....			
<b>Non-wage Earners:</b> ..... ..... ..... .....			<hr/> Is the head of the household working away from home? ..... <hr/>

**PART B.—EXPENSES OTHER THAN FOOD.**

Quantity usually bought and amount spent per week.

NOTE.—If Coal is purchased by the ton please state annual consumption and cost; also if Gas or Electricity is paid for other than in weekly payments give annual consumption and cost.

1. FUEL & LIGHTING.	Quantity.				Amount Spent.			
	1 Week ending	2 Week ending	3 Week ending	4 Week ending	1 Week ending	2 Week ending	3 Week ending	4 Week ending
<i>*Please fill in date.</i>								
Coal ..... Cwts., per week...					s. d.	s. d.	s. d.	s. d.
Coke ..... " " " ...								
Oil ..... Pints, " " ...								
Gas..... Cubic feet, " " ...								
Electricity ... Units, " " ...								
Matches..... Boxes, " " ...								
Firewood and Fire-lighters ..... " " ...								
<b>2. CLEANING MATERIALS.</b>								
Soap ..... lbs., per week...								
Soap Powders, etc. " " ...								
Other Cleaning Materials, such as Blacklead, Furniture and Metal and Floor Polish, Boot Polish, etc. ....								
<i>(Please give particulars.)</i>								

3. OTHER EXPENDITURE.	Amount Spent.			
	1 Week ending	2 Week ending	3 Week ending	4 Week ending
Laundry Charges .....per week	s. d.	s. d.	s. d.	s. d.
Window Cleaners..... " "				
Rent ..... " "				
Rates ... " "				
Boot Repairing..... " "				
Medicines ..... " "				
Tram, 'bus or Railway Fares ..... " "				
Newspapers and Literature ..... " "				
Insurance (National Health and Un-employment) " "				
Other Insurance Payments ..... " "				
Friendly Society and Trade Union Subscriptions " "				
Church, Chapel and Club Subscriptions and Payments " "				
Other Payments <i>(please specify)</i> ..... " "				
.....				
.....				
<b>TOTALS.....</b>				



**II. HOME OR ALLOTMENT PRODUCE.**

	*Estimated Value.							
	1 Week ending		2 Week ending		3 Week ending		4 Week ending	
	s.	d.	s.	d.	s.	d.	s.	d.
Eggs .....per week, No.								
Other Produce ( <i>specify kinds</i> ) per week :								
.....								
.....								
.....								
<b>TOTAL</b> .....								

**III. MEALS BOUGHT AND EATEN AWAY FROM HOME, SUCH AS AT CANTEENS OR REFRESHMENT HOUSES, MEALS IN SCHOOL, etc.**

	No. of Meals in each Week.				Total Cost in each Week.			
	1 Week ending	2 Week ending	3 Week ending	4 Week ending	1 Week ending	2 Week ending	3 Week ending	4 Week ending
	s.	d.	s.	d.	s.	d.	s.	d.
Husband .....								
Wife .....								
Children under 18 .....								
Other members of household .....								
Beer, Stout and Spirits .....								
<b>TOTALS</b> .....								

**PART D.—CLOTHING.**

Please state as accurately as possible the total amount spent during the past year on all kinds of clothing for the whole family. £.....s.....d.....

If possible, please state the amount spent during the past year on each of the following items:—

	Number or Quantity.	Amount.
Boots and Shoes.....Men's (over 18)		
" " .....Women's ( " 18)		
" " .....Boys' (under 18)		
" " .....Girls' ( " 18)		
Costumes .....Women's (over 18)		
" .....Girls' (under 18)		
Dresses .....Women's (over 18)		
" .....Girls' (under 18)		
Bouses .....Women's (over 18)		
" .....Girls' (under 18)		
Suits .....Men's (over 18)		
" .....Boys' (under 18)		
Working Overalls, Aprons, etc. ....		
Socks and Stockings .....Men's and Boys' ...		
" " .....Women's and Girls'		
Caps .....Men's (over 18)		
" .....Boys' (under 18)		
Hats .....Men's (over 18)		
" .....Boys' (under 18)		
" .....Women's (over 18)		
" .....Girls' (under 18)		
Collars .....Men's (over 18)		
" .....Boys' (under 18)		
Under-clothing .....Men's (over 18)		
" .....Boys' (under 18)		
" .....Women's (over 18)		
" .....Girls' (under 18)		
Overcoats, Raincoats, etc. Men's (over 18)		
" " .....Boys' (under 18)		
" " .....Women's (over 18)		
" " .....Girls' (under 18)		
Other articles of Dress ( <i>specify kinds</i> ): .....		
.....		
.....		
<b>TOTALS</b> .....		

**PART E.—HOUSEHOLD RENEWALS.**

Please state as accurately as possible the total amount spent in household renewals during the past year.

	AMOUNT SPENT.		AMOUNT SPENT.
	£ s. d.		£ s. d.
Crockery, Pots, Dishes, etc.....		Blankets .....	
Pans, Kettles, Buckets, etc.....		Floor Coverings (Oilcloth, Carpets, etc.) .....	
Cutlery, Knives, Forks, Spoons, etc.		Furniture (including Bedsteads, etc.) .....	
Brooms, etc.....		( <i>Please specify</i> ) .....	
Blinds and Curtains .....		.....	
Bed-sheets.....		.....	
Tablecloths .....		.....	
Towels .....		Mailcoats, Perambulators, etc...	
( <i>Please specify</i> ) .....		Other expenditure (Tools, etc.) .....	
.....		( <i>Please specify</i> ) .....	
.....		.....	

Date.....

Signed.....

Address .....

.....

## APPENDIX III.

## PREDOMINANT RETAIL PRICES OF FOODSTUFFS, 1914-1920.

(From information supplied by Co-operative Union, Ltd.)

FOOD—	Commodities.	Quantity.	Price January, 1914.	Price September, 1920.
Bread.....		4 lbs. ....	5½d. & 6d. ....	1/-, 1/1, 1/4
Flour, G.R. ....		Stone ....	1/8, 1/9, 2/-	3/10, 5/-
„ Best .....		„ ....	1/10, 2/-	5/-
„ Common .....		„ ....	1/6, 1/8, 1/10	—
Oatmeal or Quaker Oats ...		per lb. ....	—	—
Bacon, Irish Roll .....		„ ....	1/-	3/4, 3/10
„ Danish Side .....		„ ....	1/-	2/6, 3/-
„ American .....		„ ....	10d., 11d.	2/4, 2/6, 3/-
Mutton .....		„ ....	9d., 10d.	2/-, 2/6
Beef .....		„ ....	10d.	2/-, 2/4
Butter, Danish .....		„ ....	1/4	3/4
„ English .....		„ ....	1/3	4/6
Cheese, Cheshire .....		„ ....	10d.	1/10, 2/-, 2/4
„ Lancashire .....		„ ....	9d., 10d.	2/2
„ American .....		„ ....	8d., 9d.	1/8
Milk .....		Pint ....	1½d. & 2d.	4d., 4½d., 5d.
Margarine .....		per lb. ....	6d., 8d.	1/2, 1/3
Lard .....		„ ....	7d., 8d.	1/8
Dripping .....		„ ....	6d.	1/6
Suet .....		„ ....	8d.	1/6, 2/-
Currants .....		„ ....	4d. & 5d.	1/-, 1/2
Jam .....		„ ....	4d., 5d. & 6d.	1/6, 1/8, 2/-
Sugar, White Cube .....		„ ....	2½d.	1/2½
„ Granulated.....		„ ....	2½d.	1/2
„ Brown.....		„ ....	—	1/-, 1/1
Tea .....		„ ....	1/4, 2/-, 2/4	2/-, 2/8, 3/6
Coffee .....		„ ....	1/-, 1/4, 1/8	2/2, 2/4, 2/6, 3/-
Cocoa .....		„ ....	1/6	3/2
Salt .....		—	—	—
Eggs.....		each ....	1d.	5d.
Marmalade.....		per lb. ....	4d., 4½d.	1/3
Golden Syrup .....		„ ....	3d., 3½d.	1/-
Treacle .....		„ ....	2d.	6d., 8d., 10d.
Condensed Milk .....		per tin ....	6d., 6½d.	1/4½
Potatoes .....		per lb. ....	½d.	1½d., 2d.
Rice and Tapioca .....		„ ....	2d., 3d. & 4d.	6d., 8d., 10d.

## APPENDIX IV.

### RESULTS OF AN INQUIRY BY THE IRISH LABOUR PARTY AND TRADE UNION CONGRESS INTO THE INCREASE IN FOOD PRICES IN IRELAND.

IRISH LABOUR PARTY AND TRADE UNION CONGRESS  
NATIONAL EXECUTIVE.

32, Lower Abbey Street, Dublin.

June 9th, 1921.

TO THE SECRETARY OF EACH AFFILIATED SOCIETY.

A CHARA:

I have been inquiring into food prices in Irish towns, comparing 1914 with 1921.

I have obtained detailed particulars from different towns in all parts of the country. The inquiry was based upon the food ration of a third-class officer in the Belfast Union, pre-war, as sanctioned by the Local Government Board. This ration, it may be assumed, was such a one as was considered requisite by the Board of Guardians on the one hand and the Local Government Board on the other, for the proper sustenance of an adult worker in the institution, and may therefore be taken as a fair basis of what should constitute a fair sustenance for the average adult worker. The ration comprises in different quantities and weights: Bread, butter, milk, tea, sugar, beef, mutton, potatoes, eggs, bacon, flour, raisins, sago, fish and buttermilk.

The method adopted was to present a form of invoice for these articles in their stipulated quantities to grocers and provision dealers throughout the country, with the request that they should, after reference to their books for 1914, fill in the cost of this ration at that date and also fill in the cost of the same ration at the present date. Having collected these various invoices, an average over the whole country was taken, and this is the result:—

	s.	d.
In March, 1914, the average price for the ration in question was .....	7	8
In March, 1921, the average price for the same ration was (or 167 per cent. above pre-war).	22	0
In May, 1921, the average price for the same ration was (or 178 per cent. above pre-war).	21	4

The Board of Trade figures of comparative food prices over the same period show an increase of only 149 per cent. for March and of 132 per cent. for May, over the average food cost for the working class family in July, 1914. The Board of Trade figures relate more particularly to Great Britain. It is doubtful whether any Irish figures are taken into account at all, but

if they are, they will have little effect on the average which is almost entirely based on British terms.

The latest returns from the Board of Trade show a decline from March to May this year of 17 per cent., or 132 per cent. above the July, 1914, basis, for food alone

It is worthy of your notice that in the Labour Gazette for May the official estimate on April 30th of the level of retail prices of clothing, quality for quality, taking goods of the kind purchased by the working classes, shows an average of 210 per cent. higher than July, 1914. It should be borne in mind that in Ireland, at any rate, fully three-quarters of the income of the worker is expended for food and clothing. It is also probable that prices for clothing have risen higher in Ireland than in Great Britain, just as prices of food have risen higher. We may therefore take it as conclusive that while the official Labour Gazette reports the cost of living on May 1st (all items included) as being 128 per cent. above pre-war level, **the cost of living in Ireland is still about 175 per cent. above pre-war level.**

It may be adduced in contravention of this statement, that as wages have not increased to anything like this extent throughout industry as a whole, the figures quoted are obviously fallacious. It must be remembered, however, that the basis of these calculations is a standard ration, considered by the Poor Law authorities at the time it was compiled to be necessary to maintain a healthy body. Unfortunately, the people have been compelled to **lower their standard** by buying inferior qualities and stinting their supplies.

In any discussions or conferences respecting wages the above facts should be borne in mind

Yours fraternally,

THOMAS JOHNSON, Secretary.

## APPENDIX V.

APPENDIX TO THE REPORT OF THE HIGH PRICES COMMITTEE  
OF THE SCOTTISH COUNCIL OF THE LABOUR PARTY.

## STATEMENT OF COAL PRICES.

CO-OPERATIVE :—	Pit Head.		Depot.		Sold at per cwt.	
	s.	d.	s.	d.	s.	d.
1914 .....	13	0	15	3	1	2½
1920 .....	37	0	41	10	2	10½

NOTE.—Railway charges have increased 100 per cent. plus 6d. per wagon.  
Wages have increased—Carters from 34s. to 89s. Carriers and Hillmen 26s. to 31s., with a shorter working week.

## RELATIVE PRICES OF COAL IN 1914-1920.

## CHEAP, OR GRADE 3 COAL.

	1914.		1920.	
	Per ton.	Per cwt.	Per ton.	Per cwt.
Pit Head price at, or about .....	12	0	35	5
Sold by Merchants at Depot (including Railway rates) ...	15	10	45	6
Sold on Street by Dealers at.....	1	0	2	9½

## GRADE 2 COAL.

	1914.		1920.	
	Per ton.	Per cwt.	Per ton.	Per cwt.
Pit Head price at, or about .....	15	7	37	1
Sold by Merchants at Depot (price includes Railway rates)	20	0	47	2
Sold on Street by Dealers at.....	1	2½	2	10½

The above figures are open to criticism owing to the variation of Pit Head prices and difference of Railway dues to certain depots, but the recognised rate for coal dealers on the streets of Glasgow in 1914 was 2½d. per hundredweight of profit.

## CLOTH PRICES.

SCOTCH CHEVIOT :—	1914.		1920.		Advance. per cent.
	per yard.	per yard.	per yard.	per yard.	
Net Cost .....	4	2½	13	1½	212
Manufacturers' price to Merchant ...	5	0	16	0	220
Profit to Manufacturer .....	0	9½	2	10½	263
Merchants' price to Tailor .....	6	8	21	4	220
Tailors' price to Customer .....	7	9	25	0	227

## SAXONY :—

Net Cost .....	5	0	17	9½	256
Manufacturers' price to Merchant ...	6	0	22	6	258
Profit to Manufacturer .....	1	0	4	8½	371
Merchants' price to Tailor .....	8	0	30	0	275
Tailors' price to Customer .....	9	6	35	0	268

## DRAPERY PRICES.

	1914		1914		1920		1920	
	Wholesale.		Retail.		Wholesale.		Retail.	
	s.	d.	s.	d.	s.	d.	s.	d.
Flannel .....	0	8½	0	11½	3	3	3	11½
Grandrill Shirting .....	0	5½	0	7½	1	11½	2	6
Alloa Yarn .....	0	5½	0	6	2	6½	3	0
Ladies' Cash Hose .....	0	9	0	11½	2	9	3	5½
Ladies' Gloves .....	0	8½	0	11½	2	6	3	5½
Coloured Sateen .....	0	4½	0	6½	1	9	2	6
Grey Cotton .....	0	1½	0	2	0	10	1	0
Corsets .....	1	7	1	10½	3	6	4	6
Flannelettes .....	0	4½	0	6½	1	0	1	3½



## APPENDIX VI.

## THE TRAGEDY OF HIGH PRICES.

*(Being Extracts from the Budget Returns.)*

The following quotations taken from the budget forms sent to the Committee are published for the insight they give into the conditions of life amongst large sections of the working class:—

**(a) Inadequacy of Wages.**

"You will notice that there are lots of commodities missing that we are in need of, but are unable to afford. To be fed and clothed as we have a right to would at least demand another £2 a week. My wages are £4."—J. E.

"We have not kept a detailed list of pre-war expenditure, but a food allowance of 30s. per week, gave us a much higher standard than 70s. now, and an expenditure of £25 per annum on clothing did procure a far better quality than the £100, for besides being 300 per cent. (woollens) and 400 per cent. (cottons) dearer, they are very much inferior in quality."—G. T.

"I find it a puzzle to explain to you how we have to manage, for I have to work from daylight to dark to make ends meet anyhow. Mother and father have to go without, as I have five children, all under 13 years of age."—C. T.

"You will notice my husband and myself are total abstainers, also that my husband is a non-smoker, but it costs considerably more than his weekly wage of £4, exclusive of allotment produce."—M. E. E.

"We just have to do without what we cannot afford. There are many things I have not mentioned, as you will see, but it is simply a case of insufficient income to cover the cost of these. It is an awful worry to people with children, like us, and just one worker to meet all expenses."—A. McG.

"I beg to inform you that I have a delicate husband who needs more nourishment, but, as it is, I am obliged to work to help maintain the family. His earnings would never keep us, and I should be grateful if you could do anything in the way of reducing the cost of living."—M. J.

"If it would be of any value to you, I would point out that while the cost of living has risen to 158 per cent. above pre-war rates, our ordinary district rate has not reached the equivalent. Our pre-war rate was 37s. per week. It should now reach £4 15s. 6d. approximately to keep pace with the rise in prices, so we are still 10s. 6d. behind."—M. W.

"When getting boots and clothes we have to go short of food. Many weeks without meat."—E. H.

"I receive £3 6s. per week, and it is impossible to live on this amount properly at the present time."—W. B. F.

"Eggs are out of the question. Where we used to get a costume once a year and a suit once a year, we have to be satisfied with one every two or three years. There are many things we working people could do

with and can't get; they are above our pockets, and so we have to go without."—F. R. D.

"When some articles of clothing are purchased, some of the foodstuffs have to be curtailed."—T. D.

"The expenditure in clothing is totally inadequate, but had to keep within income, and only possible because of good stocks—also applies to renewals, etc."—T. B.

"On the form I have given an accurate account of money spent, but owing to the high cost of living we are denied many articles which are a necessity to keep us in health. Then, again, household requirements are entirely left out as it is impossible to buy any at the present prices. Everything in the house is going to rack and ruin, and how they are going to be replaced, I cannot say. I am a railway platelayer. For illustration, if the cost of living goes up five per cent., according to the Board of Trade figures, I receive 1s. advance, but the advance is above 5s. per week to me and family, and as a consequence we have to suffer."—E. L.

"For miners on the minimum it is impossible to live on the present prices. My husband is three parts of the year on the minimum, and it is a struggle with the help of the boy's wages, and my taking in a little plain sewing."—E. A. W.

"Other requirements, household utensils, bed linen, etc., unable to replace."—A. G. A.

"This wage of £3 16s. must be continuous the whole year without holidays to give us an existence, so you will know we can't live very well."—W. R.

"Household renewals: income inadequate; these items have to be done without as far as possible."—S. B.

"I could spend a great deal more on household renewals, but my husband's wages will only permit me to buy what is absolutely necessary."—A. C. G.

"Sorry to say we have no renewals in furniture, etc., simple reason we have not been able to reach them."—G. W.

### (b) Overtime, Allotments, and Extra Work.

"The amount for clothing is raised by extra work—cultivation of allotment and sale of produce—absolutely impossible out of weekly wages; also luxuries and holidays are altogether barred."—F. S. M.

"I am prevented from earning sufficient wages in six days to maintain the standard of living, and it is only by strict economy (and low rent) that I am able to give the figures attached hereto. I am only enabled to maintain this standard of living by working seven days per week alternately, my wages thereby being averaged accordingly. A six-day week is payable at 71s. 6d., Sunday off, making a difference of 11s. 2d. on wages."—G. A. M.

"My wages amount to £3 15s. per week, and I have to depend on overtime and assistance from my parents to buy clothing for myself and family, having nothing left for recreation for myself and family."—M. G.

"Have to depend on any little overtime earned occasionally to buy clothes, etc."—P. M. F.

"I should like to remark that owing to my wages being low, and six in family, we have to curtail our expenditure and make things go as far as possible. There are many things really necessary but which I am unable

to obtain, and we have, in consequence, to go without. Further, I have to do other jobs to enable me to eke out a living."—D. A. H.

"These figures are much in excess of plumber's wages, and income is made up by season visitors and wife's exertions."—A.

"If it wasn't for an occasional Sunday shift, the expenditure would require to be a great deal less."—I. A. M.

"Personally, I could not afford a budget like this on the wages paid unless I worked overtime, and did other work, so the eight hours, as far as I am concerned, is a myth, the same as a living wage. Even then, my wife has to do more than usual to help us to live. You will notice in spite of this that the usual so-called luxuries, and some necessities of life are omitted. Music, amusements of any description, holidays, and even haircutting, etc., are non est."—T. B.

"Clothing and household renewals purchased by savings from allotments and by loans from club."—H. T.

"If it was not for letting a room, and working overtime occasionally, we should have all starved by now."—R. H. N.

"I find that my greatest difficulty is to provide for the following: short time or lock-out, which is about three weeks per year. Renewal of all household goods and cooking utensils. Extra provision for sickness, as I only get 50 per cent. of my wages on the sick list, estimating two weeks per year. A week's holiday per year should be a necessity. This item would amount in my case to £20, but of course I cannot afford it. My spare time is occupied with cultivating a 50 pole allotment, doing all painting, paper-hanging, chair and couch mending, etc., in the house, keeping the youngsters' boots soled and heeled when I can do it, and doing a bit of buying and selling in motor cycles and their repair to earn enough money to supplement my wages. The clothing for wife and four youngest children is allowed at 10s. per week; this, although small, has to do, and often the money allowed for clothes and shoes has to be taken for other purposes, such as a sudden call out by rail, the eldest girl out of employment, the children breaking things, etc."—W. N.

"My wages are £4 0s. 6d. per week, and although I get 12s. per week extra when on night duty every third week, and average working one Sunday in every three, you will find the whole of my income is swallowed up in purchasing the bare necessities of life, and oftentimes we find we cannot do that to keep the children as we would like to see them."—W. S.

### (c) Drawing on Savings to Maintain the Standard of Life.

"Should like to point out the great sum that has to be spent on clothing, and the small amount one gets for it; for a working man who has a family one is never done buying in this line, and I have had to spend what little I brought from the army after the war to keep up to a decent standard. Although every working man would like his children well educated, you will see that he must take them away against his wish sooner than he would do, to help the family exchequer."—J. O.

"I need hardly tell you I find it very difficult to try and manage with £2 2s., as it is all spent on food and rent. As a member of the Co-op. stores, I get a little dividend on the money I spend, which enables me to get a few things for the house."—M. C.

"In many cases I have been drawing on my stock and not been able to replace. Few renewals in the household have been made, only those

absolutely indispensable have taken place, and also, when the present season tickets expire, 50 per cent. is to be added."—M. I. D.

"Certain items will now have to be cut out and others greatly reduced, with the consequence that the children will be the greatest sufferers. Small items, such as buttons, cottons, mending worsteds, salt, pepper, mustard, sick nursing and feeding of nurses, holidays and saving, pocket money, etc., are not included, as I have had to draw on and use *all* my savings because my salary has not covered my expenses."—G. W.

"The total expenditure does not represent my income. I wish it did. This year I have had to spend my savings and draw upon my wife's Co-op. account. It will be closer paring next year."—L. S.

"Excess of expenditure over income partly covered by small disability allowance, ex-army."—W. S. D.

"I regret it is impossible to fill up the clothing list, because we have had to make do with all our old clothes renovated and turned inside out, for a very long time, and when such things as boots, etc., have to be bought, we have to use our dividend and bonus. Our wages are only £3 a week. The strain of living, or making both ends meet, is ruining the health of hundreds of mothers; they think first of the children and therefore suffer themselves. I am now waiting for the rise, which is promised in October, to pay my rent, etc.; I am not complaining, but giving facts which I think may be helpful. The part I have filled in is as accurate as I can do it. You will notice my luxury is my daily paper and 'Co-operative News,' 'Woman's Outlook.'"—M. T.

"You will observe that our expenditure exceeds the wages of myself and two children; the other income is derived from my wife's business."—C. W. B.

#### (d) External Assistance.

"I may state that my income does not pay for everything from week to week, as you know that a postman's wages are not of the best, and that if it was not for a few of our relations giving us garments for the children, we couldn't do as we do."—A. B.

"Referring to clothing, we have had several things presented to us, so this makes this item much smaller. If everything we required was bought, it would cost us at least double."—G. M. R.

"I may tell you that we are living up to the top notch of my income, and were it not for the fact that I have a small income from an army pension, Heaven knows how much poorer we would be off. The standard is exceedingly low already. Nothing but the very necessaries of life can be purchased, and for renewals we are dipping deeply into our small reserve. You will notice that we have little variety, but I can assure you these figures have been carefully compiled from our books."—W. O.

"I wish to draw your attention to the fact that these expenses, cut as fine as possible, are not covered by the ordinary rate of carpenters' wages here. I have an allowance from my father for housekeeping, which covers the difference in expenditure over income."—E. F. McD.

#### (e) Examples of Rigid Economy.

"Cannot estimate girls' clothing as I have made up all available scraps and half-worn skirts and coats, also father's cast-off clothes for little boy."—L. W.

"We are living very economically, and clothes would have cost more had we not been well provided with them and boots previous to the high prices. Quality of wearing apparel not so good as pre-war."—A. E.

"Wife had one costume in 1914. Myself one suit in 1915. Price £1 16s. Children have had no new clothes; coats, suits, etc., made up by wife out of old clothes are all the clothes they have had, except under-clothing."—M. L. J.

"So far as Part (c)<sup>o</sup>—Renewals—is concerned, there have scarcely been any renewals simply because we have no funds available for them, although badly wanted, especially by way of floor coverings and bed coverings, etc., but for the latter we have to utilise old railway coats or dresses torn in strips and knitted up to form coverings. Want a pram for the new arrival, but it will be a case of having to want."—W. G. T.

"It must be taken into consideration that we are a very careful family. I neither smoke nor drink; my wife does a good deal of home dressmaking and knitting. I mend most of the boots and clogs. I must say this has been essential if we were to save anything."—G. C.

#### (f) General Remarks.

"I enclose you cost of living return made up from our records. The clothing items, although they appear large, are actual, and due to great increase in woollen and cotton goods. Of course my suit and lady's dress will have to last more than 12 months, but, on the other hand, articles which do not figure this year will have to do so next."

"This is not a total expenditure, as it is so very difficult to put in the items in detail, but it is certainly on the low side and is at your disposal, public or otherwise, as it can be proved."—V. R.

"1s. a week mentioned under other payments is for lists and appeals, etc., for women who have lost their husbands through death or have been incapacitated for a length of time, etc. Many articles are made at home, such as women and girls' under-clothing, stockings, boys' knickers, etc., which are of great value which yet cannot be estimated."—H. R.