

**PLAN FOR
DEMOCRATIC BRITAIN**

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BRITAIN**

**BY
G. D. H. COLE**

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"The Labour Party's goal is the Socialist Commonwealth. It is determined to use the resources of our country so as to create a real prosperity in which *all* shall share. Science has placed in our hands the means of attaining this end, but only if finance and trade, industry and agriculture, conform to a national plan under the guidance of the State."

LABOUR'S IMMEDIATE PROGRAMME.

"The choice before the nation is either a vain attempt to patch up the superstructure of a capitalist society in decay at its very foundations, or a rapid advance to a Socialist reconstruction of the national life. There is no half-way house between a society based on private ownership in the means of production, with the profit of the few as the measure of success, and a society where public ownership of those means enables the resources of the nation to be deliberately planned for attaining the maximum of general well-being."

FOR SOCIALISM AND PEACE.

PREFACE

IN a sense, the preface to this book is contained in the final chapter; for I have there explained what it is, and what it is not, about. The reader who wishes for an advance intimation about its scope and limitations had better turn at once to the latter half of that chapter, where he will discover why in the body of the book I have said nothing about international affairs or the empire, and nothing about Sir Stafford Cripps or the "Popular Front." Anyone who wants to know my views about the latter can find them in another book of mine, *The People's Front*, published some time ago by the Left Book Club. I have not changed in any essential the views which I there expressed. Nor, I hope it is plain, does the fact that this book is being published through the Labour Book Service imply any slackening of my support of the Left Book Club, for which I have a high admiration. There need be no antagonism between the two: there should be ample room for both. I have written this book mainly for Labour Party members who want gathered together for them in one volume a simple exposition of what a Labour Government would set out to do in home affairs. I have written it in the belief that, however the international crisis may overshadow us, it is vital that we should not forget the tasks of good house-keeping that face us, as a people, no less insistently because of the very present danger of war. I have written it because, if we are to call successfully upon the people to defend democracy, we must make them understand clearly and in relation to their own lives what democracy is *for*.

G. D. H. COLE.

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PLAN FOR DEMOCRATIC BRITAIN

CHAPTER I

WHAT LABOUR WANTS

GREAT BRITAIN is a country of exceptionally rich natural resources, inhabited by a people second to none in skill and productive capacity, and possessed of an equipment for creating wealth which has been built up by two centuries of continuous and rapid economic growth. Great Britain is, moreover, a democracy in the sense that the people have the right by their votes to determine who shall form the Government and to turn out of office any Government which fails to do their will.

With these political and economic endowments, Great Britain ought to be, if not an earthly paradise, at any rate a community in which no man, woman or child need go short of the necessary good things of life. There ought to be no question of under-nourishment or bad housing or preventable disease among any section of the people—at all events, no question of these evils falling upon anyone except by his own fault. Yet it is common knowledge that at least a third of the whole population and at least half the children do not get the food which is requisite for healthy living: that despite all the house-building of recent years a large proportion of the population are still living in overcrowded conditions, many of them in dwellings that are fit only to be pulled down; and that disease is much more widespread among the poor than among the well-to-do, being fostered by bad diet and bad living conditions, as well as by want of proper medical attention and the low level of public health services in many of the poorer and more backward parts of the country.

These facts are well known. The answer is often made

that, bad as the situation admittedly is, it is getting better and we are slowly conquering the evils of under-feeding, bad housing and disease. I do not deny that there have been improvements, or that, *on the average*, the standards of living of the people have risen in recent years. But averages are cold comfort to the large sections of the people who have not shared in these advantages, but on the contrary have in many cases found their situation getting worse. It is scant consolation to a miner in the Rhondda or West Cumberland or to a Lancashire weaver to be told of the relatively high wages that can be earned in *some* of the expanding industries of Greater London. It does not satisfy the mothers of Stockton-on-Tees that the children of Coventry are better nourished than they used to be. It is not enough that *on the average* the income of the people has increased; for "riches are like muck, which stinks in a heap, but spread abroad makes the earth fruitful."

The test of the goodness of our government is not whether things have improved, but whether they have improved *enough*. It would be a miracle if, on the average, we were not a good deal richer to-day than we were, say, a generation ago. The pace at which science has caused advances in almost every field of production has been immense. Over the past thirty years agricultural methods have been revolutionised, so that food production has risen by leaps and bounds and is limited to-day only by the size of the market—that is, by the purchasing power of the consumers. There is no *physical* obstacle to the production of plenty of good food for us all: there are only *economic* obstacles, which arise, not from the lack of productive power, but solely from the world's failure to organise its affairs aright. The situation is nearly the same in industry, though there of course whatever energy we devote to making useless things, such as armaments, must leave less available for meeting the real needs of life.

In both agriculture and industry the power to create wealth has been advancing so fast that it would be a

miracle if there had not been an improvement in the *average* standard of life. After all, there is a limit to what the rich can personally consume; and in many fields the capitalists who control industry cannot secure the advantages of mass-production unless they can find expanding markets for their goods. In order to swell their own profits they must make many things cheap enough for large numbers of persons to buy them. There has been, therefore, a great cheapening of many kinds of goods and services that used to be beyond the pockets of even the better-paid members of the working class. From motor-cars and cycles down to gramophones, wireless sets, artificial silk stockings and lipsticks, what were once the luxuries of a few have been reaching an ever-widening circle of middle- and working-class consumers.

I do not mean that all things get cheaper. We know very well, to our cost, that they do not. Some goods it pays the capitalists to reduce in price as far as they can, in order to enlarge the market to the widest possible limit. But there are other goods, including some of the vital necessities of life, that remain woefully dear. This occurs whenever a group of capitalists, after considering the situation, thinks that higher profits can be made by holding up prices than by reducing them. It happens especially where the demand for a thing is what the economists call "inelastic," so that a moderate reduction in its price will not bring about any considerable increase in the quantity bought. Bread is the classic example of "inelastic" demand. Coffins furnish an even more extreme example.

As matters stand to-day, what is very liable to happen is that luxuries get cheaper, whereas many of the necessities of life do not. For on the whole the goods whose cost falls most as the scale of output is increased are of the luxury, or semi-luxury, type, whereas the cost of producing some of the basic necessities actually rises if larger quantities are called for. The cost of producing milk, or bacon, for example, may increase when more is wanted, whereas the cost of producing gramophones will go on

falling almost indefinitely as output is enlarged. Of course, I do not mean that the cost of producing milk or bacon does not fall as the efficiency of methods of production increases. It does; but if at any given time, with the technique of production at a certain level, we want more milk or bacon, the cost of producing the additional supply will tend to be higher because it may involve the use of worse land, or a rise in the price of fodder, or the pressing of less efficient farmers into the service; whereas it is broadly true that the output of the lighter, mass-produced manufactured goods can be expanded at decreasing cost or, at all events, without any rise in cost.

It would, however, be a mistake to suppose that the high prices of many of the necessaries of life are due mainly to their being produced under conditions of rising cost as the demand increases. Their prices are high, in a great many cases, because they are kept high artificially, and of deliberate purpose. For example, the price of milk is kept high for the housewife, while millions of gallons are diverted at ridiculously low prices to the manufacturing market, and used for making butter and cheese which could be bought much more economically from Canada or New Zealand. The price of bread is kept high partly because the consumer is made to pay a subsidy in aid of the British farmers, who receive payment well in excess of the world price, and partly because the millers and distributors are organised in close combines which deliberately keep up the price. Many other foodstuffs are made dear by tariffs on imports, or by restrictions on the quantities that can be placed on the market. This applies to many kinds of vegetables and fruits, to potatoes and hops, and to sugar and tea. And it should be added that in nearly all the food trades there is an appallingly wide margin between the prices paid by the housewives and the prices received by the farmers who first market the goods.

I am not saying that it is wrong to subsidise the farming industry: we will come to that question at a later stage. What I am saying is that foodstuffs are dear

largely because, for good or bad reasons, they are deliberately made dear to the consumers of this country. Every tariff, every quota, every restriction imposed by a Marketing Board, as well as every ring formed by food manufacturers and distributors, and every waste and inefficiency in the processes of transport and distribution, makes food dear. There may be good reasons for some of these measures; but let us not forget that they are *artificial* interferences with the natural and scientific forces that make for increasing plenty and cheapness of the basic necessities of life.

In the case of many foodstuffs it can at any rate be argued that the farmer and the farm labourer have a right to a "square deal," and that it would be ruinous to leave them at the mercy of world economic forces. As I have said, we will discuss that question later. But, quite apart from the farmer and the labourer, there is a host of other persons who, with much less excuse, are busy holding up the prices of necessary goods and services. From bricks and cement to pipes and stoves and electrical appliances, almost everything that goes to the making of a house is under some sort of price control by a ring which is trying to extract the largest possible profit from supplying it. There are rings in the tobacco trade, the drink trade, the trade in sewing cotton, the supply of electric current, coal and other fuels, and many household goods besides. An immense number of the goods we buy in packets under various trade-marks are supplied by rings of producers of what are called "proprietary articles," the prices of which are inflated by the huge sums spent on advertisement and the arts of "salesmanship." A rapidly increasing proportion of the total prices we pay for everyday goods is absorbed not by the cost of producing them, but by the costs of advertising and distribution. At each successive census, fewer persons out of every hundred employed are engaged in actually making things, and more in hawking them, or carrying them about, or making book-entries about them. We waste in "overhead" expenses a large

part of the advantages conferred on our generation by the improving technique of actual production.

It is the natural and unavoidable consequence of a policy of making things artificially dear that many people are prevented from buying them, however great their need may be. But, if there are fewer buyers, there will also be fewer products, and fewer workers will be needed to make them. Accordingly, men and women who might be making things that are badly wanted, or rendering other forms of useful service, are thrown idle, and can find no one who is willing to employ them. Where this happens, the number of buyers is further reduced because of the loss of purchasing power by the unemployed. More workers are thrown out: production is further decreased. There is an immense waste of resources, with the loss falling most upon those sections of the community that are least able to protect themselves. The rings which can hold up prices come off best: the more competitive producers—the small men who have to scramble for their share of the market—suffer along with the workless and those whose wages are cut down when trade is bad.

If, in the face of all these restrictions and wastes and profiteerings, the standard of living nevertheless rises for the majority of the workers, by how much more would it rise if the whole community were directing its united efforts to producing as much as possible, instead of allowing the amount of production to be deliberately kept down? I do not agree with those who say that it is already within our power to create universal plenty and at the same time greatly to reduce the load of labour for every worker. The arts of production have not yet advanced quite so far as that. But we could undoubtedly produce a great deal more than we are producing—sufficient at least to guarantee to everybody enough good food, decent clothing and shelter, and a tolerable share in the lesser luxuries and amenities of life. Furthermore, if, as a people, we were really trying to enlarge production to the furthest possible limit consistent with reasonable

leisure, and were applying to that end all the scientific knowledge and technical resources at our command, universal plenty would be, I am convinced, only just round the corner, instead of an infinite distance away.

This book is about the *means to plenty*—that, and nothing else. Its purpose is to set before the reader, in the simplest possible language, how the advance towards universal plenty could and should be made. It will not suggest that we can, by any policy, clean up in an instant or even in a few years the whole monstrous mess which is called the “economic system.” The process of reorganisation is bound to take time; and I am holding out no Utopian promises that everybody’s standard of living can be doubled as soon as we get a Government that will carry through the appropriate measures. What we can do is to make a beginning, not merely by putting poultices on some of the worst sores, but also by setting to work to build up a real economic system—by which I mean a system planned for plenty and not for profit of the few, which is often best served by keeping things scarce and dear.

What is essential at the outset is that we should have a clear vision of our aim. There has been a great deal of so-called “planning” during the last few years under the auspices of the National Government; but nearly all of it has been planning for scarcity and not for plenty. The Government has “planned” for dearness and for the profit of the capitalists, not for the well-being of the mass of ordinary people. There is no magic virtue about “planning” as such: it all depends on what the planning is *for*.

Our planning must be for plenty. That involves, at the outset, certain principles which must be unflinchingly applied. The first of these is that no vested interest, however powerful, shall be allowed to hold up the production of any commodity or service of which the people stands in need. If the farmer, or the labourer, or anyone else, has to be guaranteed a tolerable standard of living, this must be done by methods which will not restrict the consumption

of the people, or prevent goods that are needed from being made. Let that be our first principle.

Secondly, wherever there is unemployed labour there is in that labour an unrealised power to create wealth. Accordingly, we must act on the principle that no available labour shall be left unemployed for more than such brief periods as may be accounted for by friction in changing jobs, or an occasional idle period due to unavoidable interruptions in the continuity of production—*i.e.* cases in which it is not worth while to seek out alternative employment, because the unemployed worker will soon be re-absorbed in his or her regular job. We must make up our minds to abolish, once and for all, all long-term unemployment, by pensioning off those who are not fit for work, and by finding useful employment for the rest.

Thirdly, we must no longer leave the use which is to be made of the available supply of productive labour to the blind workings of chance or to the unregulated action of the profit motive. We must set to work to plan what is to be produced, in order to ensure that the best use is made of the available resources for raising the standard of living among the people. I do not suggest that we can apply this radically novel principle all at once, over the entire field of production. But we must begin to apply it. Whereas, so far, the State has intervened in the control of what is to be produced mainly for the purpose of enabling this or that group of capitalists to go on making a profit, we must intervene in order to promote the production of those goods which are most needed for the purpose of improving the standard of life.

These three principles will furnish us with general guidance in working out our positive policy. There will, of course, be many difficulties in their practical application; for it cannot be easy to change over from a system in which the interests of the profit-makers are given the first place to one in which the entire emphasis is laid on the maximum satisfaction of human needs and desires. But it is of vital importance, before we begin to frame our detailed policies,

to lay down as clearly as possible the basic principles on which we are preparing to act; and I believe that these three principles furnish the general guidance which is required in order that we may be able to tackle the difficulties of reorganisation in the right way. Let us call them the three principles of Plenty, Employment, and Social Control. They will be worked out and applied in a practical way in the subsequent chapters of this book.

CHAPTER II

THE NEED FOR A PLAN

THE purpose of industry is to purchase—*what?* The answer should be: useful goods and services which men and women want and need in order to enable them to live fuller and happier lives. But, as matters stand, that is not the answer. The purpose of industry, organised and controlled as it is, is to purchase not goods but *profits*—for the benefit of those who own the capital with the aid of which it is carried on. This capital belongs not to the whole people, but to a limited class of capitalists, great and small; and the control of it belongs in practice to a very much more restricted group than the whole number of its owners. The possessor of a few shares in a great capitalist company has no real control over the use that is made of his capital; he merely receives a share in the profit that is secured by using it to set labourers to work. The control, as distinct from the ownership, is in the hands of a relatively small number of bigger capitalists, who settle economic policy practically without reference to the smaller owners.

The small capitalists, no doubt, are fully as intent on profit as the large capitalists who actually control the situation. But it remains true that, under modern conditions, the small capitalist is usually no more than a function-

less participant in the profits of industry, with no voice in the settlement of policy. It is the narrow group of great capitalists who enter into mutual arrangements for the regulation of prices and output, promote new companies and fix with the bankers for the advancing of the necessary credits, and thus in effect decide what is to be produced and in what fields output is to be encouraged or restricted. Politically, Great Britain is at any rate supposed to be a democracy; but industrially the country is governed by a narrow oligarchy of very rich men.

In personal virtue these rich men are perhaps no better and no worse than the general run of mankind. I do not suggest that they take a malicious pleasure in holding the community to ransom. But they are placed in a position of enormous power, without any corresponding responsibility to serve the public interest. It is fully in accordance with the moral code under which business is conducted that they should try to make as much profit as they can: indeed, they can plausibly argue that it is their duty to do this, as trustees for the general body of shareholders whose capital they control. Some profit they must make, if they are to remain in business at all; and, as the making of profit is regarded as the test of their success as business men, the more profit they make the greater will be their prestige and honour among their fellow-capitalists, and in the main among the common run of men.

There are some lines of business in which it happens that the largest profits accrue to those who give the consumers the best service. It was once the belief of the economists, and indeed of most people whose voices were heard, that this would be nearly always the case, because competition would compel the rival business men to offer their wares to the public at the lowest possible prices. It was recognised that there were exceptions—natural or artificial monopolies which enabled those who controlled them to exact excessive profits from the consumer. These were regarded as needing special forms of public regulation

in order to prevent excessive prices. But they were held to be uncommon—much too uncommon to invalidate the general rule.

To-day, however, monopoly, or at least something approaching it, is the rule, and keen competition the exceptional case. Either most of the suppliers of a commodity are banded together to regulate its price so as to secure the highest profit—often with the help of a tariff or some other device to keep out foreign competition; or, when this is not the case, each supplier tries to create for himself a sort of artificial monopoly by branding his goods or by mass advertisement, or by establishing a special hold over dealers so as to induce them to sell his goods rather than his rivals’—all at the cost of incurring additional charges which have to be recovered in the increased selling prices charged to the final consumer.

Under this peculiar system, production stops short at the point at which profit is greatest, and not at the point at which it has to stop because there are no further resources of capital and labour to be employed—or even at the point to which it could be pushed so as to yield a profit which would still be worth the suppliers’ while. The consequence is unemployment—not only the unemployment that is bound to arise wherever profit rather than need is allowed to determine the volume of production, but also the additional unemployment which is caused by monopolists stopping production at a lower level than it would reach under competitive capitalist conditions. Profit is in itself the wrong test of the worthwhileness of production; but modern capitalism does not even produce all that could be sold at a profit. It can often see its way to a higher profit by producing less.

The alternative to this inherently restrictive system is Socialism. It is not possible, even if it were desirable, to go back to the old system of relatively unrestricted competition. That depended on conditions which, in the majority of industries, have passed away with the growth of modern methods of production. As long as factories

were small and there were a great number of firms producing each kind of goods—too many to be easily brought together into any sort of restrictive combination—one firm had to rival another by selling as cheaply as it could, and it paid each firm to sell as much as it could because its output was too small a part of the whole to affect the price which consumers would pay for its wares. But nowadays more and more types of goods can be produced economically only on the grand scale; and that involves that the number of firms producing each kind must be small, and that it is very difficult for new firms to enter the trade, because of the huge capital which has to be risked in order to produce on equal terms with those already in the field. These conditions lead inevitably to monopoly—either to a single great business swallowing up all its rivals, or to price-fixing agreements among the small number of firms for sharing out the available trade. It is impossible under modern conditions to produce steel, or chemicals, or artificial silk yarns, or a great many other types of goods except by methods of organisation which contain a large element of monopoly.

The choice to-day is no longer between competition and monopoly, except in the narrowing field in which the small business still holds its own. Moreover, even in this field the monopolist gains an increasing control. The “independent” firm must buy most of its raw and half-finished materials from the monopolists, at prices which they dictate. The smaller dealer is in the hands of the big wholesalers and the suppliers of “proprietary articles.” Even though the number of small businesses remains very large, their real independence steadily diminishes; and, apart from the control exercised over them by the great producing and dealing concerns, they depend on the bankers—themselves a close ring of large-scale dealers in money—for the credits without which most of them cannot carry on business at all.

The choice is not between competition and monopoly, but between monopoly-capitalism and Socialism. By

Socialism, in this connection, I mean simply the ownership and control by the community, and not by private persons, of the essential instruments of large-scale industry and finance. I do not mean either that every small business ought to be "socialised"—there can be left plenty of room for the small-scale producer within a Socialist system—or that all industries and services that are "socialised" ought to be made to conform to a uniform pattern of public administration. There is scope for wide variety in the forms of control within a general framework of Socialist enterprise. Nor, again, do I mean that all the major industries and services ought to be "socialised" at once. A beginning can be made with some of them, the most vital for the immediate promotion of popular welfare, and the rest can be brought into line later, in the light of the experience gained in the working of the earlier experiments. This book is not about the sort of Socialism that comes into existence sudden and complete, as the outcome of a pleasant dream or the aftermath of an unpleasant civil war. It is about the sort of Socialism that can be initiated by parliamentary means, by a Government constitutionally returned to power by the votes of the electors and determined to carry out its mandate courageously and rapidly, but with the minimum of dislocation during the stages of transition.

It follows that this book is not about Socialism in any complete sense, but rather about certain steps to be taken early in the transition from the present system. Even if everything proposed in this book were to be fully and completely carried out, the result would not be Socialism, but only the laying of secure foundations on which Socialism in the full sense would have to be built up by a much longer process of development. Indeed, Socialism in all its completeness may never come at all. It is something to work towards, until mankind has devised something still better, rather than a system to be realised wholly and entirely by any set of measures that can be foreseen or planned out from start to finish at the present time.

There is, however, a vital difference between a mere piecemeal policy of social reforms, even if they include some measures of "socialisation," and the sort of evolutionary Socialism that I have in mind. The one, unlike the other, involves a plan. It means looking at the entire problem of production and distribution, and trying to improve the system as a whole, and not merely to tinker with some of its parts. It involves planning production and consumption in such a way that *all* the available resources of man-power, scientific and technical skill, natural and man-made assets shall be put to the best use that can be devised for them, and not left to be wholly unused or under-used as the vagaries of the profit system may decide. It involves collective planning for social welfare—comprehensive planning that must embrace every vital part of the economic life of the nation.

If this is to be done, there must be both a plan and the means of carrying it into effect. We must decide not only what we mean to do, but also how to do it. But at present there exists neither any sort of plan based on an adequate survey of the available resources nor any body capable of giving effect to such a plan. It is indeed of the very essence of the type of capitalism under which we live that neither of these things should exist. Where each group of capitalist businesses is left to decide, in accordance with the expectations of profit entertained by those who are in control of their affairs, what and how much is to be produced, there can exist no such thing as a general plan for the productive system as a whole, and no means of securing that all the available resources shall be employed. Nor can there exist any central planning authority; for the controlling groups of capitalists will tolerate no body entitled to override their private wills. All that can exist under the present system is a series of sectional plans, each drawn up with a view not to the public well-being but to the profit of the various capitalist interests.

It is therefore indispensable for any Government which aims at advancing in the direction of Socialism, however

gradually it may propose to make the actual advance, to begin by creating an instrument for the furtherance of its ends. It must set up some sort of Planning Authority, and entrust that authority, first and foremost, with the duty of surveying the entire field of industry and agriculture, commerce and finance, and of drawing up, on the basis of its survey, a general economic plan. The primary purpose of this plan will be to settle, in the light of a proper survey of the available resources and of their existing uses, what can be done and what cannot be done, and among the things that can be done what needs doing most and first.

But, it may be asked, will it not be the duty of the Government itself to carry out this task? Surely it is for the Government of the country, with Parliament behind it, to decide what is to be done and in what order the various jobs are to be taken in hand? In one sense, that is true. For all important forms of action the final responsibility must rest with Parliament and with the Government as its executive. But it is out of the question for a group of Cabinet Ministers burdened with many departmental duties, or for the larger but less informed body of Members of the House of Commons, to carry out the detailed and highly technical work of surveying the needs and possibilities of economic reorganisation. There must be, under their control and subject to their authority, a specialist body to investigate, to study, and to recommend, and thereafter to apply in detail the principles of action endorsed by the Government and approved by Parliament as the representative of the people.

What form this Planning Authority can best take, in the early stages of its development, is discussed later in this book. Here the point is that we shall get nowhere without it; for it is impossible to provide for the use of all the available resources without the guidance of a plan of action at once comprehensive and detailed and founded on exact knowledge. A Socialist Government without a Planning Authority to guide it would be like a ship without a helmsman. But it is equally true that it must be for

the Government and not for the Planning Authority to decide the principles on which the plan is to proceed. It is for the navigator, and not for the helmsman, to settle the ship's course.

If it is clear that there must be a plan, and an instrument for carrying it into effect, it is no less clear that the task cannot be easy. It is easier to let the ship drift on the rocks than to steer a correct course; and it is hardest of all to steer it to safety when the tempests are driving it hard upon a lee shore. It is easier to keep an existing order of things in being than to create a new order; and most Governments attempt no more than to make a few secondary adjustments without altering the general character of the conditions which they find in being. A Socialist Government, however, will have *ex hypothesi* the task of laying the foundations of a new social system. It will be expected both to bring about immediate improvements and to prepare the way for much bigger improvements that are to follow. It will be called upon to accomplish much more than any Government has attempted in this country within the memory of man. It will make mistakes—who that attempts anything worth while can hope to avoid them? It will need to experiment—in the knowledge that some of its experiments are bound not to turn out well. It will, moreover, have to face these tasks in the presence of formidable and determined opposition; for there will be many powerful vested interests on the alert to discredit it and destroy it if they are given the chance. It will have, therefore, to be both bold and wary; for without boldness it will not be able to overcome its enemies, nor, without wariness, to circumvent them. The greater is the need for a Socialist Government to have at its back an intelligent and keen body of public opinion, both to give it strength in standing up to its opponents, and to furnish at every point prompt and reliable help in the detailed execution of its plans. For the Government will be powerless to further the cause of democracy unless a large section of the people clearly understands what it

is trying to do, not merely in general terms but with an intelligent knowledge of its actual measures. Publicity; therefore, will be of the first importance; and with publicity will have to go the largest degree of decentralisation and local initiative that can be reconciled with effective central direction. In a very real sense the Socialist Government will need to be not merely the Cabinet, or even Parliament, but the entire body of Socialists throughout the country.

CHAPTER III

TOWARDS SOCIALISM—THE NEXT STEP

SOCIALISM, in the sense in which the Labour Party understands it, does not mean that *everything* ought to be owned by the State. Far from it. The conception of public ownership, or social ownership, is very much wider than that of ownership by the State. Co-operative, for example, as well as municipal ownership, falls well within it; and there are many alternative forms of ownership and control which can be applied in appropriate cases. The Labour Party looks forward to a great extension of Co-operative enterprise in both distribution and production, and proposes to give the Co-operative movement an important and assured status in all its plans of economic reorganisation. But Socialism does not involve that *everything* should be socially owned even in this wide sense. One outstanding curse of our existing civilisation is that the great majority of people own much too little. Socialists want to extend to everybody the benefits of private ownership—to give every man and woman an increasing amount of private property that they can call their own. But Socialists draw a distinction between property in things which people *use* as means of good living, and property in things that are applied to the making of other things

for sale. Every householder and every individual ought to be able to own and to transmit to his successors a large number of things of the former kind; but many things of the latter kind ought to be owned publicly because their use needs to be brought under effective public control in the interests of the whole people.

Take, for example, a great factory or mine or a railway or a bank. Under the existing system the ownership of such things is usually in the hands of a number of private shareholders, each owning so many shares—that is, such and such fractions of the total property concerned. For the vast majority of these shareholders this ownership in practice means simply and solely the right to receive an income out of the profits of the undertaking. They have no real control over the use that is made of their “property”: indeed, many of them do not even know what use is being made of it, and could give no clear account of the businesses in which their capital is invested. They buy and sell shares simply as rights to income, or for the purpose of extracting profits from gambling on the stock exchange. The real control over these enterprises rests either with a small number of directors or salaried administrators, or with a few wealthy shareholders who own a controlling interest in the concern. The business is run either with a view to securing the largest possible incomes for all the shareholders, or, sometimes, even more unfairly, in the interest of the few controlling holders with but scant regard for that of the smaller investors. In neither case is the main purpose of the business to serve the well-being of the whole community. The main purpose is and must be, under the present system, profit, even where the pursuit of the highest possible profit conflicts with the welfare of the people.

Socialists hold that this type of private ownership over the means of production is unjust and indefensible; and they point, by way of proof, to three outstanding evils which result from it. In the first place, it involves huge inequalities of wealth and income, which divide men into

economic classes with conflicting interests and immensely different opportunities for happiness and well-being for themselves and for their children. Secondly, because of these inequalities and class-divisions, industry applies itself to the production not of such goods and services as will make the whole people as healthy, wealthy and wise as it can be made, but of luxuries in preference to necessities wherever the production of luxuries offers a prospect of higher profit. Nor is this all; for, thirdly, the inequalities of ownership and income lead to many valuable productive resources being left altogether unused, or to their being used to create much less wealth than could be produced with their aid, and to many willing producers being left for long periods unemployed.

Put in another way, this means that: (*a*) wealth and incomes are wrongly distributed; (*b*) from the standpoint of human welfare the wrong things very often get produced; and (*c*) much too little is produced altogether to secure the standards of living which the advance of human knowledge has made possible for every man, woman and child.

Where the craftsman works with his own tools, making something for direct sale to the consumer, or where the agricultural producer grows his own crops and feeds his own beasts for the direct consumption of his household, or for sale to his neighbours, private ownership of his simple means of production is the right and natural system. But this sort of ownership is entirely different from the ownership of so many shares in some great industrial or commercial undertaking which has to be managed by salaried administrators and forms a cog in the wheel of a complicated series of processes in which materials pass through many stages of transformation from the primary producer to the final user of the finished goods. As industrial technique advances and materials at all stages of manufacture are brought for further processing from every part of the world, as the methods of distribution become more complicated and involve the growth of huge capitalist wholesale and retail agencies, and as the financing

of business comes to require gigantic banking and credit institutions with a similar structure to that of large-scale capitalist industry, the number of trades and occupations to which conditions of small-scale activity can still be economically applied grows ever less; and more and more of those operations which are still conducted on a relatively small scale come to be essentially subsidiary to the activities of the great capitalist concerns or to depend on large-scale capitalism for the marketing of their products and the provision of the necessary finance. Under these conditions the nominal independence of the small-scale producer or trader is often illusory; he is, in fact, almost helpless in the hands of the great monopolies which ring him round on every side.

The Socialists have no desire to extinguish the small-scale producer or trader where it is still possible for him to render efficient service. On the contrary, they seek, by removing the domination over him of the great monopolies, to set him free to serve the community to much better purpose. The industries and services which a Labour Government would set out to socialise are not those in which small-scale production can still be economically carried on, but those in which large-scale capitalist organisation is already the rule, so that, as we have seen, the choice to-day is not between the competitive activities of many small producers and the rule of the monopolists, but between private monopoly and social ownership and control. The problem of dealing with these already monopolised industries and services will keep a Labour Government much too busy for a long time to come for it to feel any desire to take on further tasks. The "small man" who values his independence has very much to gain and nothing to lose from the full carrying out of the Labour programme.

Indeed, anyone who studies the published pronouncements of the Labour Party and its leaders can readily see this for himself. The Labour Party, much more than any other, believes in telling the people plainly in advance

what it means to do if and when it is returned to power. As a democratic party, it believes in being quite frank about its intentions; and in view of its published statements there is no reason for any voter to remain in ignorance of what it proposes to do. It has not only declared quite explicitly its policy and programme on most of the outstanding questions of the day, but has also told the electors which, among the many things that it proposes to do *sometime*, it regards as most urgent and therefore proposes to do *first or at an early stage*. The Labour policy as a whole is expounded, in its broad outline, in a pamphlet entitled *For Socialism and Peace*; and this statement is amplified in a large number of separate pamphlets dealing with particular questions or aspects of policy. A full list of these Labour Party pamphlets is set out elsewhere in this book.

The main Labour Party programme, *For Socialism and Peace*, is to be understood as a general statement covering all the main issues of policy which will need to be faced in the near future, as far as these issues can be foreseen at present. It explains how the Labour Party means to face these issues. But this full statement of policy inevitably contains much more than even the most energetic and determined Government, working under the parliamentary system and by democratic methods, could hope to carry through during a single period of office. It is therefore not so much a programme as a reservoir from which a Labour Government would be able to draw out, during the life of a single Parliament, only a limited amount. *For Socialism and Peace* does not set out to tell the electors exactly what measures a Labour Government would actually propose, but rather explains the spirit in which the Government would endeavour to act, and the larger objectives lying behind its immediate measures.

This, however, does not mean that the electors are left merely to guess what actual measures a Labour Government would draw out of this ample reservoir. For there is also a second and much shorter pamphlet, entitled *Labour's*

Immediate Programme, in which are included only those changes to which the Labour Government would propose to give effect at an early stage during its tenure of office. This shorter programme is what the elector will be definitely voting for, if he decides to use his vote to help in returning a Labour candidate. He may be, but he need not be, voting for much more than this. If he is a convinced Socialist he will of course be voting for a great deal more. But if he agrees with *Labour's Immediate Programme*, but is not in favour of some of the more drastic measures which the Labour Party intends to introduce at a later stage, he can, nevertheless, vote Labour at the next General Election in full confidence that he will be given a further chance of recording his opinion before these further measures fall due to be carried into effect.

But, though the Labour Party naturally asks for the votes of all those who are prepared to go with it a part of the way, and to support its immediate programme, its members have no desire to hide their determination to go on from these initial measures in due course to others of a much more ambitious character. The Labour Party is a Socialist Party, and means to begin laying the foundations for a Socialist system, even though it does not propose to attempt immediately to make Great Britain into a Socialist country. Its measures are meant to be socialistic, though they do not amount to Socialism: they are meant to make the subsequent introduction of Socialism easier. They are socialistic in three distinct senses: first, because they propose to set on foot a process of redistributing wealth and incomes so as to reduce class inequalities, and above all to lift up the standard of living for those lowest down in the social scale; secondly, because they involve a substantial increase in the public ownership and control of industries and services, and a corresponding contraction of the scope for profit-making; and thirdly, because they include a considerable advance towards the democratic planning and organisation of the nation's economic resources for the promotion of the general welfare. In

these three senses *Labour's Immediate Programme* makes in the direction of Socialism; and the Labour Party wants, above all others, supporters who not only agree with its immediate legislative programme but also understand and sympathise with the broader social purposes which lie behind these proposals.

CHAPTER IV

THE SOCIAL SERVICES: I. CHILDHOOD AND YOUTH

THE nature of Labour's purposes I have already tried to indicate in general terms. The Labour Party believes that the primary function of government is to promote the welfare of the people, and that it is an essential duty of the Government to ensure that all the essential resources of the community shall be applied to promoting this end. It believes that the child should from birth be assured of good nourishment, healthy surroundings, and whatever else makes for balanced soundness of both body and mind. It believes that education should be open equally to all, to the extent of their ability to profit by it, without regard to the parents' means, and that the segregation of classes which at present dominates English education is radically bad. It believes that the boy or girl who leaves school or college to enter a "gainful occupation" should be assured of proper opportunities for training, of reasonable hours of labour, and of good conditions of work, and that there should be plenty of facilities for further part-time education after leaving school, and for change of job, with further training, when the initial choice proves to be unfortunate. It believes that men and women who work for wages or salaries should receive in all cases a decent living wage, including paid holidays, and should be compelled to work neither for excessively long hours nor under unhealthy or overstraining conditions. It believes that all workers

should have the fullest freedom to organise, and should be protected against arbitrary dismissal or victimisation for the exercise of these rights. It believes that they, together with their dependants, should receive adequate maintenance when they are unemployed or sick or unfit for work owing to disablement of any sort. It believes that when they are past work, at whatever age, they should be able to claim as of right a living pension paid out of public funds, and that, throughout their lives, they should be able to look to the community for proper medical and dental assistance and hospital treatment, whenever they require these things, without any stigma of pauperism being attached to any of these services.

Not one of these proposals is in itself revolutionary, or more than a development of what is already being done. For the child and the nursing mother a beginning has been made, albeit on a very meagre scale, with maternity and child welfare services, including the supply of milk and of medical assistance and advice. A little has been done towards the provision of Nursery Schools. Elementary Education is already free and universal up to 14, and the school-leaving age is in process of being raised to 15, subject, unfortunately, to exemption for what is called "beneficial employment." Secondary education is still the privilege of a small minority; but the State has done something towards the provision of free places, sometimes with maintenance allowances. There is some provision for technical training, some limitation on the hours of work of young persons, and some regulation under the Factory Acts and other measures of the conditions under which young persons are allowed to be employed. For adults there are minimum wage laws in a limited number of trades, and hours of labour are regulated to some extent either directly or through the fixing of wage-rates in relation to a standard working week. Conditions for women workers in factories, for miners, and for a few other classes of workers are under some sort of regulation by the State. Collective bargaining, though limited by the vindictive

Trade Disputes and Trade Unions Act of 1927, is practised in most of the more important industries; but there is no legal protection against victimisation or arbitrary dismissal. The unemployed receive in most cases either unemployment benefit or unemployment assistance, including allowances for dependants; and there is provision at a more meagre standard for cash and other benefits in sickness, though dependants are still excluded from the advantages of the health insurance scheme. There is provision, still on a very inadequate scale, for workmen's compensation in case of accident or certain kinds of occupational disease. Finally, there are Old Age Pensions, still wretchedly low, on a non-contributory basis for needy persons at 70 years of age, and on a contributory basis at 65 for insured workers and under certain conditions for widows and their dependants. In addition, there is some provision for medical treatment under the Insurance Acts and for institutional treatment (still in most areas on a very unsatisfactory basis) through the public hospitals taken over from the Poor Law Guardians a decade ago.

Many of these existing services are scandalously inadequate, or granted, like Unemployment Assistance, only under unjustifiably inquisitorial conditions or on an unduly restrictive basis. But they exist and they can be improved. One of the main tasks of the Labour Party, early in its period of office, will be not so much to devise new services as to bring those which are already in being up to a more satisfactory standard. The State has already accepted the obligation to do *something* towards the prevention of distress and the creation of decent conditions for the whole people in childhood and adolescence, in manhood and old age. Where this *something* falls short of what is needed, it will be the mission of the Labour Party speedily to enact that the State shall undertake *something more*.

Let us see, then, first of all, what most needs doing for the speedy improvement of the existing social services in these various fields. In the field of maternity and child welfare, the most urgent task is not the framing of

fresh legislative measures, though this too has its place, but rather the putting into general effect of the powers already possessed by Local Authorities throughout the country. For the trouble is that these existing powers are to a great extent optional, so that the more backward authorities have done very little about them. A small step forward was recently taken in the Midwives Act, which requires every area to ensure the provision of an adequate midwifery service; but there remains an urgent need for more and better hospital accommodation for maternity cases, for the extended provision of ante-natal clinics and maternity and child welfare centres, and of adequate staffs of health visitors and qualified doctors, including women doctors, and for the regular supply, whenever it is needed, of pure milk and of food to mothers both before and after childbirth. It is notorious that in recent years, while other mortality rates have been falling, the rate of maternal mortality has remained exceedingly high, and puerperal mortality is actually a good deal higher to-day than it was ten or twenty years ago. The wide differences in maternal mortality between areas show plainly that many of these deaths are preventable; indeed, a Departmental Committee which investigated the matter in 1932 reported that at least half the maternal deaths occurring every year could be avoided by proper care and treatment. What is needed here, to follow up the Midwives Act, is a measure making obligatory on all local authorities an all-round provision of maternity services, including free milk and other food wherever the need exists.¹

Proper protection to the mother will go some distance towards protecting the child also. But much more needs to be done in this field. Child welfare centres are still inadequate in number and equipment, and are largely specialised to dealing with babies, so that there is a dangerous gap between the ages of two and five, when the child comes within the scope of the school medical service. Nursery Schools are still very few and provide for only

¹ See *Protect the Nation's Mothers*. Labour Party, ad.

a tiny fraction of the children who need them; and the Board of Education has tended in recent years to encourage the provision only of Nursery Classes in place of properly equipped Open-Air Nursery Schools, and to treat both as mere palliatives for bad home conditions, or as required only for children whose mothers are away at work, and not for normal children.

Here is a manifest opportunity for rapid development. It is not suggested that attendance at Nursery Schools should be made compulsory; but there is a plain need to lay down by law that every local authority must as soon as possible provide them in sufficient numbers to accommodate all children between 2 and 5 whose parents wish them to attend. In addition, the supply of free milk should be made available not only for mothers and infants, but for all children under school age, either through the Maternity and Child Welfare Centres or through the Nursery Schools. If a sufficient supply of free milk is not made available at the outset, mothers should be allowed to buy additional supplies at very cheap rates by registering at the School or Centre. There is no conceivable reason for leaving a gap between infancy and school-time during which the majority of children are compelled to go short of an adequate supply of milk¹.

I am under no delusion that the adoption of these reforms, important as their effect would be, could give the poor man's child as good a chance of health as the child of parents who can assure it a thoroughly satisfactory diet and environment. Poverty is an unhealthy condition, which we must set to work to eradicate by much more fundamental measures. But that is no reason for not doing at once what can be done to mitigate some of its more disastrous consequences.

Turn now to the question of the child at school. School-feeding, instead of being exceptional, ought to be made universal and free; and the Milk-in-Schools scheme ought also to be applied uniformly over the whole

¹ See *The Children's Charter*. Labour Party, 1d.

country on a more generous scale, in holiday periods as well as during the school terms.

Apart from the general improvements of educational standards, which will be discussed in a subsequent chapter, there is a pressing need for better provision of Special Schools for the education of backward and defective children, and of schools for those who require open-air living conditions. Much more ought also to be done to provide open-air schools and camps to which children from the towns can be sent, at the public expense, for long periods during the summer months. Every urban school ought to have not merely adequate playing fields within reasonable distance, but a place in the country where in the summer a considerable part of its activities could be carried on.

Even if all these things were done, there would remain as a blot upon the English educational system its disastrous segregation of social classes. The institutions known as "public schools"—despite the fact that they are completely outside any form of public control—are essentially upper-class seminaries, designed for the training of an exclusive class of "gentlemen," and stand for a still very powerful class-monopoly of the better-paid professional and administrative posts. The publicly provided and grant-aided Secondary Schools are doing something towards breaking down this monopoly; but it will never be thoroughly broken as long as the dual system of education continues to exist.

There are other aspects of policy closely related to the welfare of school children. It is of the greatest importance to prohibit entirely all employment out of school hours of children attending school. The value of education is undermined if the children are too tired to attend, or if their minds and bodies are subjected to too a heavy a load. Again, school medical inspection, as it now exists, is altogether inadequate. Routine inspections are of little value unless they are followed up by continuous care. There ought to be continuous medical supervision of the health of all school children, including free treatment wherever

it is needed. Free dental treatment is of particular importance; for bad teeth are a most common source of ill-health, and the treatment at present available is much too expensive for full use to be made of it by the children of poorer parents. The entire school medical service needs raising immediately to a much higher plane. The attempts now being made to promote physical education will be of little value unless measures are taken to ensure that the children shall be in good enough health to profit by them.

As matters stand to-day, there are wide differences of educational standard not only between town and country, but also between richer and poorer districts in the same town. Scholarships and free places in higher types of school are won much more often by children whose parents live in relatively highly rented houses than by those who come from the poorer districts. This class-selection exerts an enormous influence on the quality of the national life as a whole. It has been calculated that "at least half of the superior ability which exists among the children of the British public is either going to waste or is being compelled to fight against immense educational disadvantages in equipping itself for the business of life."¹

When the boy or girl leaves school, at 14 or 15 or 16—beyond which age only a very small minority remain—in order to earn a living, the need for future protection arises. Something is already done, through Juvenile Advisory Committees, to give some guidance in the initial choice of an occupation; but much more than this is urgently required. There is nothing to prevent the gross exploitation of juvenile workers at low wages upon jobs which are devoid of value in training them for subsequent employment. Something has been done to limit hours of labour for juveniles under the Factories Act of 1937, which in normal cases prevents workers under 16 in factories, docks and warehouses from being employed

¹ J. L. Gray and P. Moshinsky. *Ability and Opportunity in English Education*. On the whole subject see *The Condition of Britain*, by G. D. H. and Margaret Cole, Chapter VI.

for more than 44 hours a week, and those over 16 from working more than 48 hours, but fails to prohibit overtime for the second of these groups. But the Factories Act does not cover anything approaching the entire range of juvenile employment; and there remain many scandalous cases of overwork as well as of underpayment and blind-alley occupation. There is need for a new charter for all young workers, limiting the working week to 40 hours as a maximum with a complete prohibition of overtime, preventing absolutely the employment of young persons in unhealthy or dangerous trades, providing for regular medical and dental inspection and treatment, and ensuring holidays with pay and rights of collective bargaining through the Trade Unions.¹

Much that is important has unavoidably been omitted from this brief account of Labour's immediate proposals for coping with the problems of childhood and of youth. These problems have acquired in recent years a new significance as public opinion has been gradually aroused to the significance of our falling birth-rate and of the prospect before long of a catastrophic fall in our total population. Already the age-composition of the British people has been radically altered by this fall in the number of births, which no possible saving in infant and child mortality can affect. Juvenile labour, which has been plentiful, is in process of becoming scarce; and we have to be on our guard against the short-sighted view that this scarcity ought to be met by a curtailment of the opportunities for education. The truth is the very opposite. The fewer the children are, the more important is it that they should be as intelligent and well educated, as healthy and productive, as they can possibly be made. The state of the population is forcing upon us a more careful attention to the problems of child life; it is making us more aware of the folly of exploiting children at the cost of their efficiency as citizens and as producers.

Later on in this book the population problem will

¹ See J. Gollan. *Youth in British Industry.*

come up again, in relation to the possibilities of child endowment and again in its bearing on the planning of industry. At this stage I am dealing only with immediate improvements in the existing social services, and accordingly these aspects of the matter do not arise. But clearly the trend of population furnishes an additional reason for doing what ought to be done in any case on grounds of humanity and common decency to improve the quality and the happiness of childhood and adolescence and to remove once and for all the reproach that a large proportion of the citizens of Great Britain never get a proper start in life, but are compelled to grow up stunted in body and mind for want of good nourishment and reasonable opportunity to equip themselves adequately for the arts of living and the tasks of communal service.

CHAPTER V

THE SOCIAL SERVICES: II. THE PEOPLE AT WORK

WE have seen what needs doing immediately, within the framework of the existing social services, for the children and for the young people entering "gainful occupations." Let us see now what needs to be done for the main body of adult men and women who live by working for wages or salaries or, all too often, on "doles" of one sort or another because they can find no jobs.

The State at present assumes no general responsibility for seeing that the employed workers shall receive an adequate living wage. It is still the presumption that in general wages can be left to the higgling of the market—to the private bargains of employers and workmen, modified by collective Trade Union bargaining in those occupations in which sufficiently powerful Unions have been built up. Only in exceptional cases does the State at present intervene to fix a minimum wage. It does

this on behalf of agricultural workers, under the Agricultural Wages Acts of 1924 and 1937; for the rural labourer has always been exceptionally ill paid, and, in view of the many concessions made to the farmer, it would be out of the question to deny all protection to the labourers' standard of life. In addition the State, under the Trade Boards Acts of 1909 and 1918, enforces minimum wage-rates in forty or so trades employing for the most part a high proportion of women workers. A minority of cotton operatives have their wages protected against undercutting by recalcitrant employers under the Cotton Weavers' Act of 1934; and coal miners have also possessed a very ineffective form of protection for their wages since the great coal strike of 1912. Government and municipal contractors are compelled by the Fair Wages Clause to observe in public contracts the wages and conditions ordinarily granted by reputable employers in the areas in which they work; and there is a very scanty power given to the Traffic Commissioners to protect the wages of certain road transport workers under the Transport Acts.

In addition to these measures the Road Haulage Wages Act of 1938 has set up a Road Haulage Central Wages Board with power to fix minimum wage-rates for workers engaged in the actual transport of goods by road for transport contractors—that is, for holders of A and B licences under the Road and Rail Traffic Act of 1933. In addition, the Act of 1938 allows holders of C licences who believe their remuneration to be unfair to appeal to the Industrial Court to fix a "statutory remuneration." Thus, drivers and attendants in the goods section of road transport are now to be assured a minimum wage; but the Act does not apply to workers in garages or to others not actually travelling with a goods vehicle.

These examples exhaust the list of publicly regulated rates of wages. Outside this limited field, the employer is free to pay whatever wages he can induce workers to accept.

The area covered by Trade Union bargaining is, of course, a good deal wider than that of wage-regulation by the State. There are approximately five and a half million Trade Unionists in Great Britain—about one in three of the employed population over eighteen years of age. Some of these Trade Unionists are, of course, in occupations covered by minimum wage laws; but on the other hand the collective bargains struck by Trade Unions apply in practice to a good many workers who are not Trade Union members. Trade Unionism probably covers in effect well over half the wage-earning section of the people, as well as a small fraction of the salary-earners. But its power to secure satisfactory wage-rates is limited by its bargaining strength, and that in turn depends on the state of trade as well as on the number of workers enrolled in the Unions.¹

In industries that are seriously depressed for any long period wages inevitably fall away, even if Trade Unionism is widespread. The well-established Trade Unions of coal miners, shipbuilders and cotton operatives have not been able to prevent the earnings of their members from being heavily cut down. Doubtless if there had been no Unions, the wage-cuts would have been a great deal worse; but even the most powerful Union cannot stand out indefinitely against unfavourable economic conditions, as the miners have had cause to discover more than once since the collapse of coal prices in 1921.

In a good many industries Trade Unionism is very much stronger among the skilled than among the less skilled workers. In such cases it often happens that large groups among the less skilled are left without effective protection for their wages, even where the skilled men are able to extract relatively high rates. Some of the worst instances of underpayment are to be found in industries which have the reputation of being fairly well organised

¹ For the present position, see *British Trade Unionism To-day*. By G. D. H. Cole and others—a book giving a full account of the strength and weakness of organisation in the various industries and services.

—in branches of the textile trades, for example, or in certain sections of the lighter metal-working industries. For, where the main body of workers in an industry seems to be reasonably able to look after its own wage-interests, the State is disinclined to intervene in order to regulate the wages of a less skilled minority, even when its conditions are demonstrably very bad. Trade Boards have been set up mainly for the smaller industries which employ large numbers of female workers: trades which employ male labour exclusively, or at any rate preponderantly, are usually left unregulated, even if wages in them are very low and no effective form of collective bargaining exists.

Thus it comes about that a large proportion of the workers, especially in the less skilled types of labour, are without the protection either of collective bargaining through Trade Unions or of a legal minimum wage. Among factory workers this applies principally in the smaller and more scattered industries and to a very great extent in the new trades manufacturing consumers' goods, which have expanded rapidly in recent years, especially in the southern half of England. The motor industry is the largest single industry in which there are found great establishments employing many thousands of workers with hardly any Trade Union organisation; but there are a great many smaller trades, as well as individual establishments in trades only partly covered by Trade Unionism, in which wages and conditions are without any sort of protection. Even in the greater industries where Trade Unionism is relatively strong, there remain considerable numbers of establishments for which no effective bargaining machinery exists.

The position is a good deal worse in the majority of non-manufacturing occupations. Organisation among road transport workers has improved considerably in recent years, especially since the establishment of a measure of State control through the licensing system. But there are still a great many unorganised drivers of vans and

lorries, and much unorganised labour in garages and depots. There is urgent need for some form of regulation of conditions, particularly for the employees of small firms which do not belong to the employers' organisations.

Among distributive workers organisation is strong in the Co-operative movement, and most Co-operative employees are protected by fairly effective forms of collective bargaining. But in private trade the position is very different, and the vast majority of workers are without any sort of protection. The Shop Assistants' Union has indeed made remarkable progress during the past two or three years in organising workers in some of the larger department and chain stores and in arranging on their behalf collective agreements which represent an important advance on previous standards of payment. But these successes only throw into relief the very unfavourable conditions of the main body of shop assistants, especially in the smaller shops and stores. This disparity is recognised by those employers' associations which have entered into bargaining relations with the Shop Assistants' Union; and proposals have recently been submitted by a conference representing employers and workers for the establishment of a system of legal minimum wages to be applied compulsorily throughout the distributive trades. These proposals are before the Minister of Labour as I write these words; and it seems likely that before long a special system of wages boards will be set up by law. Certainly it ought to be; and if this has not been done in a satisfactory way before a Labour Government comes to power, it will be indispensable for it to pass the requisite legislation at the earliest possible moment.

There remains the much more difficult problem of the large but scattered mass of workers in a great number of miscellaneous occupations at present outside the range either of the Trade Boards Acts or of any sort of collective bargaining on a national or even a district basis. There is an overwhelming case on humanitarian grounds for endeavouring to improve the wages and conditions of

these workers, who include to-day by far the worst-paid sections of the working classes, not even excepting the agricultural workers. Where a worker employed in one of these trades is the father of a family it is often utterly impossible for him to provide for his children the minimum nourishment required for healthy living; and it often happens that households of this type are better off when the wage-earner loses his job, and has to apply for unemployment assistance, or even insurance, than when he is in receipt of his normal earnings. This constitutes a serious problem from the standpoint of anyone who is setting out to improve the position of the unemployed; for it is at once argued that it is impracticable to raise unemployment benefit or unemployment assistance because as soon as this is done there will be a great increase in the number of workers for whom idleness "on the dole" is more profitable than employment or, at any rate, to whom the difference of income is too inconsiderable to furnish an adequate incentive for holding down a job.

It is undeniable that this situation confronts the unemployment authorities with an awkward problem. But the remedy is not to cut down unemployment allowances, or to retain them at their present level where they are too low for satisfactory living, but to raise the wage-rates of the worst paid sections of the employed population. The Unemployment Insurance Statutory Committee in the course of a recent enquiry into the normal earnings of recipients of benefit found that in August, 1937, out of 411,000 claimants, there were 3,752 whose benefits when unemployed were equal to or greater than their normal full-time earnings, and nearly 33,000 others who were receiving almost as much in benefits as they had earned previously in full-time work. There were nearly 400 adult men earning less than 25/- a week, and only 22 of these were found to be suffering from any definite physical disability. Admittedly, wages as low as these are the exception; but they are still paid in quite a sufficient number of cases to constitute a serious social problem, and the

existence of wage-rates such as these at the bottom of the scale exerts an unfavourable influence on the rates paid for a great many kinds of less skilled labour.

It may be suggested that the reason for these exceptionally low wages is to be found in the exceptionally depressed conditions of the trades in which they are paid. Doubtless this is true in a limited number of cases—for example, in the cotton industry. But anyone who studies the list of occupations affected, as published in the report of the Unemployment Insurance Statutory Committee, will soon see for himself that a considerable number of these occupations, far from being depressed, are prosperous and expanding, so that they ought to have a capacity well above the average for paying their employees at reasonable rates. They include, for example, greyhound racing tracks, dance-halls, cinemas, public houses, clubs, garages, and a large number of miscellaneous "service" occupations, as well as scattered and ill-organised factory trades which are at present outside the scope of minimum wage regulation. The real reason why most of these trades get their labour so cheap is not that they are unable to pay more, but that, needing few skilled workers, they are able to recruit their employees from the least independent and organisable sections of the working class.

I do not doubt that quite a number of these bottom dogs of industry are of inferior mental capacity, or that some of them have drifted into these grossly underpaid occupations through some fault of their own. But in a good number of cases I believe they are in this unfortunate situation mainly because of ill-luck—for example, because they started as boys in a blind-alley occupation, or for some other reason failed to secure any useful training in their formative years, or because they have been thrust out of some depressed industry and been compelled to pick up a casual living as best they can. I am at any rate convinced that it is inconceivable that a Labour Government could allow such conditions to continue in being, and accordingly that fresh minimum wage legislation would

have to be carried through at an early stage of the Government's tenure of power.

In a good number of cases the need can no doubt best be met by a simple extension of the Trade Board system. There is no statutory reason why Trade Boards should be confined, with a few exceptions, to trades employing a high proportion of female labour, or, as they have been so far, mainly to manufacturing occupations subject to the Factory Acts. Milk distribution has already been brought under regulation by a Trade Board; and there is no reason why garages and cinemas, dance-halls and racing tracks, clubs and public-houses, as well as many of the smaller factory trades, should not be similarly regulated.

I do, however, believe that something more than an application of the Trade Boards Act to additional trades will be required. There are a considerable number of miscellaneous and scattered occupations the range of which it is exceedingly difficult to define so as to bring them within the scope of a Board established for the regulation of wages in a particular trade. The Labour Party has not committed itself on this point; but personally I favour the establishment by law of a General Minimum Wage Commission, empowered either directly or through sub-committees of its own to prescribe minimum rates for any group of workers outside the scope of the existing Acts, wherever conditions of serious underpayment are discovered to exist.¹

Even if the reforms which I have advocated were carried into effect, the problem would not be fully solved; for it would be impracticable immediately to raise wages in many of the worst paid trades to a level which would provide adequately for the needs of the larger households. Where there are several dependent children, the existing wage system, which pays no regard to family needs, results inevitably in serious hardship among the lower-paid types of workers. Even if wages in the unregulated occupations

¹ See *Living Wages: The Case for A New Minimum Wage Act*, by G. D. H. Cole. Fabian Society, 6d.

were brought up to the standards now existing in the majority of the Trade Board trades, this hardship would remain; for it exists to-day, although in a somewhat smaller measure, even where wages are regulated by law. In most Trade Board trades men's minimum wages are only about 50/- for a 48 hour week, and women's wages not above 30/-; and some Trade Boards still fix rates substantially lower than these. As a large proportion of the total number of children in the community is naturally found in the larger families, the hardship inflicted upon the children is much more widespread than the number of workers earning very low wages would suggest.

For many years I have regarded the institution of some system of family allowances as the only possible solution of this problem within the framework of the existing system. It would not do to make wages vary in accordance with the family responsibilities of the wage-earner; for this would either give the employers an inducement to employ unmarried or childless workers, or, if a pooling system were adopted, place a powerful new weapon in the employers' hands. Nor would it do to institute family allowances on a contributory basis on the lines of the existing insurance schemes; for this would involve a further extension of regressive taxation, and, as we shall see, if insurance contributions are to be raised at all, the additional funds will be fully needed for the improvement of the existing range of services. The only acceptable form of family allowances is a scheme based on direct provision of the money by the State out of the proceeds of general taxation. Such a scheme would inevitably be very costly if it were to be applied at a satisfactory scale to all children; and I do not believe that it could be afforded at the present stage without detriment to other necessary developments of the social services. I therefore favour, as a beginning, a system of family allowances financed out of general taxation but restricted to the larger families—say, a scheme beginning with the third dependent child. This would be relatively inexpensive; and it would go a

long way towards meeting the most urgent problem—under-nourishment among the children who are members of the larger families.

The Labour Party is not committed to this proposal. There is, indeed, considerable difference of opinion about it among Labour Party supporters. There is some fear among Trade Unionists that a system of family allowances might upset the wages fixed by collective bargaining, and that the benefits of it might be cancelled by wage-reductions. This fear would be justifiable if what was proposed were a scheme to be financed by employers; but it has, I believe, no application to a scheme financed out of taxation and beginning only with the third child. A limited scheme of this sort could not possibly affect wages or collective bargaining in any way. Another body of opinion inside the Labour Party opposes family allowances at the present stage on the ground that the limited money available for the development of the social services can for the present be spent better in other ways—for example, by providing more free services such as free milk, school meals, improved health services, and so on. I regard this objection as valid against a comprehensive scheme of family allowances beginning with the first child; but I believe it should be possible to combine a limited scheme of allowances with the requisite development of the social services in other fields. I shall continue to do my best to convert the Labour Party to my point upon this issue; but the proposal here advanced must not be taken at present as forming part of the Labour programme.

In addition to extending the scope of minimum wage regulation a Labour Government will, of course, do its best to help the Trade Unions to secure improved wages and conditions in industries in which legal regulation is not desired. There are, however, limits to the possibilities of Government action in this field. It is for the Trade Unions themselves to take advantage of the favourable opportunities for action presented by the presence in office of a Government friendly to their claims. It can

hardly be doubted that the return of a Labour Government would enable Trade Unions to enrol large numbers of additional members, especially in the new industries which are still so largely unorganised; and it is also evident that the putting into effect by the Government of a policy designed rapidly to expand the volume of employment would greatly increase the Trade Unions' bargaining power.

Wages, of course, are by no means the only respect in which a Labour Government would be called upon to bring about a speedy improvement in the conditions of labour. There is also the important question of working hours. The Labour Party has promised, in its Immediate Programme, to introduce legislation for shorter working hours, "taking as a standard a 40-hour working week, with such adaptations as may be necessary." It is added that "details of the application of this legislation to different occupations will be settled in consultation with the representatives of those concerned," and that an attempt will be made, through the International Labour Organisation, to secure the adoption of an International Convention prescribing a 40-hour week.

At present the majority of organised industries work at most a 48-hour week; and the 48-hour week is also taken as the standard in most of the trades under Trade Board regulation. To reduce working hours from 48 to 40 at a single blow would be an ambitious undertaking, and might cause considerable dislocation in certain of the exporting industries. It would therefore probably be necessary, while applying the 40-hour week immediately to the general run of trades producing for the home market, and especially to those in which speeding up by mass-production methods has greatly intensified the strain of labour, to approach the 40-hour week more gradually in trades which are especially subject to foreign competition in the export market, and to allow them a transitional period for re-adjustment to the new conditions. At the same time, hours of work in the coal mines would presumably be reduced immediately to the 7-hour limit at

which they stood before 1926, and a period of grace would be given before making a further reduction to say, 6½ hours. It should of course be remembered that in view of the extra allowance which has to be made for winding time, the real working hours of coal-miners are longer on the average by about half an hour than the nominal shift.

The Labour Party is also pledged to introduce legislation imposing on all employers a legal obligation to pay for the existing statutory public holidays, and to grant in addition a statutory period of holiday with pay in each year. There has been considerable extension during the past year or two in the number of collective agreements providing for holidays with pay; but these still cover only a minority of the whole body of workers, and are besides in many respects inadequate and subject to unsatisfactory conditions. It will be necessary not only to make the system of holidays with pay universal, but also to insist on payment for at least a week in each year at full rates of wages and to prevent arbitrary restrictions from being imposed by employers on the receipt of these payments.¹

Conditions of employment, apart from hours and wages, need to be dealt with by a further amendment of the Factory Acts, and also by an extension of the scope of legislation to cover occupations, such as office work, which are at present inadequately protected or not protected at all. The Factories Act of 1937 was in many respects a very insufficient measure, going much less far than the Bill drafted by the Labour Government as long ago as 1924. There is especially an immediate need for protecting the conditions of employment in such places as garages, and also for a great stiffening up of the regulations applying to work in shops.

There are two other matters relating to conditions of labour about which a Labour Government will be called upon to take immediate action. The Trade Disputes and

¹ For the Labour proposals, see *Holidays with Pay: the T.U.C. Policy*, Trades Union Congress, 3d. and *Holidays for All*, Trades Union Congress, 2d.

Trade Unions Act of 1927 was a thoroughly vindictive measure, by which, under cover of making unlawful a repetition of the General Strike, the Conservative Government did its best to hamper the effectiveness of ordinary Trade Union action. Sympathetic strikes were seriously and ambiguously restricted; the right of picketing was practically taken away, and the law relating to intimidation stretched to intolerable lengths; workers in the public service were arbitrarily detached from their allegiance to the Labour movement, and local authorities were forbidden to make Trade Union membership a condition of employment. All these restrictions, together with others hardly less burdensome, were additional to the obstacles placed in the way of Trade Union political action by the imposition of the system of "contracting-in" in place of the older "contracting-out" in respect of the political levy. The Act of 1927 will have to be unconditionally repealed in order to restore to the Trade Union movement even the limited freedom of action which it enjoyed before the General Strike.

But it is not enough merely to undo this legislation. The rights of combination and collective bargaining need to be further safeguarded. It should be illegal for an employer to refuse his employees the rights of organisation and collective bargaining; and the worker requires protection against arbitrary dismissal and above all against victimisation for his Trade Union activities. It ought to be made impossible for employers to dismiss workmen without any right of appeal; and machinery such as exists already in a number of countries ought to be set up for safeguarding these rights. Moreover, workers in public employment ought to enjoy, both politically and industrially, exactly the same rights as workers in capitalist industry. This is indispensable if the field of collective bargaining and Trade Union action is not to be fatally narrowed as more industries pass under State ownership and control.

CHAPTER VI'

THE SOCIAL SERVICES: III. THE UNEMPLOYED—
SICKNESS AND OLD AGE

It will be the object of a Labour Government to reduce as rapidly as possible the numbers of the unemployed. How to set about this task we shall see in subsequent chapters: here we are concerned only with the form and amount of maintenance to be provided for these workers who remain unemployed, and for their dependants.

Complete abolition of unemployment is plainly out of the question; for however great the total demand for labour might be, there would still be some workers without jobs, even if they were for the most part unemployed only for short spells. There would be also, unless steps were taken to provide for them in other ways, some elderly or disabled workers who were not fit for work, though they were counted as looking for jobs.

We have therefore to consider, apart from the question of setting as many as possible of the unemployed to work, what treatment ought to be given to those who are left without earnings for shorter or longer periods, and to what extent classes of workers at present receiving unemployment benefit should be maintained in other ways.

At present there are two main methods of maintaining the unemployed—unemployment benefit, which is paid out of a special fund contributed equally by workmen, employers and the State, and unemployment assistance, which is paid entirely out of the proceeds of general taxation. There are regular scales governing both these forms of payment; but whereas insurance benefit is a fixed amount, varying only with the age, sex and number of dependants of the applicant, unemployment assistance is subject to a Means Test, under which deductions are made according to the amount of other resources belonging to members of the applicant's household. This Means Test,

which is wide enough to cover all persons living in the applicant's household, even if they are not related to him, is strongly resented among the workers, and the Labour Party is pledged to abolish it.

It is, however, the case that resentment is not quite so fierce now as it was when the Means Test was originally introduced in 1931 and administered through the Public Assistance Committees, or when the Unemployment Assistance Board, which now administers it, put forward its first scale of payments. The resentment is less partly because it is difficult for men who are kept for year after year at a starvation standard to make themselves heard after the novelty of their protests has worn off, and partly because the scale itself has been made somewhat less oppressive under stress of the general and angry protests provoked by the original scale. So strong was this opposition that it was never possible for the Government to bring the original U.A.B. scale into force. It had to be withdrawn, and a transitional system had to be adopted while a new and rather less onerous scale was being worked out.

Nevertheless, the Means Test remains generally and deservedly unpopular, and continues to give rise to serious oppression and injustice, especially in the depressed areas. In the Labour view, it is unfair and unreasonable to divide the unemployed into two categories, one subject to a Means Test and the other not; and it is utterly unfair to operate the Means Test on a *household* instead of an *individual* basis. If there is any case at all for such a test, it should be based exclusively on the earnings of the applicant, or at most of husband and wife. It should take no account of children's earnings—except of course that benefit would not be payable in respect of persons who were actually maintaining themselves out of their own earnings. Nor should it take account of any income coming into the household from persons on whose behalf the applicant is not claiming assistance. A Means Test of this revised type would be much less objectionable than the test at

present applied; but it is very doubtful whether there would be any advantage in applying such a test, the administrative cost of which might wipe out any reduction of assistance which it would involve. It should be noted that in 1937 the total cost of administering the U.A.B. was substantially greater than the total "other resources" possessed by the applicants and their wives or husbands, though it was only about one-fifth of the resources possessed by all members of the applicants' households taken together.

It would be a great deal simpler to administer unemployment assistance, as unemployment insurance is administered, without any Means Test at all. This was actually the position up to 1931, as the unemployed were not then divided into two separate categories. It would be simpler and better to go back to the previous system, and to treat all unemployed workers and their dependants on equal terms.

It will be objected that to do this would be to take away the "actuarial soundness" of the Unemployment Insurance Fund. But this "soundness" is of no real value. It is secured mainly by adjusting the number of weeks for which benefit can be drawn to what the fund will bear at the weekly rates of benefit which are deemed appropriate from time to time. It would be perfectly simple to preserve the required balance by the State taking over the cost of benefits after so many weeks' payment, without any division of the unemployed into two separate categories receiving separate treatment.

In general, workers who are out of employment for relatively short periods are paid benefits out of the insurance fund, without a Means Test, whereas those who remain workless for long periods have to apply for unemployment assistance under the U.A.B., and may receive no assistance at all if the income coming into the "household" is deemed enough to provide for its maintenance. This distinction between short and long unemployment is highly undesirable. A worker who is transferred to U.A.B. is apt to feel that he or she is being thrown on the scrap-heap,

and to lose heart and hope much more than one who is receiving payment as of right. If any distinction is to be made, it should apply not automatically after so many weeks' benefit received, but only when there is good reason to believe that a particular worker no longer stands a reasonable chance of getting back into employment unless special steps are taken to re-train him, or to restore him to better physical or mental condition.

Labour's Immediate Programme declares plainly for proper maintenance of the unemployed, and for the abolition of the Means Test. The Labour Party regards unemployment as a national responsibility, the cost of which ought to be met out of public funds on terms which will fully ensure the maintenance of the unemployed and their dependants at a satisfactory standard of life. As the cost of living varies from time to time, it is not possible to lay down in absolute figures what the scales of maintenance ought to be; but it should be noted that prices, especially of foodstuffs, are a good deal higher to-day than they were when the existing scales of assistance were laid down. Thus, there is a clear case for increases, apart from the case based on the original inadequacy of the scales.

In a memorandum¹ laid before the Minister in 1937, the General Council of the Trades Union Congress pointed out that, on the basis of estimates of food requirements made by the British Medical Association and Sir John Orr, the U.A.B. scales of assistance would not even suffice to cover food and rent for any household including as many as three children, without allowing anything for expenses of other kinds. The U.A.B. scales for children range from 3/- a week up to five years of age to 6/- at 14, and are clearly too low for the younger children. Yet these rates are better than those provided under unemployment insurance, even after allowing for the increases recommended by the Statutory Committee early in 1939. A man and wife under the U.A.B. are allowed 24/- a week: a man alone gets 15/-, or 16/- if he is the head of a house-

¹ *Unemployment and the Cost of Living*. Trades Union Congress, 1d.

hold: a woman gets 14/-. Under unemployment insurance a man gets 17/-, a woman 15/-, and a man and wife 27/-. It is impossible to argue that these rates are high enough to secure a proper standard of living. At 1936 prices, Mr. Seebohm Rowntree estimated that the minimum human needs of a family of five, including three children, came to 53/- a week in a town, and at least 41/-, allowing for a lower standard, for an agricultural labourer and his family. Under the U.A.B. scale a household of this size would get from 33/- to 42/-, according to the ages of the children. Under the insurance scheme it would get 36/-, or 33/- in the case of an agricultural household.

There is, then, a plain need for improvement in the rates of benefit under both schemes. It will be objected, as we have seen, that payment at adequate rates would bring the incomes of the unemployed up to or beyond normal earnings when at work for a substantial number of the larger families. But this, though it may slow up the pace of improvement, is much more a reason for raising wage-rates and providing some form of family allowances than for keeping the unemployed on starvation rates. At the least, a substantial step will have to be taken immediately towards bringing the maintenance of the unemployed up to a satisfactory level.

Low as unemployment benefit and allowances are, the benefits paid under the health insurance scheme are still worse. Standard health benefit is only 15/- for a man, 12/- for a single woman, and 10/- for a married woman. Disablement benefit, payable after the right to standard benefit has been exhausted—that is, normally after 26 weeks' payments—is only 7/6. Moreover, there are under health insurance no payments at all in respect of dependants. It is true that some Approved Societies which are in a favourable financial position pay higher rates than these; but a large proportion of the insured workers receive only the standard amounts, on which it is clearly impossible for them and their families to exist.

An unemployed workman to-day, provided that he is

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fit for work, can draw weekly allowances that will at any rate serve to keep him and his family from sheer destitution. But if he falls ill, and has to resort to health insurance for his weekly payments, he will be faced with absolute starvation unless he can find other resources to supplement his sickness benefit. At the moment when his need is increased by illness, his income is reduced. He is driven to the Public Assistance Committee, which will apply to his circumstances a Means Test of its own, different from the U.A.B. test, and varying from district to district, according to the attitude of each separate local authority.

This curious situation arises because health insurance benefit has never been intended to provide a living income. Nor was unemployment insurance meant to do this, when it and health insurance were inaugurated together under the National Insurance Act of 1911. In the case of unemployment, Parliament has been compelled by the severity and long continuance of depression gradually to raise benefits to an amount on which it is possible for the claimants and their families to exist. But health insurance has undergone no corresponding transformation. The benefits provided under it are still based on the assumption that the applicant possesses other resources of his own.

Moreover, the State makes in aid of health insurance a much smaller proportionate contribution than the one-third which it pays under the unemployment insurance scheme—even if we leave out of account the fact that unemployment assistance, as distinct from insurance, is paid for entirely out of public funds. For health insurance the State pays only one-seventh of the cost in the case of men, and one-fifth in that of women. Clearly, the first step towards improving benefit rates is to bring the State contribution up at any rate to one-third.

Health insurance covers, of course, not only cash benefits but also medical services. But here too the dependants of the insured workers are left out, except in the case of maternity benefit to the wives of insured men. There is no conceivable justification for this omission.

If medical benefit is to remain within the scope of insurance, it ought plainly to be extended at once to all the dependants of the insured.

It would, however, be greatly preferable to take medical treatment right out of the insurance system and provide a complete public medical service for all comers, on a non-contributory basis, out of public funds. Such a service would need to be administered by the local authorities, in conjunction with their other health services. It would be linked up with a national system of hospital organisation, in which the existing voluntary hospitals would be merged, and would include provision of adequate specialist services, as well as ordinary medical attention. The Labour Party does not say that a complete service on these lines can be brought into being at once; but it proposes to advance as rapidly as possible towards this goal.¹

If health insurance is to be confined to the provision of cash benefits, and other medical services are to be provided for in other ways, there is a strong case for unifying the health and unemployment insurance systems, at any rate to the extent of providing uniform rates of benefit. Certainly the worker does not need less when he is sick than when he is well; and cash benefits should accordingly be made up at once to the same level for sickness as for unemployment.

Closely bound up with the insurance services is the problem of workmen's compensation. The position in this field is at present thoroughly unsatisfactory. A Royal Commission is now sitting to consider the amendment of the law, and detailed proposals must await its report. It is, however, clear that the existing limitation to a maximum payment of 30/- a week in the case of non-fatal accidents and to a maximum lump sum of £600 in the case of death is radically unfair, and ought to be removed. Moreover, it ought to be compulsory for all employers to cover their compensation risks by insurance,

¹ For Labour's health policy, see the Report in *A State Health Service*, published in the Report of the Southport Labour Party Conference of 1934.

and there ought to be further restrictions on lump sum settlements where workmen are disabled for a considerable length of time. Nor ought the injured workman to be kept waiting while his claim is being considered. He ought to be enabled to apply immediately for health insurance benefit, in order to prevent him from being driven by poverty to accept an inadequate settlement of his claim.

It is often suggested that workmen's compensation should be included among the services provided for by the method of contributory insurance on a compulsory basis. But it would be entirely unacceptable that any part of the burden of providing for compensation payments should be placed on the shoulders of the workers. This liability properly belongs to the employers: it is a part of the cost of production. Even if workmen's compensation were to be unified with the insurance services, it would be reasonable that the workers should be exempted from making any contribution towards its cost.

There is a much stronger case for extending contributory insurance to cover the payments at death now provided for by the method of voluntary industrial insurance. The working of industrial assurance is a crying scandal. At the beginning of 1936 there were no fewer than 92 million industrial assurance policies in existence, and the Insurance Companies and Societies were receiving in respect of them an annual premium income of £66 millions, nearly all from relatively poor people. Out of this vast sum more than one-third goes, not in paying benefits to the policy-holders, but in costs of administration. The system of house-to-house collection of tiny weekly premiums is intolerably expensive, because it involves the employment of a host of paid agents, who are forced to "make" all the business they possibly can in order to earn a satisfactory income for themselves. A very large proportion of the policies taken out lapse because the policy-holders are unable, or fail, to keep up their payments; and the sheer loss to the owners of these

lapsed policies, after making full allowance for surrender values, is well in excess of a million pounds a year. Many of the policies issued are actually illegal; and this, while it does not involve any penalties or prevent the insurance offices from collecting premiums on such policies, does often enable them to evade payment. In fact, the entire system of industrial insurance is a disastrous imposition upon the poor; and the simplest remedy is to transfer it completely to the State, and to make death benefit a standard cash payment under the health insurance scheme. The saving in costs of administration would be very great: the practice of "pushing" insurance by questionable methods would be brought to an end; and the only serious difficulty would lie in finding alternative useful employment for the large army of agents and collectors who would lose their jobs.¹

Finally, there is the question of the workman's means of living when he is no longer fit for work, or when, in these days of "too old at forty," he can no longer find anyone willing to employ him. It is beyond doubt that the unemployed register, though it no longer includes any workers over 65, does include a large number of men and women who are no longer effectively in the labour market, or at any rate stand little chance of ever again finding regular work. It would be a great deal better, whenever a worker is really no longer available for regular employment, to stop counting him as unemployed, and pension him off at a reasonable living standard.

At present, pensions are paid on a non-contributory basis at the age of seventy to those who can prove need. The rate of pension is only 10/- a week, and this is liable to reduction where the pensioner has other sources of income, and is not paid at all where the applicant is deemed to have enough to support himself. Apart from this scheme, contributory pensions are paid at 65 to persons who have been compulsorily insured or have become voluntary contributors by paying a higher contribution

¹ See *The Insurance Man and His Trade*. By H. Henry. *Fact*. 6d.

graded according to the age of entry into the scheme. These pensions are also at the rate of 10/- a week, but are not subject to any test of means. Widows of insured contributors are now eligible for pensions at the same rate, with the addition of 5/- for the first and 3/- for each subsequent child.

These rates are obviously much too low. The Labour Party proposes to raise them immediately to £1 a week for single persons and 35/- for married couples, and to attach to these higher pensions the condition that those receiving them shall retire from regular employment, without being prevented from continuing to engage in subsidiary employments such as are already allowed in the case of the workers under unemployment insurance. The Labour Party also proposes to increase the children's allowances under the scheme to 7/6 for the first and 5/- for each subsequent child.

No less important is the Labour Party's proposal to lower the age for receipt of the retiring pension to 60 in the case of all workers who appear unlikely to be reabsorbed into normal employment. Retirement under this scheme would be entirely optional; but, given the higher rate of pension, there can be no doubt that a great many workers would take advantage of it. The unemployment assistance scheme would thus cease to carry the burden of a considerable proportion of the older men and women who have been for long periods without a job.

A further Labour Party proposal is that any person coming under the Contributory Pensions Acts should be allowed to effect additional insurances through the State system, so as to purchase either a larger weekly pension or one available at an earlier age. The State could grant such additional pensions much more cheaply than they can be purchased through the wasteful and expensive machinery of industrial insurance.¹

In connection with many of the services discussed in this chapter, there is a further question to be borne in

¹ See *Labour's Pension Plan*. Labour Party, 2d.

mind. Most of the existing forms of contributory insurance have been designed primarily to apply to manual workers, and only the lower-paid salary-earners have usually been included within their scope. There is, however, a strong case for raising substantially the income-limits so as to bring in most of the more highly-paid non-manual workers; and there is also much to be said for allowing persons who are not in employment for wages or salaries, and are therefore not subject to compulsory insurance, to become voluntary contributors to certain forms of insurance, on the lines already adopted under the pensions scheme. The details cannot, however, be discussed in this book.

CHAPTER VII

HOUSING AND SLUM CLEARANCE

THE proposals put forward in the three preceding chapters have been entirely concerned with the improvement and extension of the social services and almost exclusively with services designed to provide incomes in cash or in kind to supplement the present low earning capacity of the main body of the people. They involve, for the most part, the expenditure of public money raised by taxation, or in certain cases by contributions from employers and workers, in such ways as will bring about a better distribution of incomes and lead to an expansion of consumers' demand. We shall have to discuss at a later stage the sources from which the additional revenues needed for increased consumption are to be derived, and the probable effects of the redistribution and increase of purchasing power on Great Britain's commercial relationships with the rest of the world. But before we come to that it is necessary to deal with certain other aspects of the social services in which the emphasis is laid not so much on the

redistribution of cash incomes as on the direct provision of certain types of service which cannot be satisfactorily supplied without the direct intervention of the State. We have already made certain proposals for the direct provision under public auspices of certain services of this kind—milk and food for mothers, infants and school children, medical and hospital services, and so on—because it seemed easiest to deal with these particular projects in close connection with the Labour Party's proposals for increasing the cash incomes of the poor. But we come now to two great services which can be satisfactorily discussed only in relation to proposals for social reorganisation involving much more fundamental changes in the structure of society. These two services are: first, housing, with the closely related services of town and regional planning, involving the whole issue of the proper relationship between town and country and the proper location of industry under the conditions of to-day; and secondly, education, which necessarily brings up the question of the types of citizens we are seeking to produce and of the proper adjustments between the educational system and the new industrial order which we are planning to create. This chapter will deal with housing and questions closely related to it.

Since the Great War ended in 1918 more than four million houses have been built in Great Britain, and from 1935 to 1938 the building of houses was proceeding at the unprecedented rate of well over 350,000 a year. Nevertheless, in many parts of the country, the housing shortage is almost as bad as ever; and even if the total number of houses in existence were brought up to correspond with the requirements of the population—which is still very far from being the case—the housing problem would not be anywhere near solution because of the immense numbers of dwellings in existence which are admittedly unfit for human habitation and in need of demolition on sanitary grounds, as well as on grounds of amenity in the light of modern standards. There is no foreseeable end to the community's need for new houses,

even when the prospective decline of population is taken into account, for the number of families will for a considerable time hardly decline at all, and there is for at least a generation to come—we need look no further—ample room for the improvement of housing standards. The only limit to our activity in building new houses ought to be the capacity of the building industry to supply them—that is, the supply of labour in view of alternative demands.

In these circumstances there ought to be no difficulty in giving to the building industry a firm guarantee of full employment over a long period of years—apart of course from the difficulty that no Government can bind its successor, and that accordingly any housing policy initiated by one Government is liable to be reversed by a Government having a different attitude to the problem. In 1924 Mr. Wheatley, as Minister of Health in the first Labour Government, entered into a long-term programme of housing development in conjunction with the local authorities and the building industry, and gave the fullest guarantees that it was in his power to give that this programme would be consistently pursued over a period of years. That it was not pursued and that the total volume of house-building declined seriously after 1928 was not his fault: it was due to a deliberate change of policy after the fall of the Labour Government. House-building was damped down again in 1931 in the course of the economy campaign following the world slump. When it revived thereafter, and reached in 1934 and the following years the dimensions of a boom, that was not because the Government had resumed the Wheatley policy, but because the sharp fall in the rate of interest had made it profitable for private speculators to erect houses on an unprecedented scale.

The main feature of the Wheatley policy initiated in 1924 was the building of houses for *letting* to working-class tenants at rents which it was possible for them to pay. The fatal defect of nearly all the post-war housing schemes, with the exception of the Wheatley scheme, was that the houses produced under them were for the most

part much too expensive for ordinary working-class tenants. Moreover, a large proportion of these houses were built for selling and not for letting, so that a great many families in need of a home were faced with the alternative of either buying their houses, often under extremely unfavourable conditions, or remaining crowded in furnished lodgings because there were no houses available which they could rent. This applied even more to houses built by private enterprise with the aid of State subsidies than to houses erected by the more enlightened municipal authorities; but it did apply to a large extent even to the majority of municipal housing schemes. This defect reappeared to the full in the housing boom of 1934-1937. The new houses built by private enterprise, as distinct from the houses built by local authorities under slum-clearance or other special schemes, of which I shall speak later, were for the most part never intended for ordinary working-class tenants. They were built for sale, mainly through the Building Societies, which advanced by far the greater part of the purchase price under conditions often very unfavourable to the purchasers. For if, as commonly happened, the value of the house deteriorated after it was built, the whole of the loss fell upon the purchaser, whose savings were thus swallowed up in the depreciation of his property, whereas the Building Society was in most cases adequately covered in respect of its advances by the reduced value of the dwelling or by collateral security put up by the builder as well. Many of those workers who succeeded in putting up the balance of capital needed for beginning the purchase of their houses through the Building Societies soon found that they had made an exceedingly bad bargain from which there was no way of escape. Yet even so, they had often no alternative; for there was no other way of getting a house in those areas in which population was expanding rapidly with the growth of new industries and the piling up of people in the neighbourhood of the great commercial cities.

Only the better-paid types of workers could in any case afford to purchase their houses. A very high proportion of the new dwellings were occupied either by middle-class families or by black-coated workers who thereafter found that an unduly high proportion of their salaries was being absorbed by rents and instalment purchases, at the expense of other elements in the cost of decent living. The workers who were in receipt of lower wages, or who had large families, simply could not afford to buy: they had to crowd together in such old dwellings as fell vacant through the removal of better-off tenants, except where they could find accommodation in the very limited number of low-rented houses made available by local authorities, principally under the Wheatley scheme. The theory on which the Government seems to have acted is that, as the better-off families moved into the new houses, sufficient room would become available in the older dwellings to remedy overcrowding; but this did not happen, except here and there, largely because there was proceeding all the time a large-scale migration of population from one part of the country to another, so that the old houses which fell vacant were to a great extent not in the areas in which they were needed. The Overcrowding Survey of 1936, despite the low standard of accommodation on which it was admittedly based, revealed the existence of exceedingly high percentages of overcrowded families in many areas, including places in or near which new building had been taking place on a very large scale. Among London boroughs, Shoreditch, Stepney, Finsbury and Bethnal Green had from 17 to 15 per cent. of their total number of resident households living in an overcrowded condition according to the Survey standard. Sunderland had over 20 per cent., and Hebburn-on-Tyne 25 per cent. of its families overcrowded, whereas in such places as Croydon the percentage was less than one, and in Bournemouth less than a half. If, instead of the Survey standard, based on allowing two persons to a room, three to two rooms, five to three rooms, seven and a half to four rooms, and ten to five rooms, a

slightly higher standard had been adopted, these percentages would have been greatly increased.

Quite apart from overcrowding there is the problem of insanitary and dilapidated houses. Such towns as Leeds and Birmingham are full of back-to-back houses, mostly very old, and all in urgent need of demolition, even where they are not situated in what are regarded as definitely slum areas. London and Liverpool still contain many cellar dwellings; and in Scotland, where many fewer houses in proportion to population have been built since the war than in England, the proportion of overcrowded and unsatisfactory dwellings is almost uniformly high. The Scottish Housing Committee of 1933 officially estimated that there were over 40,000 inhabited houses in need of demolition, and another 200,000 in need of thorough reconditioning in order to make them suitable for habitation.

When the Government, as the country began to emerge from the world slump, realised under pressure from public opinion the need for some resumption of house-building activity, its policy was to concentrate public house-building entirely upon slum clearance and the prevention of overcrowding in the restricted sense given to this term in the official Survey. Accordingly, in recent years the houses built by local authorities with Government aid have been nearly all erected in connection with slum clearance schemes or as part of the special scheme for remedying overcrowding in the more congested areas. In 1937 local authorities in England and Scotland built for all purposes about 87,000 houses, as compared with 282,000 built by private enterprise, and in 1938 the comparable figures were 92,000 and 268,000. Since, as we have seen, most of the private enterprise houses were built for sale and were too expensive for ordinary working-class tenants, it is plain that the provision of working-class houses was at a low level despite the high degree of activity of the building industry as a whole.

Moreover, quite serious difficulties arose in connection with the working of slum clearance and overcrowding

schemes. Even where houses were built with the aid of State subsidies to replace slums or to relieve overcrowding in older dwellings, the rents charged for the new accommodation were commonly a great deal higher than the transferred tenants had been accustomed to paying or were at all able to pay without diverting expenditure from other necessities of life. Dr. M'Gonigle, the Medical Officer of Health for Stockton-on-Tees, found that health conditions were actually worse among the tenants who had been removed from a slum area to a new housing estate than on an adjoining slum area which had not been cleared; and he was able to trace the cause to the diminished sums which the transferred tenants were able to spare for food after paying the increased rents. In a large number of cases families which had been removed from slum areas or overcrowded dwellings to new housing estates were found not long afterwards to have moved back again because they had been unable to make both ends meet under the new conditions. Consequently, in many instances, so many people moved back into the remaining slum areas that overcrowding in them became even worse than it had been before the process of clearance was begun.

Any reader who wishes to follow up in more detail the facts about overcrowding, the slow progress made with slum clearance, the continued prevalence of insanitary dwellings, and the failure to build houses to be let at rents which the main body of the workers can afford, will find no difficulty in discovering plenty of books and pamphlets in which these evils are exposed.¹ I have no space in this book to pursue the matter further, for my main purpose is not to criticise what exists or has been done, beyond what is absolutely necessary in order to make plain the reasons for the action which is proposed, but rather to describe what the Labour Party proposes to do. I shall, therefore, from this point on, take it for granted that houses are needed up to the full capacity of

¹ See, for example, *The Condition of Britain*, by G. D. H. and Margaret Cole.

the building industry to supply them, and that the main need is for houses which can be rented rather than bought, and will be available at rents which will not absorb an undue proportion of the tenants' incomes. This means, broadly speaking, that the need in the urban areas is mainly for houses which can be let at rents ranging from 5/- to 10/- a week, including rates. Rents substantially lower than these are of course needed in the rural areas as long as agricultural wages remain substantially lower than those paid to the majority of workers in the towns. How much by way of subsidy this policy will require will depend on the prevailing levels of interest rates and of building costs; and it will be essential to the success of Labour policy that both of these shall be kept as low as possible. The keeping of interest rates at a low level is indeed essential to the success of any policy designed to bring about an adequate employment of the national resources; and the methods by which these rates can be kept low are discussed in a later chapter of this book. As for building costs, it will be indispensable for the Government to exercise an effective control over the prices of building materials in order to prevent them from being artificially increased by price-fixing combinations as the demand expands.

The Labour proposals for house-building are broadly as follows:¹ There should be set up a National Housing Commission consisting of full-time members, to be appointed by the Government, not as representing any particular interests, but as State servants responsible for the execution of the Government's policy. The primary task of the Commission will be to draw up, on the basis of estimates submitted by local authorities throughout the country and of its own enquiries, a national housing plan, which will of course be subject to confirmation by the Government through the Ministry of Health. In all suitable cases the Housing Commission will leave the local authorities to carry out the work required in their

¹ See *Up with the Hourst! Down with the Slums.* Labour Party, 2d.

areas under the national scheme; but the local authorities will be required to conform to the requirements of the national plan, and both their standards of construction and the costs at which the work is to be done will be subject to the Commission's approval. Moreover, where any local authority is unable or unwilling to carry out the developments required in its area under the plan, the Commission will be empowered to undertake the work itself, acting in such cases in close collaboration with the Office of Works, which could easily be converted into a National Building Department carrying out all types of constructional activity on behalf of the State. The Commission will be required to carry through all the necessary negotiations with the building industry, including building trade employers, Trade Unions, and the suppliers of building materials. It will be empowered itself to act as a dealer in building materials, either directly or through the Office of Works, and to import or manufacture in its own workshops any materials of which it cannot obtain from other sources adequate supplies at reasonable prices. It will be authorised to fix the prices of building materials, and to call for any evidence that may be needed in order to arrive at a satisfactory basis of costing. In addition to its activities in the building of new houses, it will be entrusted with the general supervision of the reconditioning of existing dwellings, and with the co-ordination of local building by-laws in order to achieve satisfactory standards throughout the country. It will also need to possess substantial powers in connection with the acquisition of land and with the recovery from private owners of "betterment" accruing from the improvement of their lands as a result of its schemes.

The Labour Party, without desiring to take house-building out of the hands of the local authorities wherever they are in a position to carry it through efficiently, believes that the creation of a national body for the co-ordination of local schemes, and for supplementing them where they are inadequate, is essential if the housing problem

is to be tackled on comprehensive lines. It has become more and more manifest in recent years that many of the existing local government areas are entirely unsuitable as units for the planning of housing schemes. Where housing is left exclusively in the hands of the local authorities the consequence is that buildings pile up all round the edges of existing towns, so as to increase the evils of urban congestion. Moreover, many of the urban authorities have no land really suitable for building within their own areas; and they are consequently led to build outside the urban boundaries, on land which falls within the jurisdiction of neighbouring local authorities. These authorities then find themselves called upon to provide a wide range of public services for the new inhabitants who have been wished upon them without any consent on their part; and where these outlying authorities themselves undertake housing schemes in the neighbourhood of existing towns, the urban authorities on their side are called upon to incur large expenses in providing for the needs of a surrounding population from which they have no power to collect any rates to cover this expenditure. These conditions lead to continual bickering between urban and county authorities. They are worst of all in the neighbourhood of London, where, for example, the new L.C.C. estate of Becontree is actually built on an area divided between three separate local authorities. But very similar problems have arisen in the neighbourhood of every large and rapidly growing town.

The unsuitability of many of the existing areas of local government for the development of sound housing policies is, of course, only one instance of a problem which has many aspects. In one service after another, it is being found necessary to unify administration over an area much larger than that of a single town, or even of a county. Electricity, water supply, local transport, education—all those and many other services raise problems which cannot be satisfactorily dealt with by the action of single local authorities, acting in isolation. They need planning over

wide areas, if not over the country as a whole. But the housing difficulty is especially serious because it is not merely a question of efficient supply at minimum cost, but much more a question of reaching a radically wrong result for want of proper planning. As the size of the average family falls and as standards of housing are improved, more houses are needed in proportion to population, and each house, with its garden and the open space provided in connection with it, occupies a larger piece of ground. Under existing conditions, this means that the growing towns swallow up country, including some of the best agricultural land, at an alarming pace. The town sprawls out over the surrounding area, either by ring extensions round the built-up district, or, what may be even worse, by ribbon development along the line of arterial roads. Speculative builders can often save road charges by ribbon development; and the powers taken to check urban growth of this type have been almost wholly ineffective, on account of the high cost of compensation to landowners under the existing law.

It is plain that, instead of allowing our towns to develop planlessly, so as to intensify congestion at the centre and cut off the inhabitants of the older districts more completely than ever from the country, we ought to be providing for the growth of urban populations by building entirely new towns, with their own industries, civic buildings and local amenities, and by creating, where development must take place in the neighbourhood of existing cities, satellite towns at a sufficient distance from the older centres to allow green fields to remain, and to be preserved, in between, and to enable the new communities to develop an independent urban, rather than a merely suburban, life.

Under the existing conditions, the dice are loaded heavily against developments of either of these types. Only a single new town, Welwyn Garden City, has been created since the war; and its creation, by private exercise of public spirit, has cost an enormous effort. Even

satellite towns are exceedingly rare. Wythenshawe, developed by the Manchester Corporation as a planned new community well away from the existing built-up area, is a notable exception to the general shapelessness of urban growth. Always, the line of least resistance is to add new buildings on to the existing town. It is just possible for a big municipality to undertake the creation of a satellite town; but it is practically out of the question for any public housing authority to bring a complete new town such as Welwyn into existence.

Even apart from the war danger from the air, which provides a powerful new reason for urban decentralisation, the case against the indefinite piling-up of cities is overwhelming on social grounds. Our big cities are much too big already for good or healthy living. They are haunts of noise, traffic congestion, ugliness and ill-health. But we shall not succeed in breaking them up, or even in preventing their further expansion, as long as housing remains either a merely municipal responsibility or a function of the speculative builder who, by adding more and more houses on to the existing towns, can escape the necessity of providing amenities as well as mere shelter for those who are to inhabit the dwellings he erects with a view to maximum profit.

It is therefore necessary for housing purposes to create a national body empowered not only to co-ordinate local housing plans and to undertake the task of negotiating with the building industry in order to secure efficient service at reasonable cost, but also to undertake itself forms of development which are beyond the powers, means or desires of the separate local authorities. It is not suggested that the National Housing Commission should itself undertake more than a fraction of the total building that is needed, or that it should supersede the local authorities wherever their efforts can be made to serve the necessary ends. But action must be taken promptly to check the process of building houses in the wrong places, and in an altogether planless confusion;

and this cannot be done until a national housing authority, with adequate powers behind it, has been created.¹

The whole question of urban planning is obviously very much wider than mere house-building. It cannot be discussed adequately except in relation to the much larger questions of the future location of industry and population, the future of the depressed areas, the possibility of checking or reversing the southward trend of recent years, and in short, the entire range of economic and social planning. But these wider issues can be much better dealt with at a later stage, in connection with the Labour programme of economic reconstruction. I shall therefore leave the matter for the moment at this point, and come back to its wider implications in a subsequent chapter.

There is, however, a question so intimately bound up with Labour's housing policy in the narrower sense that it must be dealt with here and now. This is the question of rents and rent control.

Since the passing of the first Rent Restriction Act in 1915 there has been a great deal of legislation on this subject, additional classes of houses being brought under control up to 1920, and thereafter gradual decontrol being instituted from 1923. Under the Acts of 1923, 1933 and 1938 all the larger houses previously subjected to rent control have become decontrolled; and, in addition, decontrol has been applied to a considerable number of smaller houses. The 1923 Act, broadly speaking, allowed control to lapse for any house on a change of tenancy, and between that year and 1933 many working-class houses ceased to be controlled. The 1933 Act divided all the houses under control into three classes. The Class A houses (rateable value £45 or over in London, £35 or over in the provinces) were completely decontrolled. The Class B houses (£20-£45 in London, £13-£35 in the provinces) were to cease to be controlled on a change of tenant. The Class C houses, rated below the Class B

¹ For the Labour Party's housing policy, see *Up with the Houses, Down with the Slums!* Labour Party, 2d.

levels, were to remain under control whether or not there was a change of tenant. These provisions were to remain in force up to 1938, when it was proposed that all control should lapse.

By 1938 it was plain even to the Government that rent control could not be done away with. To attempt its abolition would have meant facing a nation-wide revolt, and the prospect of electoral defeat. Accordingly the Act of 1938 renewed control for another four years—up to 1942—but allowed a further group of houses to become decontrolled. This was done by splitting the Class B houses into two groups, so that the larger (over £35 in London, or over £20 in the provinces) ceased altogether to be controlled, while the smaller (£20-£35 in London, £13-£20 in the provinces) were amalgamated with Class C, and thus ceased to be subject to decontrol on a change of tenant. In effect, protection was continued for the majority of working-class tenants in pre-war houses; but a substantial number of the better-off tenants lost their protection.

Before the Committee, on whose report the Act of 1938 was based, the National Council of Labour argued powerfully for making rent control a permanent system; and the Labour representatives on the Committee presented a minority report to this effect. The Labour contention was, and is, not only that decontrol now or in the near future will inevitably mean in many areas a large increase in rents (why else are the landlords so keen to secure it?) but also that house-rents ought not to be left, at any rate as far as working-class tenants are concerned, to be fixed by the higgling of the market. It is admitted that new houses of tolerable amenity cannot be built without State or local subsidies for letting at rents which ordinary working-class tenants can afford to pay; and it is fully as reasonable for the State to control rents permanently as it is for it to control, as it actually does, the prices charged for gas and electricity and in other public utility services.

Accordingly, the National Council of Labour rested

its case for continued control not only on the serious shortage of working-class houses in many places, but on wider considerations of principle. If rent absorbs an undue proportion of income, malnutrition is the unavoidable consequence. The household has to economise on food and clothing and other necessities of life. It is therefore socially desirable that rents should be kept down to a reasonable level.

With this end in view the National Council proposed not only that all houses controlled before the 1938 Act should remain subject to control, irrespective of changes of tenancy, but also that all houses in Classes B and C should be similarly controlled, even if they had become decontrolled under previous Acts. The Council also proposed to extend control to houses let in parts, where the individual tenancies came within the same limits of rateable value, and to prevent the landlord from evicting the tenant from any controlled dwelling without a court order. In order to deal with legitimate claims from landlords for increased rents, the Council proposed the establishment on a permanent footing of Fair Rent Courts, with a lawyer as chairman, and one representative each for tenants and landlords, to deal simply and inexpensively, without legal formalism, with all disputes as to rents and tenancies of controlled houses. It also proposed that there should be a National Rent Commission to review the procedure of the local Courts, with a view to securing reasonable uniformity of practice. In addition, it urged that local authorities should be required to institute an Information Service for landlords and tenants, to provide free information about their respective rights and duties and to advise upon individual cases, to maintain a watch upon the observance of the Acts, and to institute proceedings for any offences under them.

These proposals, which needless to say were not accepted by the Government, constitute the Labour policy. Their object is, not only to maintain the forms of rent control which at present exist, but also to lay the founda-

tions of a permanent system for the fixing of fair rents for all types of houses.¹

The existing system of rent control applies only to pre-war houses, and not to dwellings built since the war. The great majority of these, apart from the Wheatley houses, have been built for sale, chiefly through the Building Societies, and not for letting; and accordingly the charges made for them will have to be dealt with by regulation of Building Society practices, and not by rent control. But local authorities own a considerable number of houses built since the war for letting to tenants; and special questions of policy arise in connection with these houses. At present, local authorities receive in respect of different houses which they own widely differing amounts of subsidy, according to the Acts under which they were built, and the dates of erection; and the costs to be recovered out of rents also differ very greatly, according to the price level at the time when the contracts were made. It is obviously undesirable that rents charged for houses of broadly equal quality should differ arbitrarily in this way; and the sensible course is to ignore all differences between the various schemes and costs of construction in fixing rents. Except perhaps in the case of houses built under slum clearance schemes and schemes for the reduction of over-crowding, all municipal houses should be regarded as forming a single pool. Local authorities have been specifically authorised by the Housing Act of 1933 to pool accounts in this way.

What principles should local authorities adopt in fixing the rents of the dwellings under their control? There is a very strong case for the system, already in force in various forms in a large number of areas, of fixing differential rents according to the tenants' ability to pay. The power to do this was first explicitly accorded in the Housing Act of 1930, passed by the second Labour Government,

¹ For Labour's rent policy, see *Labour's Fair Rent Policy*, National Council of Labour, 1d.; and also *Fair Rents and No Profiteering*, Labour Party, 1d. For the position of tenants under the Acts, see *The Tenant's Guide to his Legal Rights*, Labour Research Department, 6d.

and it has been maintained and extended by subsequent legislation.

But "rebate" schemes are of many kinds, ranging from schemes merely for rent reductions to poorer tenants, or to households with a number of children, to schemes, such as the well-known Leeds scheme, for balancing receipts by charging increased rents to better-off tenants in order to make possible larger reductions to the poorer and larger households. The Labour Party has not committed itself nationally to any particular scheme; but at any rate until some form of Family Allowance is in operation, so as to relieve the pressure on the bigger families in another way, rent rebates seem to be a useful means of child endowment, and indispensable if poor families are to be removed out of slums and overcrowded or insanitary dwellings without being compelled to spend an excessive proportion of their total incomes upon rent. I have no space in this book to discuss the respective merits of the different plans adopted by various local authorities; but plainly the best type of scheme is that which gives the largest possible relief to households including a considerable number of children.¹

A special problem which is of particular concern to agricultural workers and to miners in certain coalfields is that of the tied cottage. It is indispensable that the occupants of farmer- or company-owned houses should be given the same protection, including protection against eviction, as applies to tenants under the Rent Acts, whether they hold their dwellings at present under a tenancy agreement or not. This would mean that, in the agricultural areas, the rent of the tied cottage would be equal to the rent deduction from wages at present allowed under the Agricultural Wages Acts; and it would also mean that no occupant of a tied cottage would be liable to eviction without a court order or without the proof that suitable alternative accommodation could be secured.

At present, as we have seen, houses of working-class

¹ For a full discussion, see *Rent Rebates*, by Geoffrey Wilson. Fabian Society, 12.

type are arbitrarily divided into three groups—pre-war houses subject to rent-control, pre-war houses which have been decontrolled, and post-war houses which have never been under the Rent Acts. As soon as possible, these arbitrary distinctions ought to be done away with. All houses, at any rate below certain rent-levels, ought to be subject to rent-control: and machinery ought to be created for the permanent regulation and adjustment of rents and for assuring to tenants free advice concerning their rights and adequate public supervision of the rents actually charged. The tenant to-day very often does not know, or even if he does know dare not attempt to enforce, his rights. It is too expensive and too difficult for him to appeal to the ordinary courts; so that he often pays what legally he ought not to be charged or, in extreme exasperation, resorts occasionally to a "rent strike" in the hope of securing redress. This is a thoroughly unsatisfactory situation: the remedies for it are, first, a system of Fair Rent Courts operating under a general system of rent control, and secondly a proper municipal service for advising and helping individual tenants and for seeing that the terms of the Rent Acts are properly observed.

CHAPTER VIII

SCHOOLS AND UNIVERSITIES

THE British class system has its roots in economic exploitation; but it is powerfully reinforced by the structure and working of the educational system. This system, as it now stands, provides for a small minority of children an expensive kind of education from private preparatory school, through "public" school, to University, on lines definitely designed to train up a privileged governing class. At the other end of the scale, it provides public elementary schools which send forth the majority

of pupils into the world at 14 or 15 years of age, to supply the needs of industry, commerce and personal service for juvenile labour of various kinds, and thereafter to grow up into adult wage-earners with ideas and equipment suitable to their status in life.

These two groups are no longer completely segregated. It is possible for a very small proportion of boys and girls who have begun their education in a primary school to find their way with the aid of publicly provided scholarships through a public or grant-aided secondary school to a University, and thus to join the ranks of the middle classes. It is also possible for a tiny trickle of young men and women who have left school at 14 or 15 to reach a University by way of the adult classes of the Workers' Educational Association and of an Extra-mural scholarship. But there are very few of these scholarships, and they go largely to students who have been able to spend at any rate some period beyond 15 at a secondary or other higher school. The only road from the elementary school to the University that is open to any appreciable number of students is through a scholarship or free place at a secondary school; and often the offer of a free place can be accepted only if it is accompanied by the offer of an adequate maintenance allowance from the education authority.

The children who get to a University in this way quite seldom come from the families of the poorer workers. The very poor suffer from the outset under a severe educational hardship. Malnutrition is no better for the mind than for the body; and the home environment of the poorer children is not conducive to passing examinations or to winning scholarships. The road leading from the primary to the higher types of school under the elementary code is itself selective against the poorer children. Much more so is the road leading from the elementary to the secondary school. The same may be said of the conditions governing the entry to full-time technical education.

In 1937, according to official figures given in the recent Spens Report on secondary education, there were in

England and Wales 330,000 school-children aged 13/14 in elementary schools, and nearly 89,000 in secondary and technical schools. Thus, roughly one seventh of the children in the last year of compulsory schooling were in schools of the higher type. For the age-group 14/15, about 158,000 remained in elementary schools, not necessarily for the whole year, and there were about 90,000 in secondary and technical schools, as against 432,000 who had left school altogether. For the 15/16 age-group, elementary schools accounted for under 20,000, and secondary and technical schools for 82,000, whereas 626,000 were no longer at school. Less than one-sixth of all the children of 15/16 were still at school. Finally, in the group 16/17 there were 2,000 in elementary and 51,000 in secondary and technical schools, whereas 718,000 had left school. In this group the proportion still at school was one-fourteenth.

These figures, it must be borne in mind, do not include the boys and girls attending "public" schools not grant-aided by the State. They exclude those who are definitely receiving upper-class education. They indicate, broadly, the process of class-sifting that goes on from year to year among those children who begin their education in an elementary school and not in a private preparatory school designed exclusively for a superior social group.

It is clear from these figures that the essence of the existing educational system is not a simple separation of children into two classes—the governing class and the rest. The process is much more complicated than that. It sends on a sufficient supply of pupils to provide for the needs of the various superior jobs which lie between ordinary wage-earners and the higher posts which are filled mainly by University graduates and "public school boys." It turns out the requisite supplies of teachers, clerks and typists, shop assistants, minor technicians and professional helpers, shopkeepers, and other persons who together form a lower middle class connected at one end with the upper middle class and at the other with the wage-earners. It is an elaborate grading process, which varies

its character and the proportions leaving school at the various ages or receiving different sorts of education so as to fit in, broadly, with the changing requirements of the industrial and commercial system. The increase in higher education in recent years is intimately bound up with industrial changes which call for larger numbers of black-coated workers—clerks, typists, salesmen, and minor technicians of every sort and kind.

As the need for these "blackcoats" grows greater, it necessarily becomes somewhat easier for a small minority of those who begin in the elementary school to rise right into the middle classes. For the clever boy or girl who gets to a secondary school with State aid stands a chance of getting to a University, and of doing well enough there to secure a post of a kind usually reserved for the upper middle class. But certain professions, notably law and medicine, are still barred to most of these aspirants by the high cost of training, and by the need, very usual, to wait a long time after training before securing a good position. The higher professions are still mainly a class-monopoly, to which even the cleverest children from poor households cannot aspire.

As matters stand now, elementary education is free, but secondary education is not, though limited numbers of free places are provided in the secondary schools, and maintenance allowances are paid to a much smaller number of pupils. Reduced fees are also charged in certain cases. In 1937 the percentage of free places was 46 on the average, and that of reduced fee places 7½. Maintenance allowances were being paid in all to about 100,000 pupils, and a further 138,000 were paying no fees. The figures given in the last sentence include technical as well as secondary schools. 9,000 students, including 4,000 intending teachers, were receiving local authority aid in Universities and Teachers' Training Colleges. Thus, there is a narrowing series of ladders leading from the elementary schools upwards; but the ladder to the top storey is very narrow.

What does the Labour Party propose to do about this

class-system in English education? It is an illusion to suppose that the educational system can be made thoroughly democratic as long as vast differences of riches and poverty exist among the people. The poverty of the parents would remain an immense barrier in the way of educational equality even if all education were made free and maintenance allowances were forthcoming in every case of need. Even so, the consequences of early malnutrition and unfavourable environment would still exert a powerful adverse selective influence against the poor, and a great deal of the potential skill and ability of the people would still be suffered to run to waste. The solution of the problem lies in abolishing poverty; there is no solution short of that.

But much can be done, by changing the educational system itself, to make the position better than it now is. One obvious step, included in the Labour policy, is to abolish all fees in public or grant-aided secondary schools, and at the same time to increase the number and amount of maintenance allowances so as to open these schools effectively to all children for whom they provide the most suitable form of continued education. Indeed, the Labour Party wishes to go further than this. It wants to make *all* education of every sort, from the primary school to the University, entirely free. Its governing principle is the ideal of complete educational equality.

This principle, however, can be translated into action only by stages. The class-monopoly cannot be broken down all at once; it is necessary to select carefully the points for immediate attack. These can be discussed most conveniently under the heads of (1) the school-leaving age, (2) the quality of primary education, (3) the extension of secondary education to all children, (4) better provision for the needs of abnormal children, (5) the reform of university education, (6) the development of adult education and (7) the place of technical education in the national system. An eighth problem, that of the nursery school, has been dealt with in a previous chapter.

The school-leaving age ought to be raised immediately

to 15, without any exceptions at all. The so-called "beneficial employment" clause is a mere subterfuge for preventing the effective raising of the school age. It is bound to lead to widely differing practices in different areas, to create difficulties between areas; and to provide reactionary local authorities with a means of destroying the effects of the nominal increase in the leaving age. The question is not merely one of a few extra months at school. The entire system of post-primary education needs to be planned in relation to the period for which the children are to remain at school; and educationists are practically all agreed that nothing short of the period from 11 to 15 allows for the devising of a satisfactory and balanced curriculum. The advance of the leaving age is a long-overdue reform; and exceptions should be ruled out on the ground that the needs of the children are the primary consideration.

With the rise in the leaving age should go the introduction of an adequate system of maintenance allowances. This is the right way of meeting the claims of parents that hardship will be involved if children under 15 are not allowed to accept "beneficial employment." Unless maintenance allowances are conceded, the making of the higher leaving age universal will be liable to lead to malnutrition among children coming from the poorer homes.

In addition to enforcing at once an effective school-leaving age of 15, the Labour Party proposes to give notice that, in the near future, the age will be raised to 16. The higher leaving age cannot be introduced immediately, because it will be necessary to provide both additional school buildings and additional teachers, and time must be given for making the requisite preparations. But the Act which raises the age to 15 without exemptions should also lay down a definite date—the earliest practicable—at which the higher leaving age of 16 is to come into force. A greatly superior type of education can be planned as soon as it becomes the rule for all children to continue their education for the additional year.

Education is very much a matter of quality, as well as of quantity. The quality of primary education has improved remarkably of late years, thanks largely to a better spirit and to better training—and better pay—among elementary teachers. But really good work in the primary schools is still very much discouraged by four remediable evils—malnutrition and bad health among the children, classes too large for teachers to handle with proper care for the needs of each individual child, antiquated and unsuitable buildings, and inadequate supplies of books and other equipment. The need for school milk and school meals, and for proper medical and dental treatment, has been stressed in a previous chapter. Classes ought to be reduced at once to a maximum of 40, and to 30 as soon as the necessary adjustments can be made. Building grants from the State ought to be made available for the speedy replacement of all the older and more unsatisfactory school buildings, and the new buildings ought to be designed so as to provide for plenty of light and air, and to afford adequate space and facilities for recreation both in and out of doors. Moreover, all schools ought to be well supplied not only with books and regular teaching equipment, but also with facilities for practical work and for varied forms of play.

This by no means exhausts the list of necessary reforms in education at the primary stage. All employment of children for wages out of school hours ought to be prohibited absolutely. Teachers ought not to be tied to a rigid curriculum, but ought to be given a wide freedom to experiment, and to try out various teaching methods. Much more attention ought to be paid to the provision of special facilities not only for defective children, but also for those whose health would benefit by open-air treatment, holidays in the country, or other deviations from the normal routine. Finally, much more needs to be done to equip the school as a centre to which parents will come not only for school activities, but for social and educational gatherings of many kinds. Every school

ought to become not only an educational establishment, but also a social centre of community life.

The problems awaiting solution in the field of post-primary education are no less urgent. When the Hadow Report was published in 1926, it was generally understood that what was intended was that a form of secondary education should be made universal between the ages of 11 and 15. But the Board of Education and the Local Education Authorities, while pretending to carry out the Hadow recommendations, have in fact done nothing to bridge the class gulf between secondary education and education of a "higher elementary" type. The new senior schools are being organised under the elementary code, with standards of staffing and accommodation immensely inferior to those which apply to secondary schools on the grant list. In effect, the poorer pupils are being given, not secondary education, but a cheaper substitute, less likely to break down the educational barriers between class and class.

The Labour Party, which has long demanded secondary education for all, is hotly opposed to this discrimination. It proposes to apply to the senior schools the same conditions of staffing, equipment, size of classes, and amenities, such as playing fields and club-rooms and libraries, as are to be applied to schools now under the secondary code. There may be a case for varying the "bias" in higher schools towards literary or scientific or technical specialisation, according to some extent to the probable after-careers of the pupils, provided that this "bias" is not allowed to interfere with the primary requirement of giving all pupils a good general education in the arts of citizenship and living. There is no case at all, except the case of those who are determined to preserve class privilege, for making the new senior schools inferior in any respect to the existing secondary schools.

There are at present great differences between areas in the provision made for the education of defective or physically abnormal children; and almost everywhere the

provision is very much less than the need. This is a vital matter because many children who might be made into useful and fully productive citizens now grow up stunted in mind and body for want of proper treatment in the formative years. This aspect of the problem is necessarily too technical for discussion in a book of wide scope, outlining the entire home programme of the Labour Party. But it is an aspect to which really serious attention will have to be given by a Labour Government.¹

The problem of the Universities is also highly technical. The Universities are not State institutions, though they receive considerable aid from public funds and can therefore be made, even apart from legislation, amenable to public pressure. They are, moreover, institutions for research as well as for teaching, and are not therefore exclusively part of the education system. At present, as we have seen, they are open almost exclusively to children of parents who are well enough off either to send their children to "public" schools or to keep them at secondary schools long past the age at which most children are compelled to leave. Only a trickle of children of manual workers reaches the Universities. Even undergraduates maintained by scholarships come mainly from relatively well-to-do households.

This condition of things cannot be radically altered except by altering the opportunities for secondary education. The changes suggested in secondary education—the abolition of fees and the provision of maintenance allowances on a much more generous scale—will open the road to the Universities to a far larger group of students, and will make necessary a great extension of the facilities for University education. As the existing Universities cannot be greatly increased in size without detriment to their quality, this will involve the foundation of new Universities, for which the money will have to come from public sources. The existing University Colleges—Hull,

¹ For Labour educational policy, see *Labour's Policy for the Schools*, Labour Party, 1d.; and *State Education: an Immediate Policy for a Socialist Government*, Fabian Society, 1s.

Southampton, Nottingham, Exeter, Leicester, and the Welsh Colleges—will have to become full Universities, as Manchester, Birmingham and the other newer Universities have done already. Universities will have to be founded in other centres, such as Stoke-on-Trent, Plymouth, Norwich and Brighton; and all training of teachers will have to be brought under University auspices. Existing municipal and other Technical Colleges will have to develop their arts departments, and either to grow into Universities, or to become linked to the Universities in their neighbourhood. University education as a whole will have to be so reorganised as to link up the Universities with the school system in each area, and make them the regional centres of education to which, in addition to undergraduates, teachers and others engaged in the regular work of life will regularly resort for “refresher” courses, summer schools, and help in facing the local problems of adult as well as school education.

With these developments must go a great extension of scholarships, to provide both for the increased number of pupils in secondary schools and for students from Technical Colleges and adult classes. If it is objected that there will not be enough “superior” jobs to provide for the increased number of graduates to be turned out by this expanded system of University education, the answer is that, as University education ceases to be a class privilege, it will also cease to be taken as a matter of course that a University graduate shall proceed to a middle-class job. The business of the University is to educate for life, and not merely for the art of earning a “superior” living. Why should not an artisan or a clerk, if his bent lies that way, have as good a cultural education as anybody else?

Closely connected with the development of the Universities is the expansion of adult education, which is now organised largely by the Workers’ Educational Association in collaboration with the extra-mural departments of the various Universities and Colleges. The State ought to give much more generous help towards the

provision of this type of education, which is designed mainly to meet the needs of working-class students who desire to improve their capacity for citizenship and good living by continued study outside their hours of work. There is need in this field for many kinds of classes, from the quite elementary to the most advanced; and the amount of money required to finance a greatly improved range of service is negligible in comparison with the cost of other improvements in the educational system.¹

Finally, there is the question of technical education. There is every reason for providing both whole-time and part-time technical training on a much larger scale than at present, provided that technical demands are not allowed to encroach upon the needs of general education in the art of living. When adolescents proceed to technical schools rather than to other forms of secondary education, every care ought to be taken to ensure that the claims of general education are not neglected in these schools; and in every technical college or institute proper provision ought to be made for the teaching of cultural as well as purely vocational subjects. Moreover, technical subjects, if they are taught well, can be so treated as to bring out their cultural aspects; and this side of the matter is no less important than the other. Hitherto, technical education has fallen under suspicion because it has often been perverted to serve unduly narrow vocational ends. Treated in the right way, it can be made a powerful instrument for the wider diffusion of real culture.²

¹ See *Adult Education: an Immediate Programme*. Fabian Society, 6d.

² See *Technical Education: an Immediate Programme*. Fabian Society, 6d.

CHAPTER IX

AGRICULTURE AND FOOD SUPPLY

IT is a crime against humanity that men, women and children should go short of food, when the means of producing it in abundance are at the command of the nations. Yet this happens everywhere, even in the richest and most prosperous countries, and even when all over the world farmers are complaining bitterly of a glut of supplies. While millions of people go short, some Governments are busy destroying food, or paying farmers *not* to produce it, in order to reduce the supplies offered for sale; and other Governments are doing their best, by tariffs, import restrictions, and systems of controlled prices, to make food dear, with the effect of reducing consumption. These things are done, no doubt, largely in the interests of the agricultural producers, who complain that they cannot make a tolerable living when food is cheap; but a considerable part of the increase in prices goes not to the food producers but to middlemen and manufacturers who stand between the producers and the consuming public.

It is true that in almost all countries agricultural workers are among the worst paid sections of the people, and that many peasants and small farmers have to exist at a very low standard of life. Urban workers are nearly always better paid on the average than rural workers; and peasant-farmers have often lower incomes than many industrial wage-earners. It is entirely legitimate for the agricultural population to claim that its condition ought to be improved. But it is no less clear that the worst way of improving its condition is by raising food prices, so as to compel the consumers to go shorter still.

This is the "agricultural dilemma," which cannot be resolved unless we can find ways of making the agricultural population better off without making food dearer for the whole body of consumers.

In earlier chapters I have stressed the fact that serious undernourishment exists to-day in Great Britain. Sir John Orr, in his book *Food, Health and Income*, has estimated that half the people of this country go seriously short of food, and that only one-third are in a position to afford a thoroughly adequate diet. Food serves, broadly speaking, four essential purposes—the supply of energy, body-building, protection against disease, and, last but not least, enjoyment. Half the population fails to get enough protective foodstuffs. Nearly one-third fails to get enough calories to supply all the energy that is needed, and also falls short of proper body-building foodstuffs. One person in every ten is short of food in every respect, and does not even get enough of the cheap foods which supply energy without either building the body or protecting it against disease.

This is a calamitous situation; and it is no answer to say that it has always existed. It is not denied that a generation ago the food of the people was worse than it is now, and two generations ago very much worse. It is not denied either that the people of Great Britain are on the average better fed than the peoples of many other countries—for example, than the peoples of Germany and Italy, and, of course, than the peoples of India, or China, or Japan. But these comparisons do not affect the situation, which is that it is fully possible both to produce much more food than is being produced to-day in Great Britain, and to buy abroad the additional food that is needed at a very cheap rate.

Sir John Orr has calculated roughly the increases in the total supplies of various foodstuffs that are needed—on the assumption that they are distributed to those who need them—in order to raise the worse-off half of the population to an adequate standard of nutrition. He has reckoned that, taking the actual supplies of 1934 as a starting point, Great Britain needs at least 12 per cent. more meat, 18 per cent. more eggs, 15 per cent. more butter, 16 per cent. more milk, and 25 per cent. more

vegetables and fruit. These increases would not be in fact nearly enough, both because the whole of any increased supply would not in practice go to those who now suffer from shortage, and because the increases would, even apart from this, be only just enough on the assumption that there was no waste at all in their use. Actually, in order to raise the whole population to the standards of food consumption now existing among the 10 per cent. of the people who are best off, we should need to increase supplies of meat by 29 per cent., butter by 41 per cent., eggs by 55 per cent., milk by 80 per cent., vegetables by 87 per cent., and fruit by no less than 124 per cent. The lower range of increases is put forward here, not because it is enough, but because it is the objective we must try to reach *first*, before we attempt more ambitious improvements.

These increases can be provided either from increased home production or from increased imports, or of course from both sources. But they will not be provided at all unless the means of consuming them are given to the people. It is futile to stimulate home agricultural production by methods which make the cost of food higher; for if prices are increased and the consumers' incomes remain the same, less will be sold instead of more. On the other hand, if a flood of cheap foodstuffs could be brought in from abroad, increased consumption among the main body of the people might be secured only at the cost of ruining British agriculture.

The fear of ruining agriculture lies at the back of the policy of agricultural protection which has been followed in recent years. But this policy has been so applied as to lead in more than one instance to a disastrous limitation of total consumption. In order to stimulate the home production of pigs the imports of bacon were restricted so much by quotas that the total supply of pigs' meat was drastically reduced. Again, the farmers have been induced by the guarantee of a high price to expand considerably their output of milk; but because the high

price of liquid milk involves restricted consumption, the increased supply has to be diverted artificially to the subsidised manufacture of cheese and butter, which could be imported much more cheaply from overseas. The farmer produces more milk; but the consumers actually get less, except where demand is created by the subsidised sale of cheap milk in schools, or under other special schemes. Yet, as doctors are unanimous in regarding a greatly increased consumption of liquid milk as the best of all methods of ensuring an improvement in the health of the people, it is obvious that the policy of making milk artificially dear to the main body of consumers *must* be fundamentally wrong.

Our problem, then, is to increase the supply of food and at the same time to reduce its price to the consumers; for unless the price is reduced the consumption cannot be increased. The farmers, however, will not supply more unless they are paid more; for, under the system of "private enterprise," the offer of a higher price is the only way of inducing an enlarged supply. Imports can no doubt be increased very greatly, and their cost to the consumers reduced, if we are prepared to expose the farming industry once again to the unrestricted competition of imports, as it was exposed before 1931. But such a policy, even if it were regarded as tolerable on other grounds, would be ruled out by the difficulty of expanding British exports in the present world situation, in order to provide means of paying for the additional supplies brought in from abroad. Because of this difficulty, the total supply of food needed cannot be expanded to the required extent unless a considerable part of the additional quantity can be produced at home.

How, then, are we to produce more food in Great Britain without raising its price to the consumer? Clearly, the first essential step is to ensure that there shall be no avoidable waste and no unnecessary profit arising in the course of distribution or manufacture. At present, in the case of most foodstuffs, the farmer gets a remarkably

small proportion of the retail prices which the consumers are called upon to pay. Even where the food undergoes little or no manufacture after it has left the farmer, the farmer's share of the retail selling price is often only 30 or 40 per cent.; and out of this the labourer and the landlord have to be paid and all the other costs of production met. The disparity is, of course, even greater where the foods are "processed," or manufactured, to a considerable extent after they leave the farm.

It is almost generally admitted that the costs of distributing and processing foodstuffs are unduly high. Manufacture is often in the hands of powerful rings and combines, whose members are able to make big profits. Flour milling would be practically a complete monopoly if it were not for the fifth of the total trade controlled by the Co-operative movement. Bacon curing is not so complete a monopoly; but a single concern occupies a very powerful position. The sugar industry is to a great extent monopolised. Milk distribution is controlled by a powerful organisation of distributors, headed by United Dairies. Unilever controls the margarine trade, as well as the trade in soap, and has also the directing interest in a large number of chains of retail shops—from Home and Colonial, Liptons, and the Maypole Dairy to Mac Fisheries. Other combines, such as Vestey's, control the trade in imported meat. In fact, almost every essential foodstuff is largely controlled by some powerful combine or association either at the manufacturing stage or at that of wholesale and sometimes also retail distribution.¹

Most of these combines, or their component firms, make very large profits. It is often alleged on their behalf that large-scale combination makes for efficient service, and accordingly that the consumer is better served than he would be by a host of competing suppliers. It is no doubt true that in many cases large-scale organisation

¹ For a fuller account see *Socialism and Our Standard of Living*, prepared by the Standing Committee of Industrial Women's Organisations. Labour Party, 1d.

makes for reduced cost; but it does not at all follow that the benefit of this reduction is passed on to the consumers. Something essentially different actually occurs. Tate and Lyle have paid in recent years dividends averaging over 18 per cent., or over 25 per cent. if account is taken of a 40 per cent. bonus share distribution made in 1935. The big flour milling concerns have been distributing dividends of 15 per cent. or more. Unilever in 1937 paid 12½ per cent. on its ordinary shares. If these great food manufacturing and distributing concerns were publicly owned, the consumer would be assured that the benefits of large-scale organisation would result in improved service instead of excessive profits.

Over a considerable part of the field, however, the trouble is still inefficiency rather than profiteering. There are too many middlemen, too many shops, wasteful methods of marketing which hurt the farmer as well as the consumer. The present methods of marketing fruit and vegetables are a byword; and in the home meat trade the slaughtering methods are still chaotic and often unhygienic as well. The trade in fish combines very low prices to the fishermen with high prices and bad service to the consumers.

No one will pretend that it can be a simple matter to bring order out of this chaos, or to deal quickly with the necessary problems of organisation and control. But it is plain that the methods at present pursued are radically wrong, because they are hardly ever directed to improving the quality of service to the consumers, and nearly always to keeping up prices at their expense.

Take for example the methods followed under the Agricultural Marketing Acts. Under these Acts the control of production and prices, as far as it is introduced at all, is placed in the hands of bodies exclusively, or almost exclusively, representing the producers. These bodies then deal with other bodies representing not the consumers but the distributors or manufacturers, who are equally concerned with extracting as much as possible

from the consumers. The consuming public is fobbed off with Consumers' Councils and Committees which are wholly devoid of effective power, even to ascertain and publish the full facts about the existing inefficiency and exploitation. They can at the most only report and complain to the Government. They have no authority to take any sort of action.

This is not to say that it is wrong to set up producers' boards exclusively representing farmers or other types of producers. What is wrong is that such bodies, either alone or in concert with the capitalist distributors or manufacturers, should be given the power to fix prices or to regulate supplies. There is a great deal to be said in favour of helping the farmers, and even compelling a reluctant minority among them to organise for the improvement of their marketing methods and of the quality of the products supplied. There is nothing to be said for giving them the exclusive right to dictate the conditions of supply.

The Labour Party's plan of agricultural reorganisation involves a thorough recasting of the schemes of agricultural marketing that have been built up under the National Government. The Labour Party is opposed to the piecemeal handling of the agricultural problem under a large number of separate and quite unco-ordinated schemes and expedients. It proposes to create a central planning authority—a National Agricultural Commission—with wide enough powers to review and deal with the problem as a whole. This Commission, it is proposed, should consist partly of representatives of farmers, farm-workers and consumers (including the Co-operative movement) appointed by the Minister of Agriculture from panels nominated by the organisations concerned, and partly of other persons chosen by the Minister to represent the general interest of the public. It would be the duty of the Commission, which would of course be responsible to the Minister, to draw up a comprehensive agricultural plan, providing for the best possible use of the land,

whether under private or public ownership, for land improvement and agricultural research, and for the organisation of marketing, transport, credit and other essential services. Under the Commission would be County Agricultural Committees, similarly appointed by the Minister; and through them the National Commission would largely carry out the duties entrusted to it. It would be their task to secure satisfactory standards of cultivation in their respective areas and to apply locally the measures designed to improve the quality of the land; and they would also be able to advise the Commission about all local problems arising in connection with the drafting and execution of the national plan.

How would this proposed machinery be related to the existing machinery of agricultural marketing? In the first place, the Marketing Boards, instead of being completely independent bodies, would become subject to the Agricultural Commission, and would have the duty of carrying into effect the policies recommended by it and approved by the Government. But this function is not compatible with the present character of the Boards as exclusively representing the producers. Accordingly, either the existing Boards would have to be broadened, so as to represent the consumers and the agricultural workers as well as the farmers, or, if the existing Boards were left as they are, there would have to be created in addition National Commodity Boards for various types of product, on a basis broad enough to represent the consumers as well as the producers.

In view of the difficulties in the way of changing the character of the existing Boards, I personally favour the second solution. What I have in mind can perhaps best be illustrated by taking an actual example. The existing scheme for pigs and bacon involves three bodies—the Pigs Marketing Board, representing the farmers, the Bacon Marketing Board, representing the firms engaged in bacon-curing, and the Bacon Development Board, which includes representatives of the two Marketing

Boards together with independent members appointed by the Minister of Agriculture. This last body can, in case of need, act as arbitrator between the other two. Its functions are at present narrowly restricted; but it could easily be broadened out into a Commodity Board responsible, under the Agricultural Commission, which would take over the appointment of the independent members, for the control of the entire policy of pig and bacon production (including pigs for pork as well as bacon pigs—for until they are included the scheme cannot possibly be made to work satisfactorily).

In order to assume this position, the Development Board would have to be reinforced by consumers' representatives, and so constituted as no longer to have a producers' majority. Similarly, in the milk marketing scheme, the existing Milk Marketing Board should be made subject to a Milk Development Council, on which it would be represented together with the milk distributors, but in such a way that the representatives of the actual consumers and the independent members would outnumber the members representing the producers and the distributing concerns. The producers' Boards would thus become, in effect, agricultural Co-operative Societies, differing from ordinary Co-operatives only in being based on compulsory membership and in forming part of a national scheme of agricultural development and organisation. Where necessary regional machinery could be set up under the national bodies; but, in the main, organisation would be national, and local arrangements would be made in consultation with the County Agricultural Committees.

It will be seen that, under the proposed system, land would continue to be cultivated, as now, by individual farmers. The Labour Party means, however, to be free to initiate or encourage experiments in large-scale or collective farming, both on large farms under direct public management on the basis proposed in the Labour Land Utilisation Bill of 1930—from which the clause was struck out by the House of Lords—or on co-operative farms.

Such experiments would be conducted under the auspices of the County Agricultural Committees, and would be made much easier by the changes in land ownership which the Labour Party proposes to carry into effect.

Even many Conservatives recognise to-day that the traditional British system of land-ownership is breaking down. The landlord system, in the great majority of cases, no longer secures the requisite application of capital to the development of the land. The landlord, even when he has the money, commonly prefers to invest it elsewhere. The farmer who buys his land has usually thereafter no capital left for improving it, and finds mortgage charges weighing heavily upon him, especially when he is unfortunate enough to buy at a time of high prices—for example, just after the war. The consequence is that the land to-day is grossly under-capitalised, especially in relation to the need for development of the higher forms of quality production which are best suited to the present-day conditions of British farming.

The Labour Party's view is that all agricultural land, and all land of any sort needed for any public purpose, ought to become national property, on a basis of reasonable compensation to the existing owners. But it is recognised that the transfer to public ownership may have to be made by stages; and what is proposed immediately is the passing of an Act which will enable the Government and other public authorities to acquire land needed for any public purpose, including agricultural development under the national plan, without delay and at a reasonable price. This does not mean that the Labour Party has any intention of displacing the existing body of tenant farmers and occupying owners, who will be left undisturbed except when the land they occupy is imperatively needed for housing or some other necessary social purpose. It does, however, mean that the State, wherever it acquires land, will be in a position to spend capital on improving it with the backing of the national credit, and that the occupying owner who transfers his land to public ownership

will be able to release the capital now locked up in it for use, for example, in improving the quality of his stock.

The future of British agriculture is with the increased production of quality foodstuffs. The foods of which the people chiefly need a larger supply are quality foods—milk of guaranteed purity, fruit and fresh vegetables, eggs and poultry. These are the goods of which the consumption will expand most rapidly as the incomes of the consumers are improved; and it is to the encouragement of these types of production that our agricultural policy ought to be chiefly directed. It is radically wrong to spend our main efforts on expanding the home output of goods which can be brought in much more cheaply from overseas—above all when the total demand for them is not likely to expand, and may even contract, as the standard of living is improved. It is plain folly to concentrate attention on expanding the acreage under wheat or other cereals, or on developing the production of sugar-beet, when we know that these things can be done only to the grave detriment of wheat-growers in Canada or Australia, or sugar-producers in the West Indies—in fact, of customers whose prosperity is essential to our export trades. The consumption of wheat in Great Britain will not rise as the standard of living improves; for people will eat less bread in proportion as they can afford more of other foods, and the increased demand for wheat for feeding to poultry will not suffice to bring about an expansion of total demand. Higher wheat production means higher bread prices; for it involves subsidies to the wheat-growers, which have to be paid by the consumers. As for sugar-beet, every acre under it necessarily puts up the price of sugar; for there is no possibility of producing beet-sugar here on terms economically competitive with the costs of imported cane sugar.

This is not to say that *no* wheat ought to be grown in Great Britain. Wheat plays for some farmers an important part in crop-rotations, and it would involve great diffi-

culties if the wheat industry of the Eastern Counties were crushed suddenly out of existence. But it is ludicrous to adopt a policy which deliberately fosters by large bounties an increase in the acreage under cereals, when it is manifest that the natural trend in British agriculture is all the other way. Great Britain has been increasingly, is predominantly, and will become even more, a stock-breeding, dairying, egg and poultry farming, fruit and vegetable gardening country; and it is right that this should be so from the standpoint of the needs of the consumers, as well as from the standpoint of making agriculture remunerative and assuring the agricultural producer a better standard of living without placing heavy burdens upon the public.

We have seen that, for the ensuring of a reasonable *minimum* diet to the whole people, Great Britain needs at least 12 per cent. more meat and at least 16 per cent. more milk. As far as meat is concerned, the greatest need is to improve the methods of marketing and slaughtering and to take effective steps for the conquest of animal disease. It has been recently estimated that animal diseases involve an annual loss of £14 millions to British agriculture. Our present annual expenditure on research designed to prevent these diseases is £23,000. Yet much disease could be prevented, and the breed of livestock could be greatly improved, by further research and the enforcement of higher standards. Again, our methods of slaughtering and marketing animals are at present grossly inefficient—so much so that an effort to improve them is being made even under the existing Government. If the price-difference between home and imported meat can be narrowed by better organisation and improved quality of stock, the increased need for meat can be met, in the case of both beef and mutton, by means of a larger home supply, so as to leave imports roughly at their existing level. We now produce at home about 47 per cent. of the beef and veal consumed in Great Britain, about 40 per cent. of the mutton and lamb, and about 45 per cent. of

the pig meat. There is no reason why these proportions should not be increased as total consumption expands.

Pig meat stands, no doubt, in a somewhat different position from beef and mutton, in that British bacon, except that which comes from a few areas, is apt to be worse in quality than Danish bacon, whereas home-produced beef and mutton have in general a big quality advantage over chilled or frozen imports. British bacon can be as good as Danish; but there is no reason to suppose that it is likely to become better. There is accordingly less good ground for expanding home production of bacon than of beef and mutton: yet we have been following so far precisely the opposite policy. We have deliberately shut out Danish and other imported bacon in order to stimulate home production; but in face of the reluctance of consumers to buy the home product the effect has been to reduce total consumption and to advance the price of good quality bacon to an entirely unreasonable level.

As for milk, we have already expanded home production to a considerable extent. But as this has been done by offering the producers a high price, which the consumers have been called upon to pay, the demand for liquid milk has not increased to anything like the same extent as the output. Consequently, the more milk we produce, the larger proportion has to be disposed of, not for liquid consumption, but for manufacture into butter and cheese, which could be brought in much more cheaply from New Zealand and other parts of the Empire. Home produced milk for these purposes has to be sold at an enormous loss, part of which is borne by the Exchequer, but most by the consumers of liquid milk, so that consumption is further discouraged as production is increased. Some attempts are made to lessen this absurdity by selling milk at intermediate prices under the "milk in schools" and other special schemes; but, even so, the percentage of milk consumed in a liquid state fell from 74 to 68 between 1933 and 1937.

This is monstrous, in view of the low consumption of

liquid milk in Great Britain and its high value as a food for children and adults alike. The manifest remedy is to reduce liquid milk prices in order to expand consumption; and it would be well worth while to provide a subsidy for this purpose, in order to bring about a change in the milk-using habits of the people. Moreover, if, as would probably occur after a short interval, the demand for liquid milk grew rapidly as a result of the fall in price, no subsidy would be needed. If the whole output, apart from some unavoidable seasonal surpluses, could be sold at an intermediate price in the liquid market, the farmer could get a thoroughly satisfactory return out of the balance which would accrue from the sale in the liquid milk market of supplies which are now dumped uneconomically into the manufacturing market.

The 15 per cent. more butter needed by the people on Sir John Orr's estimate could be much better supplied by increased imports than by the uneconomic diversion of milk from liquid consumption.

Of both fruit and vegetables, with the exception of potatoes, Sir John Orr estimates the additional need at 25 per cent. as a minimum. In the case of vegetables, this need should clearly be met mainly by increased production at home; for here again the home producer possesses an advantage in quality. One of the worst features of the standard minimum diets supposed to be sufficient for health which are put forward by such bodies as the British Medical Association is the paucity of the provision for vegetables and fruit. One of the principal objects of our agricultural policy should be the encouragement of market gardening, with a view to a great expansion in the output of fresh vegetables at all seasons. The success of this policy is clearly bound up with an expansion of consumers' incomes; for vegetables and fruit offer one of the most marked contrasts of to-day between the diets of the ordinary wage-earners and of the relatively well-to-do.

Fruit offers more difficulty, because certain of the fruits for which the demand is most expansible as incomes

increase cannot be produced in Great Britain. Any advance in standards of living will mean a rapid growth in the demand for oranges and bananas, as well as for apples, pears, peaches, grapes and other fruits which, even if they can be grown at home, are at present mainly imported. We must expect a substantial rise in imports of these commodities to accompany any all-round improvement in standards of nutrition. But that is all the more reason for doing all that can be done to stimulate the production of those fruits which can be grown at home, usually with a big quality advantage over imported products. We should use every effort to encourage increased cultivation of apples, pears, plums, cherries, strawberries, and other soft fruits; and we should endeavour to foster the development of a larger and better organised fruit canning industry in order to deal with the existing peril to the producer of seasonal gluts of these highly perishable products.

Eggs, of which Sir John Orr calculates the increased need at a minimum of 18 per cent., and poultry, of which we already produce at home well over two-thirds of the quantity consumed, are other obvious cases in which a larger home production is needed. At present Great Britain imports 54 per cent. or thereabouts of the total supply of eggs; but with increased consumption this proportion could be substantially reduced.

In all these cases the increase of the home-produced supply depends both on a rise in consumers' incomes and on an improvement of methods of grading and marketing, as well as of actual productive technique. Except in the case of milk, organised marketing has so far been applied chiefly to products for which the demand is not very expansible. If we mean to revive agriculture and improve the nutrition of the people, the next task is to apply it to quality foodstuffs, but in such a way as to reduce prices in order to stimulate higher consumption, especially of protective foods.

To achieve this should be the primary objective of Labour agricultural policy. In the case of cereals, it is legitimate to preserve from extinction a form of production

which must continue to have its place in the agricultural round; but it is quite illegitimate to expand output where the needs of peace can be met much better by imports and those of war by public storage of imported supplies. In the case of bacon, there may be a case for some expansion; but the case for rapid development is weakened by the fact that no quality advantage is present on the side of the British producer. In the case of fresh meat this quality advantage exists; and there is accordingly a strong case for improving the quality and health of livestock and for so amending methods of slaughtering and marketing as to narrow price differences between home and imported supplies. As far as milk is concerned, there is no possible justification for diverting nearly a third of the total supply into the uneconomic manufacture of butter and cheese while the mass of the people is going lamentably short of liquid milk; but there is a strong case for expanding production much further in connection with a definite policy of lowering prices to the general body of consumers. There is further a conclusive case for increasing the output of fresh vegetables and fruit and of eggs and poultry. Wherever the home producer preserves a marked quality advantage, and the market is capable of large expansion to the benefit of the health of the people, *there* should British agricultural policy aim at a rapid increase in the volume of output.

The increase of output is, of course, from the standpoint of the farmers, mainly a matter of price. But the incentive needed is largely that of assured, rather than higher, prices. The great obstacle to the farmer is insecurity—between the opposite perils of having his crops ruined and having them succeed so well as to induce a catastrophic fall in prices. If the farmer could be given reasonable security, in the form either of guaranteed prices fixed well ahead or, better, of selling prices bearing a definite relation to the cost of feeding stuffs and other farm requisites, the way would be clear to a considerable expansion of output and to the employment of a larger amount of farm labour under reasonable conditions.

It is one of the objects of the Labour policy to give the farmer this advantage. It is proposed that the Commodity Boards, acting under the authority of the National Agricultural Commission and of the Government, should be authorised to fix assured prices for farm products. In order to achieve this, they must be in a position to regulate the quantity of imports in such a way as to supplement home supplies to the required extent. Regulation of imports is indispensable in the interest of internal agricultural stability.

Clearly, however, the determination of the imports to be allowed cannot be left to the farmer. It is a matter for the consumers as well. If Commodity Boards are so constituted as to represent predominantly the consumers' and the public interest, they can safely be authorised to act as advisers to the Government concerning the amount of imports needed from time to time in order to complete the supply of any particular commodity. The actual purchase of these imports, and the placing of them on the market, could in fact be combined with the task of marketing the home supply—provided that the final decision about the quantities to be imported and the prices of sale rested with the Government itself, as the ultimate arbiter of economic policy. Alternatively, a separate system of Imports Boards could be set up, with the duty of entering into contracts, wherever possible for bulk purchases, with overseas producers; and these Import Boards could take over the home supply under the various marketing schemes, and undertake the sale to the retailers or further manufacturers of both the home and the imported supply.¹ If this method were adopted, the Import Boards would clearly be the right bodies to carry out any policy of food storage that the Government might decide to adopt.

It is not pretended that the schemes of agricultural organisation put forward in this chapter are fully worked out, or that there are not still many problems to be settled. But in the essential outlines the policy is sound.

¹ See the report in *Import Boards*, published in the Report of the Southport Labour Party Conference, 1934.

Great Britain possesses excellent farming land, and a high quality of agricultural skill. In view of these qualities, and of the need for higher consumption, home output of agricultural products ought to be greatly increased. But it will not be increased, except to the consumers' detriment, unless both the methods of production and the marketing of British home products are greatly improved, or unless attention is given mainly to expanding output of those foodstuffs which are needed in larger quantities and can be supplied in better quality by home products than by imports. If these principles are followed, British agriculture can reach a new period of prosperity—provided that the total demand for the higher quality foods is allowed to expand. This, however, depends on the improvement of real incomes among the general body of consumers—which in turn depends on the adoption of a correct policy for securing the full employment of the available resources of production in industry as well as upon the land. This is a wider question of economic policy, which will be considered later, in its proper place. Before we come to that, certain other matters of importance for the future of the British countryside have to be discussed.¹

CHAPTER X

THE LAND WORKERS

THE number of agricultural workers in Great Britain has been declining rapidly in recent years despite the increase in agricultural output. In 1937, when the decrease was smaller than it had been during the two previous years, there was nevertheless a fall of nearly two and a half per cent. in the number of regular male workers, and a decline of more than five and a half per cent. in the numbers under

¹ On the general subject of this chapter, see *The Land and the National Planning of Agriculture*. Labour Party, 2d. See also Lord Addison's book, *A Policy for British Agriculture*.

21 years of age. The fall in the number of persons employed on the land has been very nearly continuous since 1921, with only two short-lived reversals of the trend—the first in 1924-5, and the second in 1933, when the effects of the new protective system made themselves felt. But, despite the measures taken to stimulate agricultural recovery, the decline was sharply resumed in 1934, and has continued ever since.

One very serious feature of the decline is the falling-off in the supply of young workers. The average age of agricultural labourers is much higher than that of workers in industry or commerce; and there is already in a number of areas a marked shortage of skilled agricultural labour in the younger age-groups. In fact, the younger men who are in a position to move are rapidly leaving the land for the towns. Despite the much higher rate of urban unemployment the very low level of agricultural wages offers no incentive to men to remain in the villages when they can see a prospect of employment elsewhere.

It is a common illusion that the low wages paid in agriculture are largely offset by the low cost of living in the villages. It is true that agricultural house-rents are usually much lower than urban rents; but the cottages are grossly inferior, very often damp, insanitary, ill-lit and ill-ventilated, and commonly without gas or electricity or even a supply of water. These conditions mean extra labour as well as less amenity and exposure to unhealthy conditions. It is true that the village labourer does not have to pay for transport to and from his work; but if he wants his share of the entertainments which are at the urban worker's door he must pay the cost of transport to and from the nearest town. It is true that he has often enough land to grow for himself a supply of vegetables and perhaps to keep a few head of poultry or even a pig—though this is by no means general. But the goods he buys in the village shop are nearly always dearer than the goods which can be bought in chain-stores and other urban shops. Village costs of living are not on balance

lower than urban costs, except where the village worker gets less amenity, as in the case of housing. Lower village costs of living belong to the stage of civilisation at which the village lives mainly off its own produce. Nowadays food and clothing are mainly manufactured in the towns, and the cost of distributing them is higher for the village than for the town.

Under these conditions the lower agricultural wages involve a definitely lower standard of living. This, however, is not the only—perhaps it is not even the main—reason for the migration of the younger agricultural workers to the urban centres. The village seems narrow in its range of life in comparison with the town, which the villager knows chiefly, while he remains a villager, as a centre of diversified life and means of entertainment. The town has a “glamour” that may wear off for the town-dweller, but has a powerful attraction for the village-dweller, whose opportunities for visiting it have been greatly increased by the motor-bus.

It is unlikely that, even if village wages were raised to an urban level, the migration from agriculture to the towns would cease. But it would be checked, and probably more of the migrants would return to village life, especially if effective action were taken to improve very greatly the standards of rural housing, to supply the villages adequately with water and electricity, and to improve the quality of rural education—for one factor that encourages movement to the towns is that the children will usually get a better education and a better start in life from an urban school.

At present agricultural wages are regulated, under the Act of 1924, by County Agricultural Wages Committees. There is a National Wages Board; but it has no power to fix or co-ordinate the separate county rates. The rates fixed are very low, ranging in most cases from 32/- to 34/- a week for from 48 to 52 hours' work. Where higher rates are paid, this is usually because the working week is longer—for example, in the dairying districts. Obviously these wages are not enough to provide for a healthy standard of living.

They ought to be brought up to a minimum of at least 40/-. But it is also clear that any sudden rise of wages to this level would seriously embarrass many farmers and cause a further fall in agricultural employment and probably in the quantity of agricultural production. The improvement of wages is bound to be gradual; but it ought to be carried out in accordance with a definite plan.

The best way of doing this would be to reconstitute the National Wages Board with fuller powers, including the power to prescribe both an absolute minimum to operate over the whole country and actual rates for each county. The County Committees would become advisory bodies, whose recommendations would not be binding on the Board, and could not in any case go below the prescribed national minimum. Moreover, the National Board should lay down not only a basic minimum to operate immediately, but a series of rising minima to be brought into operation over a period of years, with a view to the progressive levelling up of country wages to the urban standards. Hours, of course, would have to be regulated as well as wages; and 48 hours should become at once the national standard for the summer months, with a shorter week in winter, and prescribed rates of overtime payment for all additional hours of work.

If agriculture cannot stand these conditions—which are the least that can be regarded as socially tolerable—without financial help, the required help should be forthcoming through a system of guaranteed prices for the various kinds of produce. But these guaranteed prices must not be allowed to raise the cost of the necessary foodstuffs to the consumers. If prices cannot be kept down enough by better marketing and distribution, the State must subsidise agriculture out of the proceeds of general taxation, to whatever extent may be necessary in order to maintain agricultural production at the level regarded as most desirable in the general interest.

The agricultural labourer's position has already been amended in one respect—by the introduction of unemploy-

ment insurance. This is important, not because unemployment is widely prevalent, but because it raises the status of the agricultural worker and removes an element of insecurity which has operated to drive men off the land into the towns. But, so far, the agricultural workers have paid more for the privilege of insurance than they have received in benefits—even apart from the fact that they are now themselves contributing towards the cost of a service which the State, through the Unemployment Assistance Board, previously provided at the public expense. In view of the growing surplus in the agricultural unemployment fund, the Unemployment Insurance Statutory Committee has recently—in 1939—proposed to raise benefit rates for agricultural workers nearer to the urban level: so that, under the revised scheme, with benefit at 15/- a week for male adults and 7/- for adult dependants, and with a maximum limit of 33/- to total family benefit, the sums received by unemployed rural workers will come much nearer to those paid under the industrial scheme, and will in a number of cases be as high as the wages paid for a normal week's work.

The existence of the U.A.B. in the villages and the introduction of unemployment insurance have, indeed, made it indispensable that action should be taken promptly for an all-round improvement in the quality of social services of all types in the rural areas. Recent reports have made plain the existence of deplorable health conditions in most parts of rural Wales—especially in connection with tuberculosis—and the absence of any effective provision for dealing with these conditions. The position is hardly better in many parts of rural England and Scotland: nor can it be remedied until there is a real advance in nutrition (which depends mainly on incomes) and in housing.

So far, the building of houses in the rural areas has lagged behind urban building, and comparatively little use has been made by Rural Councils or County Councils of their powers either to build new houses or to undertake, in conjunction with the private owners, the reconditioning

of existing cottages so as to bring them up to modern standards. The National Housing Commission proposed in an earlier chapter should be empowered to take over these duties, wherever they are not being satisfactorily executed, and carry through a national scheme of rural rehousing.

Naturally, the principal obstacle to better housing in the countryside is the inability of a great majority of rural workers to pay the economic rent for a decent house. The amount of additional rent which agricultural workers can be expected to afford for improved houses depends on the amount by which their wages are increased. Until they have been greatly increased, any scheme of rural rehousing is bound to involve the finding of large subsidies in aid of rents.

Side by side with rehousing should go improvement of the village schools, including public transport facilities to grouped higher and secondary schools and the adequate provision of all types of higher education for the village children. Adult education should also be specially developed both through voluntary agencies and in connection with the higher schools. There have been a few excellent experiments already in these fields; but most county and rural authorities have done practically nothing to follow them up.

Policy for the villages must be based, throughout, on raising the standard of village amenities as well as the standard of living in a narrower sense. Villages need planning as much as towns; and they need even more the provision of social centres, halls for meetings and amusements, and facilities for play and recreation.

So far, nothing has been said of the small-holder, as distinct from the labourer. Under the conditions of modern agricultural production, the small-holder works usually under serious handicaps. Often his holding is too small, or even when it is adequate his capital is too small, for the application of the most economical methods; and even when he produces efficiently he has very great difficulty in marketing his produce. In certain types of

holding the risks are very great; the small poultry producer may be ruined by a rise in the price of feeding-stuffs, and the uncertainty of the prices received by small fruit-growers and market-gardeners is a proverb.

The recent survey made under the auspices of Lord Astor and Mr. Rowntree¹ brings out very plainly the poverty and ill-success of the great majority of small-holders, many of whom work very long hours and apply a great deal of family labour to their holdings, for a total return below the wage received by an agricultural labourer. This applies most of all to the small fruit-growers and market-gardeners, and to the poultry-keepers when the prices of feeding-stuffs are high; but it is also true of small mixed arable farmers in most areas. The small milk producers seem to do best; but even they do none too well, and it must not be forgotten that they are responsible for a great deal of the dirty milk which finds its way on to the market.

There is no case at all for extensive land settlement or small-holdings, either as a means of repopulating the countryside with urban workers or as an important means of giving the agricultural labourer an opportunity of improving his position. Small-holdings are no doubt necessary; but in most cases those who do best out of them treat them as a by-occupation and make the best part of their living in other ways. Only the exceptional man can make a good living out of a small-holding; and even the exceptional man needs all the help that can be given by group-settlement with facilities for group-marketing, by adequate provision for capital equipment and the supply of credit, and by special training for the various types of specialist agriculture.

Allotments are quite another matter, for where cottages are let without sufficient land, the availability of allotments is indispensable in the labourers' interests. Their provision is fully possible under the law as it stands, where the local authorities do their duty. But with an extension

¹ *British Agriculture: The Principles of Future Policy.* Longman's, 1938.

of public land ownership it would become possible to develop the supply of allotments under more favourable conditions and on a much more generous scale.

As for the general run of farmers, they stand to gain most from stability, based on a clear, long-term agricultural policy consistently applied. Instead of piece-meal subsidies, now granted and now withdrawn, they need an assurance that their produce will be marketable, provided they conform to the conditions of a national plan, at prices which will no longer leave them at the mercy of changing conditions in the world market. It must, however, be a condition of the State's "square deal" with the farmers that they abandon their traditional hostility to the recognition of the labourers' claims, and work amiably with labourers' representatives not only on wage committees but also on the County Agricultural Committees and on the National Agricultural Commission itself. By this collaboration it should be possible to solve many problems which have been left out of this book for reasons of space—land drainage, afforestation, the improvement of rural transport, as well as the reorganisation of agricultural credit and insurance. All these matters will be much more easily tackled when the foundations for a new agricultural order have been laid by public acquisition of land and by the creation of a national body responsible for agricultural planning and for working out, subject to the final control of Parliament, the right relation between home-produced and imported supplies of agricultural products. On these foundations the work of bringing prosperity to the countryside can be undertaken with assurance. But it would be chimerical to suggest that, when all that can reasonably be done has been done, there will be any substantial increase in direct agricultural employment. Even if it is decided to increase agricultural production quite substantially, the future lies with increased mechanisation and a larger employment of capital rather than with an extension of small-holdings or an expanded force of agricultural wage-labour.

CHAPTER XI

COAL

BETWEEN June, 1923, and June, 1938, the number of coalminers at work in Great Britain fell by more than 40 per cent.—from 1,211,000 to just over 700,000. Over the same period the output of coal fell by less than 20 per cent.—partly because of the longer working day introduced after the dispute of 1926, but largely because of increased mechanisation and speeding up. There has been a great increase in mechanical coal-cutting as well as in mechanical underground transport. The modern mine is run largely by electricity: the modern miner is ceasing to be a pick and shovel worker, and is becoming a machine operator.

From every coalfield come complaints that the pace of work has been greatly speeded up and the strain increased. The use of electricity increases the danger of explosions caused by contact with the coal-dust plentifully produced by the cutting machines. The noise adds to the strain, and in combination with the use of metal in place of timber for pit-props tends to deprive the miner of the warning that a fall of roof is imminent. Despite some advance in safety precautions, accidents increase; and a Royal Commission on Safety in Mines has recently reported in favour of a greatly strengthened code. If the recommendations have not been put into effect, legislation fully to implement the Commission's Report will be among the earliest measures of a Labour Government.

Miners used rightly, because of the nature and hazards of their calling, to be among the better-paid bodies of workers. But the decline in the demand for coal and fierce price-cutting in the export market have brought down their earnings to a most unsatisfactory level. The increase of hours is also keenly resented; for when the miners were granted the seven-hour day in 1919, they were

promised that a further reduction to six hours would be considered in the near future. To-day they work in most areas seven and a half hours a day, to which must be added on the average half an hour for "winding time" not included in the legal shift.

The Labour Party, which in 1930 brought the shift down to seven and a half hours in place of the eight imposed in 1926, is pledged to enforce a return to the seven-hour shift at the earliest practicable moment. It will further, in its handling of the coal problem, act throughout on the principle that a reasonable living wage for the miner, earned under satisfactory working conditions, must be recognised as the first charge upon the industry.

The Labour Party and the Mineworkers' Federation have long stood for the public ownership not only of the coal itself, but of the entire industry of coal-mining. This policy was endorsed by a majority of the Sankey Royal Commission of 1919; and ever since the Labour movement has been struggling to get it put into effect. At long last, the coal itself is now in process of being transferred to public ownership; and in 1942 the Coal Commission is due to take over the administration of the entire system of coal royalties and mineral leases. This will place in the hands of the State a powerful weapon for ensuring the reorganisation of the industry under private ownership, even though the powers of the Commission to enforce colliery amalgamations are still unduly circumscribed, and the existence of unexpired long leases will complicate its task. But what is needed is not the reshaping of the coal industry in the hands of its private owners, but its reorganisation under a complete system of public ownership and control. If use is made temporarily of the powers conferred on the Commission to bring about improved organisation under private ownership, that will be only a short-term measure pending the enforcement of the full Labour plan.

The Labour proposal¹ is in essence that the coal mines

¹ See *Coal: the Labour Plan*. National Council of Labour, 3d.

shall be nationalised, with reasonable compensation to the existing owners, and placed under the control of a British Coal Corporation directly appointed by the Government. This Corporation would include members chosen as representatives of the workers; but all its members would become full-time public servants and would renounce any office previously held in Trade Unions or business concerns, and of course any shareholding interest in any section of the coal industry or the trade in coal. The new system of public ownership would extend to the marketing and export as well as the getting of coal; and these services would be entrusted to a separate Coal Marketing Board, which would act in close co-operation with the British Coal Corporation. Under the Corporation would be Regional Boards for the various coalfields, constituted on a similar basis, and enjoying considerable autonomy within the general plans and policies laid down by the Corporation as a national body. The Corporation and the Marketing Board would, of course, be responsible to Parliament through the Minister of Mines, or whatever Cabinet Minister might be entrusted with the duty under a scheme of Cabinet reorganisation based on a general system of economic planning. In such a scheme the Coal Corporation would need to be co-ordinated with the similar bodies responsible for the administration of other parts of the general plan; and it would naturally be most closely related to the bodies responsible for other fuels and for gas and electricity. Possibly a co-ordinating Commission might be needed for the combined planning of the entire field of Fuel and Power.

For the moment, however, we had better consider the coal industry alone; for clearly the complete structure of a planned economic system cannot be set up at once, and the coal problem is too urgent to brook any delay. The Corporation, having acquired the whole of the colliery undertakings from the existing owners, would divide them into reasonable units for purposes of regional administration—commonly on the basis of a single Regional

Board covering an entire coalfield. Problems would arise at this stage where coal mines are operated as parts of complex undertakings, including works producing iron and steel or other industrial commodities. Such mines should on no account be excluded from public ownership; and all by-product works should be taken over with the collieries and operated as part of the national coal concern. But in certain cases, where coal mines are worked in close association with other industries, special arrangements may need to be made, as long as those other industries continue to be privately owned. It would be possible, if the need were shown to exist, to lease a particular mine to a combined undertaking on condition that no coal from it was to be sold in the market and that all labour conditions applied in the publicly operated coal mines were strictly observed.

Each Regional Board would thus have under its control a number of mines varying greatly in size and efficiency, and a total productive capacity varying with the size of the coalfield. For detailed management smaller units would be needed, and the larger Regions at any rate would probably be divided up into Districts, each with its own machinery of organisation. Pits would be grouped under this arrangement, not in accordance with the existing divisions under private ownership, but as seemed best in the interests of efficient working. Often, neighbouring collieries would be amalgamated into a single productive unit, so as to avoid the waste of barrier coal, introduce common use of shafts and gear, make possible joint pumping arrangements and safety precautions, and put back on to an economic footing small or old collieries which could no longer be worked as separate concerns.

In each colliery there would be a Pit Council, consisting of representatives of the miners and of the managerial staff, for regular consultation about all problems of the organisation of work and the promotion of safety in the pit; and the aim would be to give to the miners through these bodies, as well as through the higher organs of administration, a real share in the control of the industry,

as it affects their working lives. Workmen's inspectors and checkweighmen would work in closely with the Pit Councils, and probably a Regional Council drawn from these Councils would have important functions in advising and co-operating with the administrative Regional Board.

The coal industry has been changing so rapidly in recent years that research has come to occupy a place of vital importance in its organisation. The sale of coal in the raw state is diminishing: there is, and will be, more and more treatment of the coal and conversion into processed fuels and by-products, as well as rapid change in actual mining methods. The organisation of research must clearly be in the hands of a body working under the auspices of the Coal Corporation, which will have to base its plans of development on the accumulating stock of new knowledge. But research will need to be regional as well as national, for each coalfield has its own special problems and opportunities for scientific and technical discovery.

As a basis for planned production the coal industry possesses already, under the system instituted in 1930, machinery for regulating coal prices and output, both nationally and in each separate coalfield. This machinery, essential as it may have been in order to reduce the preceding chaos and to prevent undercutting from further beating down the wages of the miners, operates under private ownership in such a way as to endow the colliery-owners with a most undesirable kind of monopoly. But under public ownership, with the profit motive out of the way, the system of fixing quotas of production and regulating prices will be unobjectionable and essential. It will be the task of the Coal Corporation, acting on the policy approved by Parliament, to decide how much coal of various types and qualities is to be produced in each coalfield; while the Regional Boards will have to allocate the allotted quotas among the pits and districts subject to their control. This will involve social as well as purely economic problems; for the concentration of output upon

the pits which can produce most cheaply might involve the closing down of whole areas which, from the social standpoint, it is greatly preferable to keep in work for the time being in order to avoid social dislocation. Moreover, it is not sound economy to tear out of the pits at once all the coal that can be got most easily, at the cost of abandoning pits in which coal is still to be got at a tolerable expense, but will probably be lost for ever if the pits are once closed down. In dealing with these problems the Regional Boards and the National Corporation will have to strike a balance between short- and long-run, and between narrowly economic and wider social, considerations.

Price-fixing, under the new conditions, will no longer be an exclusive function of the producing agencies. Prices will have to be settled between the Coal Corporation and the distinct, though related, Coal Marketing Board; and any disagreement between these two authorities, as well as any complaint by coal consumers that they are not being fairly treated, will be a matter for decision by the Government, as the body responsible to Parliament.

It is as necessary to reorganise the transport and marketing as the production of coal. Although some private schemes for the pooling of wagons have been introduced, these are still the exception; and there is still much waste through the private ownership of wagons by the separate colliery concerns. Public ownership of the industry will be accompanied by a complete pooling of wagons, with considerable economies in transport costs. Each coalfield has now, under private ownership, its own coal-marketing scheme; but these schemes are still mainly price-fixing arrangements, not involving any complete pooling of sales staffs and resources. Here, too, there is room for substantial economies under public ownership. In the sphere of retail distribution there is very great waste on account of the large number of competing merchants. Either municipal or Co-operative coal distribution offers the prospect of much better service at a considerably

lower cost. There is no reason why the Co-operative movement, which is already a very large distributor, should not take over the entire work of distribution in the urban areas—and in the country, too, where its organisation is sufficiently strong. Where the Co-operative Societies were not in a position to take over the service, it could either be municipalised or, in country districts, handed over to the railways. All these agencies would, of course, act under licence from the Coal Marketing Board, which would become the sole authorised distributor, with power to delegate its duties.

It is, however, clear that no reorganisation of the production and distribution of coal will by itself get the coal industry altogether out of its difficulties. The fall in foreign demand, improved economy in the utilisation of fuel, and the substitution of oil for coal have acted jointly to limit the coal industry's market, with the consequence of widespread and prolonged unemployment, above all in South Wales. As foreign demand for British coal is unlikely, despite all the attempts to stimulate it by means of trade agreements, to revive to anything approaching the pre-war level, and as the progress of economy in the use of coal and the development of oil-driven road transport and shipping must be expected to continue, it is clearly necessary for the prosperity of the industry to do everything that can be done to find fresh uses and methods of treatment for its product.

Great importance therefore attaches to the careful examination of any plans designed to foster the production of oil from coal and the substitution of home-produced for imported motor spirits and other oils—or at any rate the use of such products to supply at least a part of the rapidly growing consumption of oil fuel.

There are two great difficulties in the way of the substitution of "oil from coal" for imported petrol. The first is that at present the cost of producing oil from coal is enormously greater than that of buying petrol abroad. Whatever process is used, commercial success is possible

under present conditions only because a very heavy duty is imposed on the imported product, whereas home-produced fuel is duty-free. Every gallon of home-produced oil-fuel therefore involves a loss of revenue to the State; and an additional stimulus to home production by raising the duty increases the price of all oil-fuel to the consumers. In 1938 the Labour Party Committee on Oil from Coal estimated that motor-spirit produced by hydrogenation or by the synthetic process cost from 10½d. to 11d. a gallon, as against a cost of 4½d. per gallon of imported spirit. It is not so easy to quote comparative costs for fuel produced by the various processes of carbonisation, because in these cases motor-spirit is only one among a number of joint products and has strictly no separable cost. But it is clear that these processes would not be carried on at all extensively without the protection of a high duty on imported petrol.

The second difficulty—which is also a source of hope for the future—is that the technical methods of producing oil from coal are changing very rapidly with new scientific discoveries and improvements in plant. This means that plant is apt to get out of date very quickly; and, as the capital cost is exceedingly high, this fact operates as a powerful deterrent to private investment in the development of the industry, despite the large preference secured by the guarantee to maintain the import duty. It is clear that, despite this preference, private enterprise will not do much to increase home-production unless it is given in addition a guarantee of profit and of the security of the invested capital. But, under these circumstances, it is clearly desirable that whatever is done should be done directly under public ownership rather than by guaranteeing the profits of private concerns. If the home-production of oil-fuel is to be developed on a large scale, the State itself must undertake the task.

That it should do this is the proposal made by the Labour Party's Committee,¹ which advocates the building

¹ See *Labour's Plan for Oil from Coal*. Labour Party, 18.

by the State, either by itself or in co-operation with controlled private enterprise, of one new plant for the large-scale hydrogenation of coal, of six plants for the synthetic process, and of five plants for low-temperature carbonisation. The erection of these twelve plants is estimated as likely to cost about £17,650,000, and to produce an annual output of nearly 100 million gallons of motor spirit, which is only one-thirtieth of the total import of crude and refined petroleum. These plants would employ about 4,750 workers directly, and would also find employment for nearly 7,000 additional miners, after allowing for the coal displaced by their output of smokeless fuel. The Committee proposes that the big hydrogenation plant should be placed somewhere in the Scottish coalfield, that the synthetic plants should be located four in South Wales, one in Cumberland, and one in Lancashire, and that the five carbonisation plants should be built two in Lancashire, one in Cumberland, one in Scotland, and one in the Durham coalfield. All the plants would thus make some contribution towards the relief of the depressed areas.

It will be objected to this plan that it involves a very heavy subsidy in relation to the amount of employment which it will provide. That is true; and if it were to be judged exclusively on this ground it would undoubtedly be condemned. But the Committee argues strongly for it on the ground that it is essential to carry on experiments on a large scale with a view to future possibilities of production at much lower cost as technique improves. "The first pair of artificial silk stockings was prohibitively expensive compared with silk stockings: now every girl in the country can buy artificial silk stockings. The experience of the rayon industry is matched by the synthetic ammonia and other trades. The coal-oil industry should be given at least a good chance to prove its worth. The argument from present costs is not conclusive."

There is, of course, the additional consideration that increased home-production of oil-fuel would lessen the risk of shortage in time of war. This aspect of the question

was considered by a committee set up by the Committee of Imperial Defence, which reported in 1938 adversely to any such large-scale experiment as the Labour Committee proposes. The C.I.D. regarded storage of imported petrol as a cheaper policy than home production on a large scale; and so, under present conditions, it undoubtedly is. It did not regard the danger of a failure of imported supplies in time of war as great enough to make it indispensable to create a large industry for producing oil from coal; but it did recommend an increase in the guaranteed preference secured through the duty on imports and its assured continuance until 1950.

The entire issue at stake is obviously very technical; and I profess no competence to pronounce upon it. It is clear that there are very powerful vested interests opposed to the home production of oil from coal—that is, the big capitalist concerns engaged in importing petrol—and that these interests are able to exert a strong political pull. On the other hand, the rapidity of technical change makes it very difficult to draw up in advance a satisfactory plan of development, and the Labour scheme will undoubtedly need to be given further expert consideration before being carried into effect. If it can be shown that there is some real prospect of large-scale experiment bringing about a really substantial fall in the costs of producing oil from coal, it will be plainly worth while to incur a considerable temporary loss in order to open up a new market for coal and settle a new industry in some of the most depressed coalfield areas—even though the amount of employment created would not be very large, at any rate in the earlier stages of the scheme.

CHAPTER XII

POWER

THE coal question does not stand alone: it is part of the wider problem of a proper reorganisation of the group of industries concerned with the provision of fuel and power. We have seen already how closely the future demand for coal is bound up with the possibilities of economical production of oil from coal; and we have now to consider the future organisation of certain other services with which the coal industry is also necessarily interlinked. In this chapter we shall be dealing mainly with electricity; but the future of the gas industry will also receive brief consideration. In the next chapter we shall be discussing the reorganisation of transport, which is also closely bound up with the coal problem because of the possibility of a general scheme of railway electrification.

Two attempts have been made since 1918 to bring the electricity supply industry under some sort of co-ordinated control. The Electricity Act of 1918 established a body of Electricity Commissioners appointed by the Ministry of Transport with the duty of promoting and regulating the supply of electricity. But this Act was shorn of most of its importance by the drastic amendments made in the bill under pressure from the capitalist interests concerned. The Electricity Commissioners were given very few compulsory powers. Joint Electricity Authorities under the control of the Commissioners could be set up where the undertakings in a particular area agreed to their establishment; but the power to coerce individual undertakings or to compel the competing and overlapping undertakings in any district to enter into a scheme was refused in face of the powerful opposition of the vested interests, which were strongly entrenched in the House of Lords. The Commissioners were allowed to take over the powers previously vested in the Government under the various

Electric Lighting Acts, and to acquire certain additional powers of a very limited character to regulate the prices charged for current; and their consent had to be obtained for erecting any new power stations or for extending or adding to existing stations. This authority, however, was quite inadequate to bring about any effective co-ordination. The Commissioners were impotent to close down inefficient stations, to provide for the interconnection of systems so as to give improved service, or to handle effectively the problem of excessive charges due either to monopoly or to inefficiency of organisation or plant.

It soon became so evident that the chaotic state of the industry was both preventing the increased use of electric power and burdening the consumers with unnecessarily high charges that further action had to be taken; and in 1926, after the Weir Committee had reported, a further Act became law. Under this Act the Central Electricity Board was set up side by side with the existing body of Electricity Commissioners, whose duties were radically altered. The Commissioners were henceforth to perform a dual function. In the first place they were to draw up a comprehensive scheme—or rather a series of co-ordinated regional schemes—for the reorganisation of the entire service of generation throughout the country; and in the second place they were to continue to exercise on an extended scale their regulative and quasi-judicial powers of controlling charges, examining complaints, and settling disputes arising in the administration of the new system. The Electricity Commissioners, in effect, are a technical and judicial body. They have no administrative functions, and carry on no services of their own.

The Central Electricity Board, on the other hand, is a trading and administrative body. It has the responsibility for administering the schemes drawn up by the Commissioners, which together constitute the Electricity Grid. All electric current generated for sale to the public passes through the hands of the Board: only private generating stations are outside the Grid scheme. But it should be

observed that private stations, owned mainly by large industrial establishments, railway companies, and so on, account for a considerable fraction of the total production of electricity even to-day.

The Conservative Government which passed the Act of 1926 was forced to realise the necessity of co-ordinating the electricity industry under some form of public control; but, favouring private enterprise and hostile to all forms of Socialism, it was determined to keep down public action to the barest minimum that could be reconciled with the need for bringing the efficiency of the service up to a tolerable standard. With this end in view the Weir Committee devised a curious expedient. It proposed to nationalise neither the generation of electricity nor its distribution to the consumers, but only the intermediate stage of wholesaling and main-line transmission. The Grid—that is to say, the new system of main-line cables interconnecting the generating stations over the country as a whole and linking them up to the secondary transmission lines for retail distribution—had to be made public property; for it was necessary to construct it under unified ownership and with capital raised under the authority of the State. But it was not regarded as necessary to nationalise either the generating stations which were to supply the Grid or the distributing stations which it in turn was to supply. It was accordingly laid down that all generating stations should sell to the Central Electricity Board the whole of their marketable supplies, and that the Board in turn should resell these supplies to the various distributing agencies—the prices paid and received by the Board being subject to a complicated system of control operated under the authority of the Electricity Commissioners, with a final appeal in some cases to the Board of Trade.

It was, however, impossible to leave generation of electricity in the chaotic condition in which the Weir Committee found it in 1924-5. There were then at work many generating stations which were obviously inefficient and in need of complete reconstruction if they

were to be brought up to modern standards. But it was also obvious that, in order to secure real efficiency in generation, the total number of stations ought to be greatly reduced, so as to concentrate production of electricity in larger and more economic units. Accordingly, the Electricity Commissioners were empowered, in drawing up their regional schemes of reorganisation, to provide for the complete closing down of generating stations and for the concentration of the entire output upon a limited number of "selected stations," including a number which were to continue to operate temporarily but were to be closed down as the new or reconstructed stations to be built under the scheme came fully into operation. Actually generation was to be concentrated in 58 selected stations, including 15 which were to be newly built, whereas 432 existing stations were to be closed down as far as generation was concerned, although in most cases they were to continue as distributing stations, supplied by the Grid.

This comprehensive scheme of reorganisation involved the interconnection of the selected stations on an inter-regional basis by means of the Grid; and with it went a plan for the standardisation of frequencies and equipment, to be carried out gradually over a period of years. But although the number of generating stations was very greatly reduced, nothing was done to bring those which survived under any sort of unified ownership. Some of them, which had belonged previously to municipalities, remained in municipal ownership under the new scheme, though they were now supplying an area extending far beyond the municipal boundaries. Others remained in the ownership of power companies, among which a process of consolidation and trustification rapidly set in. These great private power concerns began, in fact, to absorb as fast as they could the smaller, privately-owned electricity companies, including those whose generating stations were being put out of business by the Grid. They set to work, wherever they could, to encircle the municipally-owned electricity concerns, with a view to building up

monopolies in the field of distribution as well as of generation over the widest possible area.

The new arrangements led to a curious state of affairs. Where a station was both selected for purposes of generation and engaged in the distribution of electricity to the public, it had, after the advent of the Grid, to sell to the Central Electricity Board all the current generated by it, and then purchase it back from the Board to supply its own customers—in each case at a controlled price. At the same time the station would normally sell to the Board more than it bought back, because the number of generating stations was very much smaller than the number retained for purposes of distribution. There was, in fact, no attempt under the Act of 1926 to rationalise the process of distributing electricity, as distinct from the process of generating it. The number of separate distributing stations remained very large and completely chaotic in respect of the areas covered. In particular, most of the stations had been built by municipalities or private concerns for purposes of urban supply, and there was nothing in the new arrangements that was calculated either to tidy up the areas of distribution or to extend the supply of electricity into the country districts, which needed it urgently for purposes of development. Naturally, concerns operated for profit preferred to supply current where consumers lived close together and could therefore be supplied at relatively low cost; and few of them were prepared to undertake the costly process of making supplies available to the more thinly populated areas, except at prices prohibitive to the great majority of consumers. The task of electrifying the countryside was plainly one that would have to be undertaken, if at all, by public enterprise, because it demanded a readiness to sink large amounts of capital in the expectation of a return which could only come in gradually as the demand increased. As for the municipal stations, they too were unfitted for developing rural electrification schemes because their primary duty was to the urban ratepayers.

The two great needs that remain to be met after the

construction of the Grid, are, first, the extension of public ownership over the whole field of production and distribution of electric current, and secondly, the extension of supply, at reasonable prices, to the rural areas. These are the two aspects of the problem to which the Labour Party's proposals for immediate reorganisation are primarily directed.

Under the Labour scheme, the Central Electricity Board will be reconstituted as a National Electricity Board, and to it will be transferred the complete responsibility for both generation and distribution of electricity for sale, and also for the supply of power to the railways and to other transport undertakings. The Board will be further empowered, subject to the consent of the Minister of Transport, to take over any privately owned generating plant which it may be found desirable to incorporate in the national system. The reason for this latter provision is that the possibility of cheapening electricity to the utmost depends on concentrating production under a unified plan. It may, for example, be impossible to supply cheap electricity in certain areas if the bulk demand is supplied by a private station not available for use by the general body of consumers. One very strong argument in favour of a comprehensive scheme of railway electrification is that it would greatly simplify the problem of supplying cheap electric current throughout the rural areas.

The proposed National Electricity Board would be, like the C.E.B., a public corporation, immune from day-to-day Treasury control, but responsible to Parliament for its doings through the Minister of Transport or such Cabinet Minister as might be put in charge of it under a scheme of Cabinet reorganisation. The Board would consist of full-time public servants, chosen for their competence and not acting as the representatives of any particular interest, though the workers in the industry would be consulted and the Board would include a number of members chosen as "representing" them, in the sense of being drawn from their ranks. The members would,

however, like the members of the proposed Coal Commission, be called upon to resign on appointment from office in their Trade Unions or any other bodies connected with the industry, in which they would not be allowed to retain any personal interest. For example, no member would be allowed to be connected with any business manufacturing electrical machinery or equipment.

This Board would be regularly advised by a National Consultative Committee on which would sit representatives of the workers in the industry, the local authorities, and the main groups of users of electric current; and this Committee or any of the bodies represented on it would have a right to carry complaints against the Board's administration to the appropriate government department.

With the complete transfer of the generating and distributing stations to public ownership, the need for retaining the Electricity Commissioners as a separate body would disappear. Their technical functions would be taken over by the Board itself, and the control of the prices charged for current would pass to the Government, acting through such machinery as might be set up to co-ordinate price and supply policy as between electricity, gas, coal and other kinds of fuel—a Central Fuel and Power Commission, which would be responsible for co-ordinated planning over the whole field. If this body were not brought into being at once, the control of prices and the co-ordination of policy between the various fuel and power services would rest for the time being with the Government itself.

The acquisition of the existing undertakings would involve compensation to the owners. In the case of company undertakings, the principles of compensation would be the same as in other industries, and can best be discussed later in relation to the general problem of public acquisition of capitalist concerns. But a large part of the electricity industry is already owned publicly by municipal councils, and in their case special problems arise. The question is whether the taking over by a national public body of property at present owned by local public bodies

should or should not be regarded as giving rise to the same claims to compensation as must be recognised in the case of privately owned property under any scheme of gradual transition to a Socialist system.

The Labour Party has answered this question in the negative. It does not propose to compensate local authorities in accordance with the commercial value of their properties taken over by the Board, but only to assume on behalf of the Board the responsibility for interest and sinking fund in respect of outstanding municipal debts. The local authorities would thus be free of any future payments on account of capital borrowed for the purpose of developing their electrical undertakings; but where a substantial part of the capital charge had already been redeemed the Board would get the benefit of acquiring the undertakings at less than their current capital value.

This may seem to discriminate unfairly between municipal and company undertakings. Local authorities are compelled to write off their capital by means of sinking funds, whereas companies are under no corresponding obligation. In many cases the Board would doubtless find itself paying a much larger price to private capitalists than to a municipal council for undertakings of equal capital value and earning capacity. But as the transfer from municipal to national ownership is only a change, for reasons of efficiency, from one form of public ownership to another, and not a change of principle, the Labour Party has concluded that there is no case for compensating municipalities for the loss of ownership, beyond what is necessary to relieve them of outstanding burdens on account of borrowed capital.

That the change from municipal to national ownership is necessary is plain enough. Municipal generating stations under the present scheme are supplying current over areas which take no account of municipal boundaries; and the municipal areas are also entirely unsuitable for purposes of rationalised distribution. The whole problem can be tackled efficiently, for distribution as well as for generation,

only on a regional basis, with national co-ordination of the various regional schemes. The existence of the Grid is itself a recognition of that necessity; but the Grid cannot work with full efficiency until distribution has been brought under a rationalised plan.

This applies especially to the need for electrical development in the rural areas. The possibilities both of urban and industrial decentralisation and of making the villages better places to live in and improving agricultural technique depend very greatly on extending the advantages of cheap electricity throughout the countryside. The cost of distribution is bound to be higher in sparsely populated areas than in towns; but it can be greatly reduced if the problem is tackled nationally—above all, if a plan of railway electrification is carried through, for this would involve the carrying of electric current into most rural areas, and would make it relatively easy to take supplies for other purposes from the main lines built to meet the needs of the railways.

In town and country alike the aim of the National Board will be to bring down the price of electricity to the lowest possible point for both domestic and industrial uses. The economy and amenity of the all-electric house have already been clearly demonstrated by some of the more advanced municipalities. In industry the use of electricity brings with it new possibilities of decentralisation and of the successful operation of small enterprises; and it also promises immense relief from the economic losses and social disadvantages of smoky factories. If electricity can be made cheap, the smoke nuisance can be greatly abated, in both industrial and residential areas—for the domestic hearth as well as the factory chimney is a potent destroyer of wealth and welfare.

All this, of course, raises the important question of the future relationship between gas and electricity for both industrial and domestic use. Plans have often been put forward for a "gas grid," on the same lines as the electricity grid, to provide a nationally co-ordinated gas

supply and to supersede the existing chaos of public and private gas suppliers, large and small. It is not suggested that electricity is likely, at any rate for a long time to come, to replace gas as a fuel. Indeed, that where, as in the Sheffield area, large supplies of producer-gas are available, there may be a big extension of demand for gas; has been shown by the development of the pioneer "gas grid" in the South Yorkshire district. Again, some areas ill-placed for cheap electric supply may find gas a cheaper fuel than electricity for a long time to come.

But it is impossible to find a satisfactory answer to the question of the right economic and social relationship between gas and electricity until the whole matter has been made the subject of proper *impartial* study. So far most of the attempts to answer the question have been made either by persons with a special interest in gas or electricity concerns, or by enthusiasts for the one as against the other. It will be an important part of the Labour Party's task in bringing about a satisfactory co-ordination of the fuel and power services to subject this problem to impartial consideration, and to act upon the considerations reached without being swayed by the claims of the vested interests on either side.¹

A sufficient supply of pure water is an indispensable need of good and healthy living. Yet, despite the repeated recommendations of official committees over more than half a century, the water supply of Great Britain remains in a condition of chaos. There are about two thousand separate water undertakings exercising statutory powers; but between them they do not cover anything like the whole country. In the rural areas, many villages are still without any piped supply, and even when such supplies exist they often serve only a small proportion of the inhabited dwellings. Moreover, supplies are often inadequate—very seriously so in years of drought. This

¹ For Labour plans for electricity, see *The Reorganisation of the Electricity Supply Industry*. Labour Party, 2d.

See also *The Socialisation of the Electrical Supply Industry*. By G. H. Fabian Society, 1s. 6d.

applies even in towns. In Scotland 60 burghs out of 195 reported shortage in 1933. Villages depending on wells and springs suffer much more seriously; and the deficiency is serious for agriculture as well as for the householder. Every committee that studies the problem agrees that regional ought everywhere to be substituted for local administration and control; but in only about half a dozen areas has anything been done towards dealing with the service on a regional basis. The West Riding of Yorkshire, where the largest experiment in co-ordination has been made, has a regional water committee representing no less than 142 separate water authorities.

The Labour Party proposes to tackle the problem of water supply on a comprehensive national basis.¹ It intends to set up a National Water Commission (recommended as long ago as 1920 by the Water Power Resources Committee of the Board of Trade). The Commission's first duty would be to make a thorough survey of the available supplies; and thereafter it would become a general supervising and controlling authority with power to set on foot and to authorise regional schemes. Under its auspices, all the existing undertakings would be grouped into regional units, under public ownership. In each region there would be a Regional Water Board appointed by the Minister of Health, and including representatives of the workers and of the local authorities within its area of operation. The Labour Party favours a regional scheme in preference to a national "water grid" administered on a national basis, on grounds both of economy and of convenience in administration. But it holds that in order to secure the requisite unification in each region it is necessary to create a national supervising authority armed with extensive compulsory powers.

It will be the duty of the proposed Regional Water Boards to make provision for adequate piped supplies not only in the towns but also in the rural areas; and it is recognised that, for the rural areas at any rate, there

¹ See *Water Supply: the Labour Policy*. Labour Party, 1d.

will have to be financial assistance from national funds. Nor will it be enough to provide for making supply universal at the existing standards of consumption. As new houses are built, with baths and water-closets and better facilities for the use of water, demand rises very rapidly. The Ministry of Health has estimated that whereas an old-fashioned cottage household, with water laid on but without a bathroom or a hot-water supply, used on the average seven gallons per head per day, a modern cottage equipped with these amenities uses about fifteen gallons. As housing standards and living standards generally are further improved, demand will certainly continue to rise sharply, and many areas in which the facilities are at present apparently adequate will be compelled to seek additional supplies. Unless the problem is dealt with systematically on a regional basis, there will be an unseemly scramble for water. The richer urban areas will monopolise the more favourable sources of supply, and the claims of the rural areas will be again ignored and their prospects worsened by the development of purely urban schemes.

Nor can water supply be neglected as a factor influencing the location of industry. Abundant and cheap water may be a very powerful inducement to a firm which is considering alternative sites for the development of a manufacturing process. In South Wales, for example, the possibility of locating new industries at the upper end of the now almost derelict mining valleys depends very greatly on the adequacy and cost of the supply of water. For this reason the problem has to be considered in relation not only to the amenity and health of life in town and country, but also to the planning of economic development. The proposed National Water Commission will need to be linked up on the one hand with the authorities responsible for housing and town and regional planning, and on the other with the national bodies responsible for working out the general plan of economic development. On account of this industrial

aspect of the problem, water supply finds its place appropriately in this chapter, which deals mainly with the supply of power. For water, even where it is not used, as it will be in some areas, as a source of electric power, is an industrial material as well as a household need, and has the same dual relationship to national planning as electricity or gas.

CHAPTER XIII

TRANSPORT

THE history of the modern world could be written largely in terms of the growth of the means of transport. Until the canal age, a large part of Great Britain was bound to remain sparsely populated, because it was nearly impossible to develop industrial production except in close proximity to the sea or to navigable rivers. Canals opened up the centre of England, so that Birmingham became the "canal metropolis": they made possible in both England and Scotland the cheap movement of goods from the western to the eastern side of the country, and thus brought the produce of America much nearer to the markets of Europe; they brought about a large-scale redistribution of population into the districts which they opened up. But because of the nature of the country canals could hardly be built at all in the area of England lying north of Manchester, Bradford and Hull; and it was in this hilly country that developments, except near the coast, had to await the advent of the railways, which also opened up South Wales and before long replaced the canals over the whole country as the main agencies for the carriage of goods. Over the same period the railways displaced the roads as the means of long-distance passenger transport. The coaching age ended; and, as the railways were gradually amalgamated into main-line systems, move-

ment over wide areas became much easier for men as well as goods.

Transport by sea went through revolutions no less extraordinary. Sailing vessels became larger and, accordingly, more concentrated upon the bigger ports. Presently sail began to give place to steam, and timber to be superseded as a material, first by iron and then by steel. Later still came special types of vessels—refrigerator ships, oil tankers, and so on—for the carrying of particular kinds of goods. Almost in our own day, the oil-burning ship has begun to displace the coal-burning steamship, and the Diesel-engined vessel has begun to gain ground upon the steamer. Modern international commerce grew up stage by stage with the development of quicker, more certain, and more efficient means for the transport of goods by water.

The coming of the petrol engine has caused a much greater revolution in land than in sea transport. In our own generation, land transport has been moving back at an extraordinary rate to the roads—at first mainly for passengers, but now to an increasing extent even for heavy goods over relatively long distances. The motor-bus is not only superseding the tram, but opening up to the villager easier access to the town, and taking from the railways an increasing amount of passenger transport, especially over the shorter distances. This new transport revolution is raising great difficulties for the railways, because the road transport agencies often take from them the more remunerative traffic, leaving them with the bulky goods, such as coal, which have been carried cheaply in the past. Hence the railways companies' demand for a "square deal," and the many questions which have arisen in recent years concerning the right relation between road and rail, the statutory obligations to be imposed upon them, and their appropriate shares in the burdens of taxation.

If in the past—ever since the industrial Revolution began—the distribution of industry and population within

Great Britain, as well as the character of the trade that has been carried on with other countries, has depended on the development of the means of transport, it is clear that any attempt to replan the country, from the standpoint of the location of industry and the movement of population as between region and region, or between town, suburb and country, must be dependent on a right adjustment of the facilities for the transport of men and goods. But as matters stand the development of the means of transport is chaotic, and almost entirely unco-ordinated between one service and another. The railways indeed have been amalgamated since 1921 into four main-line groups, so as to eliminate a good deal of the competitive waste and lack of unified development which existed before the war. But there is no rational basis for the four groups, which still overlap to a considerable extent; and a good deal of waste remains even to-day. Moreover, in the nature of the case the railway companies are intensely hostile to the growth of rival means of transport. A long while ago they succeeded to a large extent in disabling the canals by buying up strategic links in the canal system, and thus putting themselves in a position to obstruct any comprehensive reorganisation, and even to make certain parts of the system unusable. It has been impossible for the railways to put similar difficulties in the way of road transport; but since they won their battle for parliamentary powers to develop their own road services, they have brought an increasing part of the passenger services by motor-bus under their control, and have used their power to guide developments along lines which will limit road transport competition. In many parts of the country to-day, the railway companies, as part owners of the motor-bus services, have established a practical monopoly—facilitated by the licensing provisions of the Transport Act of 1930. In the carriage of goods this has not been possible, both because of the very large number of independent road transport undertakings and because the attempt to exact monopoly prices would induce more

businesses to set up their own transport departments, and thus take away traffic from railway companies and road transport contractors alike.

The Labour Party stands for the view that all forms of internal transport, including inland waterways and coastwise shipping as well as road and rail and air transport, ought to be co-ordinated and their development treated as a single problem. It believes that this cannot be done unless there is created a unifying public authority with effective control over all these services, and unless, further, the main transport agencies are brought as speedily as possible under public ownership and administration.

Accordingly, the Labour Party proposes to set up a National Transport Board, similar in its composition and authority to the Boards proposed for coal, electricity and other services, but with a much wider reference. To this Board would be at once transferred the railways, which would become public property, and certain other forms of long-distance transport. In addition, the Minister of Transport would be given power to transfer other transport undertakings of any kind to the Board whenever such transfer seemed practicable and expedient. Long-distance road transport and commercial air transport would probably be handed over at once to the Board; and schemes would be worked out as speedily as possible for the subsequent transfer of canals and canal services, coastwise shipping, some at any rate of the ports, and perhaps local passenger transport services in areas where co-ordinated development is needed over districts much too large to be controlled by a single local authority.

Clearly all these services, or even several of them, could not be actually administered by a single body. There would have to be separate administrations for the railways, the canals, the ports, passenger and goods services by road, coastwise shipping, and air services. The National Transport Board, which would itself be subject to the Minister of Transport in matters of policy, but independent in day-to-day affairs, would thus have under it a number

of separate Boards for particular transport services, and its main task would be to ensure that the separate administrations worked in accordance with a common policy which it would prescribe. In certain cases, existing bodies such as the London Passenger Transport Board, the Port of London Authority, and the semi-public corporation set up in 1938 to reorganise air transport, would become administrative agencies of the National Transport Board; while in others new agencies would have to be set up—a National Railway Board to administer the publicly owned railways, a Canal Board, a Coastwise Shipping Board, and a series of boards for the various sections of road transport.

It is not suggested that this comprehensive reorganisation could be carried through all at once. The first step would be to establish the National Transport Board with a wide enough authority to enable it to control all internal transport services, whether or not they were to be brought immediately under public ownership. The railways would probably be nationalised in the same Act of Parliament as created the National Transport Board; and it is proposed that this Act should also confer powers to take over other forms of transport without the need for further elaborate legislation. The Act would therefore lay down general principles of compensation, to be applied to all types of undertakings, and would confer the power to set up new regulative and administrative agencies as they might be needed.

All transport services not taken over would become subject to a licensing system, and the Board would take over the licensing powers laid down, for example, in the Transport Acts of 1930 and subsequent years. It would need additional powers to enable it to attach conditions to licences and to enforce co-operation and amalgamation upon existing undertakings in order to promote a co-ordinated service. All its measures of policy would of course be subject to Government responsibility and final parliamentary control; but it would be left free from day-

to-day interference in its working out of such policies as might have been approved in principle.

How many services the National Transport Board would need to take over in the end there is no necessity to lay down at present. In the case of the railways the desirability of national ownership and unification under a single public controlling authority is perfectly clear; and it is no less clear that air services, because they cannot be developed adequately without public funds and also because their development involves vital questions of public policy, ought to be completely unified under responsible public control. In other cases the need may be less urgent, or the best form of organisation less clear. For example, though it is plainly necessary to create a National Port Authority to co-ordinate port charges and administration and to take over directly the management and development of many of the smaller ports, it may be preferable to leave the big ports under separate bodies, such as the Port of London Authority and the Mersey Docks and Harbour Board, wherever these bodies can be reconstituted on a satisfactory basis, and brought within the general control of the National Port Authority and, through it, of the National Transport Board. Again, in the case of local bus and tramway services, it may be desirable to proceed rather by way of the amalgamation of local services into regional groups, as was done in the London Passenger Transport Act of 1933, rather than to set up a national administrative body. But in this case, too, there ought in any event to be a national authority with some co-ordinating power, in order to secure efficient administration, reasonable facilities and charges, and the interconnection of services wherever this appears to be required.

Coastwise shipping, which is capable of considerable development, is almost certainly a case for full public ownership and unified public administration at an early stage. It is of special importance in Scotland, where it could be made the means of greatly improved transport conditions in the Highlands and islands; but it could be

revived in England as well, in connection with a public plan for the improvement of the smaller ports, of which many are now in a condition of increasing decay.

As for the canals, it is clear that almost nothing can be done without unified ownership and control, including control of those now owned by the railway companies. An early task of the National Transport Board would be to set on foot a complete investigation into the conditions and possibilities of the canal system, with a view to the expenditure of as much capital as might seem to be worth while in reconstructing it for the through transport of heavy goods not demanding speedy delivery. The canals will never play in Great Britain the part they are able to play in large, flat, less densely populated countries. But they may well have a not insignificant place in the transport system of the future. It is high time for them to be given a fair chance.

The most difficult of all the problems facing the National Transport Board will be that of road services—especially goods services. It is clear that there is an overwhelmingly strong case for developing much further the system of national roads, built and maintained out of national funds. This system, begun under the present Government, will be rapidly extended when Labour comes to power. That part of the problem is simple enough: the difficult part is the organisation of road vehicles engaged in the transport of passengers or goods. The long-distance passenger services run by the motor-coach companies and the regional motor-bus services which now cover most of the country (as distinct from the purely urban tram, trolley-bus, and omnibus services run by municipalities or purely local companies) can indeed be fairly easily brought under public ownership, for amalgamation among the proprietors has already gone a long way. Indeed, in acquiring the railways, the State will be taking over a considerable share in the ownership of road passenger transport services through the controlling interest already held by the railway companies in many of these concerns.

Probably the best course will be to constitute at once a National Passenger Transport Board, to work under the National Transport Board, and to take over immediately the railways' interests, together with the power of licensing and regulating all road passenger services. The National Transport Board, acting on the advice of this body, will then be able at any time to arrange for the complete taking over of any undertaking; and it will be possible for the Passenger Board to administer directly the long-distance services and to create regional boards under itself to manage the motor-bus routes and other services operating within each region. It will also be possible to continue to authorise small undertakings, such as village services and carrier services dealing with both passengers and goods in a small way, to continue to operate under licence from the Board wherever they serve a local need.

Goods transport by road presents much more complicated problems. In addition to a small number of large road transport contractors, whose business could be easily taken over, there are a host of small operators, some serving regular routes and others picking up contracts where they can. There is, in addition, the question of the large number of firms which own their own road vehicles or have established subsidiary road transport undertakings.

At the most, only the large contractors could be taken over at the beginning, the smaller firms being left to operate under a licensing system, and industrial and commercial firms being left free, subject to the observance of proper conditions, to develop their own road services if they so desired. But in any case the National Transport Board would need immediately to set up a National Goods Transport Board on the same lines as the Passenger Board, with full power not only to regulate services remaining in private hands, but also to administer such services as might from time to time be placed under it by the Minister of Transport on the advice of the National Transport Board. Both the Goods Board and the Passenger Board

would, of course, have to work in closely with the administration of the nationalised railway service, so as to develop facilities on complementary rather than competitive lines.

The mere establishment of regulative machinery does not, of course, solve the problems presented by the present conflict between road and rail. It is a matter of real doubt which system of transport is the better over quite a wide field where they are now in hot competition. The correct lines of demarcation, dependent, as they are on changing conditions of relative cost, cannot be foreseen. But it is clearly undesirable to leave the battle to be fought out by the ordinary methods of competition. If road agencies are allowed to take all the traffic they can from the railways, the consequence must be greatly to increase the cost of rail transport for those goods and passengers whose transport cannot be economically transferred. Moreover, no Government could face the social consequences of the bankruptcy of the railway companies, with their vast invested capital and their hundreds of thousands of employees. The railways cannot be written off as obsolete. They are indispensable for many kinds of traffic; and a small reduction in the cost of transporting certain goods would be dearly bought if it involved both much dearer transport of others and the progressive dislocation of the railway system.

The solution of this problem cannot be thought out completely in advance. It will have to be worked out experimentally; and it is of the greatest importance that it should be worked out with the national interest, rather than the profit of this or that concern, as the dominant and deciding consideration. For this, public ownership of the railways and a large measure of public ownership of road transport, with effective public control over the remainder, are indispensable.

It may be argued in some quarters that, in order to achieve a full co-ordination of all internal transport, it would be best to give the National Transport Board direct administrative control over all the services concerned.

instead of setting up a distinct administrative body for each service. But this simply would not work: it would make the Board too top-heavy for efficient management to be possible, however competent the individuals composing it might be. Each section of transport has its own technical and administrative problems, demanding full-time expert attention. It is very important that the National Transport Board shall be given adequate powers to ensure the co-ordinated development of all the related services; but it would be a fatal mistake to entrust it with the direct administration of any one of them. For it could not possibly administer them all with efficiency; and if it administered some but not others it would inevitably regard differently the two groups, and fail in its task of impartial co-ordination over the whole field.

Internal transport needs co-ordinating not only with itself, but also with other services dealing with housing, town and region planning, and the location of industry. It is a key service for all these. But this wider problem of concerted planning had better be left for discussion in a later chapter, when we have finished our survey of each particular part of the field.

It remains in this chapter only to consider briefly the problem of the mercantile marine—the service of ocean-going transport, as distinct from coast-wise shipping, which has been discussed already.

The shipping industry is already in receipt of considerable subsidies from the State. It is a key industry, because freight charges are of crucial importance as affecting both the prices of British imports of foodstuffs and raw materials and the prices at which British exports can be sold in foreign markets. It is, moreover, a highly competitive industry, however closely British shipowners may be combined; for there is keen rivalry between the mercantile marines of the various nations to secure as much as they can of the world's carrying trade. Most countries, in one way or another, subsidise their shipping industries to a substantial extent; and British owners are

always crying out for State help in order to make them better able to stand up to subsidised foreign competition.

It has also to be borne in mind that, above all for Great Britain, shipping is the most vital of all industries in time of war. This country would be faced with starvation and collapse unless enough vessels were available to bring in foodstuffs and raw materials regularly and in large amounts. No development of home production could do away with this necessity; and no policy of storing foodstuffs and materials could do more than reduce the amount of shipping required. The Government is already giving practical recognition to this need by meeting the cost of keeping in condition vessels which owners might otherwise scrap as redundant, as well as by granting subsidies in aid of new building. During the Great War, the submarine campaign brought Great Britain very near to serious food shortage; and the rationing of shipping space was among the most essential of the wartime "controls."

These conditions seem to mark out the shipping industry as highly suitable for early socialisation, at any rate to the extent of the State taking over all lines providing regular services for either passengers or goods. Ownership in the liner section of the industry is already concentrated in the hands of a quite small number of great concerns, which it would be relatively simple to transfer to public ownership. Tramp shipping presents greater difficulties, on account of the large number of separate owners; and in this section it might be best for the State, over and above the power of requisitioning tonnage in time of war, merely to take authority to acquire compulsorily such vessels as it might desire to incorporate in the publicly administered merchant service, leaving the rest to be operated under licence by their existing owners, subject to the observance of approved conditions concerning their use, and concerning the terms of employment, manning, and accommodation of crews.

If the major part of the mercantile marine were taken

over in this way, the State would need to administer it through some sort of National Maritime Board, constituted similarly to the boards proposed for other industries and services. This body would have to work in close connection with the agencies which would be set up for the control or administration of import and export trade—the Commodity Boards for various types of agricultural produce, and the Marketing Boards proposed for the better organisation of the principal branches of export trade.

It may be objected that shipping is a highly speculative industry, of which the returns vary very greatly between periods of good and bad trade. But this, so far from being a reason against public ownership, is a strong argument for it; for the State is much better able than private concerns can be both to budget over long periods and to adapt the amounts and kinds of tonnage to the requirements of its general economic plan. Moreover, the direct control of shipping would give the State, through the power to fix freight rate and determine priorities of allocation, a most valuable power both to stimulate exports and to direct the course of trade in accordance with considerations of international policy. This is the more important because it is plain that, if a world peace alliance is to be created, this must rest on a basis of economic as well as political collaboration, or it will have no firm foundations and no assured permanence in face of changing conditions of political expediency.

The Labour Party, hitherto, has put forward no detailed plans for the socialisation of shipping, merely including authority to take over the mercantile marine among the permissive powers to be assumed in connection with the reorganisation of transport as a whole. The shipping question, however, has become much more urgent recently in view of the war danger; and, whereas only a year or two ago it might have seemed that socialisation could be deferred until after the stage of development contemplated in *Labour's Immediate Programme* had

been reached, there now seems to be an unanswerable case for giving the socialisation of shipping a high place in the list of "priorities." If the Government is to pay for keeping in existence vessels which the profit motive would allow to be scrapped; if it is required to subsidise the building of new tonnage, and even the operation of a large part of the existing mercantile marine, it would surely be preferable to take over the industry and re-organise it thoroughly as a public service equipped to meet the nation's needs in both peace and war.

CHAPTER XIV

THE METAL TRADES—ARMAMENTS

WAR, and the preparation for war, must always exert a very powerful influence on every part of the industrial system; but nowhere is this influence so powerfully felt as in the industries manufacturing metal or engaged in the making of metal goods. Iron and steel manufacture, the production and refining of non-ferrous metals, engineering, shipbuilding, and a host of other metal trades underwent a profound economic revolution between 1914 and 1918, when the output of crude metal had to be expanded by every possible device, and all manner of factories had to be diverted from their normal activities to the production of munitions of war. The metal industries emerged from the war both greatly expanded in their capacity for production and in the numbers employed, and radically changed in their methods of production and in the relations between skilled and unskilled, male and female, workers. Thereafter came a period of far-reaching adaptation to the needs of peace. The entire group of industries had to be scaled down from its war-time size and re-directed to the production of different types of goods. The number of workers

employed in the metal trades fell off rapidly, and many works constructed with a view to war-time needs went out of operation altogether. At the same time there was proceeding, especially in the iron and steel industry, a great technical revolution which rapidly rendered obsolete many of the older plants and even many of those constructed during the war, so that the industry had to face simultaneously a reorientation to new types of production and a profound change in technical methods involving considerable alterations in the economic location of its various plants.

Shipbuilding also had been expanded to immense proportions, especially during the latter part of the war in face of the submarine danger. After a brief period of post-war activity the shipbuilding industry suffered a catastrophic decline with the onset of the post-war depression—a decline aggravated by the seizure of Germany's merchant fleet as a contribution towards the payment of reparations. Shipbuilding is always and inevitably affected much more than most other industries by the fluctuations of general economic activity; and in the post-war period the relative decline of foreign trade, as nations resorted more and more to protective policies designed to stimulate all-round home production, aggravated the slump. After a brief and partial recovery the industry plunged into new depths during the world depression; and the shipbuilding firms set themselves deliberately to reduce the output capacity of the industry by buying up and putting out of action shipyards which they regarded as redundant—thereafter selling the sites on the explicit condition that they should never again be used for shipbuilding. Moreover, a "scrap-and-build" policy was introduced for shipping with the aid of a double subsidy in order to remove from potential competitive activity as many as possible of the older vessels. This, while it gave some stimulus to new shipbuilding, can now be seen to have reduced dangerously the reserve of vessels which would be needed for purposes of food supply in time of

war; and the Government which, only a year or two ago, was bribing shipowners to destroy redundant ships, has recently announced its intention of meeting the cost of keeping in good working order vessels which are surplus to current needs.

The engineering industry, when in the post-war period it shifted back from producing munitions to manufacturing with a view to peace-time needs, did not forget the lessons of mass-production which had been learnt between 1914 and 1918. Large numbers of women were retained in the lighter branches; and throughout the industry the proportion of skilled to less skilled workers was greatly reduced. Mass-production was applied over a very wide field, especially in the lighter branches of engineering; and as a consequence of the reduced demand for skilled workers apprenticeship underwent a rapid decline—with consequences which are now being realised as the demand for munitions of war is increased; for the munition trades on the whole call for a large proportion of highly-skilled workers. This does not indeed apply to the manufacture of shells or cartridge-cases, or other munitions which need to be produced in enormous quantities when war is actually going on; but it does apply to aeroplanes, tanks, rifles, ordnance, and most of the types of munitions which are now being produced on a large scale as a measure of war preparation.

The Labour Party has declared that its policy is "to abolish the private manufacture and sale of armaments,"¹ and that it will pass an Act "enabling the Government to take over any undertakings manufacturing munitions of war."² This policy, of nationalising particular factories engaged in the manufacture of munitions, was adopted in France after 1936 by the Government of the *Front Populaire*, which took over and reorganised the French aircraft industry and also many of the establishments producing to meet the needs of the army. The manufacture of

¹ See *For Socialism and Peace*, p. 8.

² See *Labour's Immediate Programme*.

armaments ramifies inevitably into many branches of industry, including the chemical trades as well as the various metal-working industries; but its main centre is in the production of iron and steel and other crude metals and in the engineering and shipbuilding industries. Accordingly, the policy of "taking the profit out of war" by nationalising the production of armaments involves either the public ownership of the entire range of metal-working trades and industries, together with a number of others such as the chemical industry or, alternatively, the selection for public acquisition of particular establishments engaged in making munitions, so as to make the Government part-owner of a number of industries still largely carried on under private ownership and control.

The difference between these two policies is, of course, much greater in time of peace, even under conditions of intensive war preparation, than it would be in time of actual war. If war were to break out, the vast majority of establishments in the metal-working industries would be engaged in producing armaments; and the public ownership of the arms trades would involve something not far short of complete nationalisation of the whole metal-working group of industries. Between 1914 and 1918 the vast majority of establishments in the metal industries became "controlled establishments" under the Munitions of War Acts, and were made subject to special restrictions on the earning of profits. These restrictions, however, did not prevent them from realising exceedingly high profits as long as the war lasted; and the lesson of the last war is that the method of control without an actual transfer of ownership does not work at all satisfactorily and is extremely costly from the standpoint of the State. If war were to come again, it would be much better to nationalise outright the entire range of industries which would have to be pressed into the service of producing munitions and other war supplies.

We are, however, at present considering not a situation of actual war, but only one of active preparation for war.

and the main purpose of this chapter is to lay down the Labour Party's policy for dealing with the metal, engineering and shipbuilding industries not only in the event of war but also whether war actually comes or not. The subject can best be considered under five heads—not that these by any means exhaust it, but that they cover the most important problems—except those of the chemical industry, which calls for separate treatment. These five heads are as follows: the manufacture of iron and steel, general engineering, shipbuilding, aircraft manufacture, and the special question of taking over such armament factories as are not socialised as part of a policy of socialising an entire section of the industry.

The iron and steel industry has already been the subject of a large amount of State action and assistance. During the years immediately after 1918 the industry went through an intense speculative boom, from which it emerged with its capital grossly inflated, and with an immense burden of debt owing to the banks. The insane speculation of 1919 and 1920 and the debt burdens which were its legacy placed the industry in a very unfavourable position for re-equipping itself in order to meet the great technical changes which were then coming upon it. Accordingly there followed a period of financial reorganisation, largely dictated by the banks at the expense of the shareholders, who had been left "holding the baby" after the speculative boom. But although the banks forced financial reorganisation and writing-down of inflated capital upon individual firms, they did not effectively use their power to bring about the reorganisation of the industry on more satisfactory lines. In face of rapid technical development in other countries, accompanied by close cartelisation among producers, the British iron and steel industry, which had always depended greatly on export, found its foreign markets greatly contracted, and met with an increasing amount of foreign competition even in the home market. Again and again it went to the Government with demands for help. The crude steel producers

especially wanted a tariff high enough to shut out German and Belgian imports of cheap steel; and as the unsound financial position of the industry made it impossible for any large amount of capital for reconstruction to be raised for it in the ordinary capital market, the big firms wanted the Government either to supply the capital itself or at any rate to guarantee the interest and so make it possible for them to appeal successfully to the investing public.

With the advent of the National Government after the crisis of 1931, the steel industry got its tariff. Imports of crude steel from abroad were largely shut out, and imports of other iron and steel manufactures were greatly reduced. This, while it helped the big firms manufacturing crude steel, was a severe blow to certain of the finishing trades, whose power to sell their goods in foreign markets depended on the supplies of cheap crude steel which they had previously imported from abroad. This consideration, together with the notorious lack of efficient organisation among most sections of the producers, led even the National Government to attach to the concession of a tariff on imports the condition that the industry must prepare and carry into effect a satisfactory scheme of reorganisation; and the Import Duties Advisory Committee was made the arbiter of its response to this requirement. Thereafter came considerable delays; but in the end the British iron and steel manufacturers were linked up into a powerful federation based mainly upon the crude steel producers, but including attached associations for each of the main products of the industry. Equipped with this formidable capitalist cartel, the industry entered into negotiations with the foreign producers who were already combined in the Continental Steel Cartel, and reached agreements which restricted the quantities of iron and steel products imported into Great Britain over the tariff, and gave the British exporters an assured though limited share in overseas markets.

The State thus exercises some control over the organisation of the iron and steel industry by means of the Import

Duties Advisory Committee, which can threaten to withdraw or reduce tariff protection if its requirements are not complied with. This control, however, has become much less effective since the agreement with the Continental Steel Cartel; for imports are now limited much more by this agreement than by the operation of the tariff. In effect, the State has consolidated the iron and steel industry into a powerful capitalist monopoly without acquiring any effective control over its use of its monopolist power. The consequence can be seen in the high prices charged for steel and its products during the rearmament boom, and in the high profits and high share-quotations of the leading steel firms—in marked contrast to the financial embarrassments of only a few years ago.

The Labour Party believes that the right course is to bring the entire industry of iron and steel manufacture under public ownership. For this purpose the Trades Union Congress has worked out a scheme of socialisation based on the establishment of a Public Corporation, to be appointed by the President of the Board of Trade, and to be similar in form and personnel to the controlling boards for coal, electricity and transport described in earlier chapters of this book. The Corporation would be autonomous in its day-to-day working, but responsible to the Government and to Parliament in all matters of policy. It would be composed of full-time members, including some from the workers; and all its members would be compelled to renounce any personal interest in the industry from either the capitalist or the Trade Union side. So far the plan is on the same lines as the plans put forward for the industries discussed in earlier chapters.

There are, however, special problems peculiar to the iron and steel industry, which have to be considered in devising any scheme for its operation under public ownership. Broadly speaking, the reorganisation scheme now in operation under private ownership is based on dividing up the industry for purposes of collective regulation into a series of associations each concerned with a particular

product: so that a firm which manufactures a number of different products will be connected with more than one association. This is natural enough in a scheme which deals mainly with the regulation of prices; but it by no means follows that it would be the correct course to pursue in organising the industry for production under national ownership. The alternative would be a re-organisation following regional lines, so that the entire industry would be divided for purposes of management into a number of regional units under the general co-ordinating authority of the National Corporation; and a scheme of this sort would seem in general to fit in much better with the requirements and conditions of the industry, from the standpoint of its productive technique.

It seems clear, at any rate, that the production of iron ore, pig-iron and crude steel must be organised upon a regional basis corresponding to the main areas in which the output of these products is already localised. The finishing trades group themselves less naturally into regions, but are in many cases so closely connected with the production of crude steel that it would be very difficult to separate their organisation from that of the primary branches of the industry. In a scheme of reorganisation under public ownership, product groups would probably survive for purposes of the planning of output and the exchange of technical information. But their importance would probably be secondary to that of the regional public combines, to which the main tasks of development and administration would be entrusted under supervision of the national co-ordinating authority.¹

The socialisation of the basic processes of iron and steel manufacture and of the finishing trades, such as the tinplate trade, which are inseparable from these processes, would at once give the Government an immense power to control the entire range of industries using iron and steel as their main materials for further manufacture.

¹ For a fuller description of these problems see *The Socialisation of Iron and Steel*, by Ingot. Fabian Society, 32.

The engineering industry is altogether too undefined in its frontiers and too diversified in the nature of its processes and products to be suitable for an early application to it of the policy of nationalisation as a single unit. Its products range from dock plant, locomotives and heavy machinery of all sorts, to motor-cars, cycles, and an immense variety of light consumers' goods. It includes such highly-specialised industries as marine engineering, electrical engineering and the manufacture of electrical equipment, textile and agricultural engineering. All these branches raise special problems and will in due course require special treatment in any comprehensive scheme of socialisation. But for the time being, apart from those factories which are engaged explicitly or primarily in manufacturing munitions of war, and from the railway engineering shops, which will be taken over when the railways themselves pass under public ownership, the problem is one rather of control than of public acquisition. It is necessary to ensure that the engineering industry in its various branches shall fit into its proper place in the development of a comprehensive national economic plan; but for the present this must be done by measures of control over private enterprise rather than by the supersession of private by public ownership. The nature of these measures can be more easily discussed in a subsequent chapter as elements in the working of the general economic plan which a Labour Government will begin to introduce at the earliest possible stage.

The shipbuilding industry, on the other hand, is well-defined and already concentrated in the hands of a small number of firms. It would therefore be much easier to nationalise than engineering; and the State is already a considerable shipbuilder through its ownership of the Royal Dockyards. Personally I regard the shipbuilding industry as eminently ripe for public ownership. But the Labour Party has not so far worked out any detailed plans for its socialisation; and it may be that the tackling of the problem will have to be deferred for a while on account of the limits of Parliamentary time and the more obvious

need for thorough reorganisation of certain other industries at the earliest possible moment. The shipbuilding industry has to a great extent rationalised itself, as far as technique and concentration of production are concerned. This does not mean that it can be safely left in the hands of its existing owners, above all in time of war; but it does make the problem less urgent than it is in those industries in which the capitalist firms have failed to bring about any technically satisfactory measure of reorganisation.

The aircraft industry, on the other hand, is not only ripe for socialisation but in urgent need of it. A very large and increasing part of its output is for war purposes, and is already bought by the State and manufactured under conditions which give the State a large share in the control of design and methods of production. Civil aviation is also a State-controlled service, reorganised in 1938 under a semi-public corporation, and living upon a public subsidy. Thus by far the greater part of the output of the industry is already for public use; and it is illogical to leave the processes of manufacture in the hands of profit-making companies instead of taking them directly under public ownership and control. There are no considerable difficulties, and there would be very great technical and economic advantages, in taking over at any rate all the larger firms now engaged in aircraft manufacture: small firms, if it were thought desirable, might be allowed to continue in existence under licence, provided that full powers were taken to socialise at any time any concern which it might be found desirable to include in the national scheme. Doubtless certain problems of demarcation would arise in connection with the manufacture of engines for aircraft, and with the shadow-factories which have been established recently as a part of the re-armament programme; but it would be easy enough to adjust these differences if a National Aircraft Manufacturing Board were established with adequate powers of control.¹

¹ See *Aircraft Manufacture: A Description of the Industry and Proposals for its Socialisation*, by R. McKinnon Wood. Fabian Society, 6d.

Finally, there is the question of firms engaged wholly or largely in the manufacture of armaments, but not falling within industries which it is proposed immediately to transfer to public ownership. In these cases the right course is for the State to purchase the firms as they stand on a reasonable basis of compensation analogous to that laid down for the complete centralisation of other industries—that is, broadly speaking, on a principle of net maintainable revenue, apart from any expectations of higher profit due to the rearmament programme. The firms taken over in this way could then be grouped together with the existing Royal arsenals, such as Woolwich, under a controlling Board of their own; and this Board could appoint where it thought fit separate Boards of Directors or Managing Councils for the various establishments. When a sufficient number of establishments in any one branch of production had been taken over, it would probably become desirable to create for their supervision a distinct controlling body which would then become the nucleus of a Board for the control of the entire industry or trade, if and when it came subsequently under complete national ownership.

The purpose underlying these proposals is twofold. In the first place it is indispensable that such great basic industries as iron and steel manufacture, and before long shipbuilding, should come under complete public ownership and operation because of their key importance in the national economy as a whole and of the necessity in them for highly concentrated organisation. In both these cases the only alternative to public ownership and operation is capitalist monopoly; and the experience of the post-war period has shown all too clearly that the monopolists are not to be trusted to conduct these industries with reasonable regard to the interests of the nation. It is of fundamental importance to the prosperity of the British economic system as a whole that iron and steel should be produced and ships built under conditions of the highest possible efficiency and at the lowest possible cost, and that the

community, as ultimate users of the services of these industries, should not be exploited through high prices based either on wasteful organisation or on excessive profits.

In the second place, there is an overwhelming case for doing everything that can be done to prevent war from being a source of profit to any group of capitalists. There is a widespread feeling that it is morally wrong as well as economically disastrous that profits should be made out of war or out of war preparation, and that the prospects of peace would be greatly improved if it were to no one's interest to tout for armament orders and to encourage the nations to competitive excesses of war preparation. This aspect of the matter has, no doubt, dropped somewhat into the background on account of the collapse of the League of Nations as a force making for world peace, and of the progress of intensive rearmament in the Fascist countries. For these events have forced upon Great Britain, and indeed upon all States that are menaced by Fascist aggression, an immense increase in the output of instruments of war. But the need to produce armaments in greatly increased quantities does not make it any the less indefensible that they should be produced for profit: indeed, the enormous rise in expenditure upon them makes it more urgent than ever to secure that they shall be produced at the lowest possible cost, in terms both of money and of diversion of the national energy from uses more consonant with human welfare. These considerations make it indispensable that all armament factories of every sort shall be brought speedily under complete public ownership and control; and there is the further advantage in this policy that it will bring to an end once and for all that infernal traffic by which capitalist producers of armaments are still busily supplying for profit not only the demands of their own countries but also those of the countries against which their own country's armaments may come to be employed.

CHAPTER XV

TEXTILES

THE history of the post-war years is strewn with abortive schemes for the reorganisation of the cotton industry. Ever since the collapse of the insane cotton boom of 1919 and 1920, when mills changed hands at many times their real value, the industry has been in a deplorable condition, and the unfortunate operatives have found their earnings cut down to a wretched level. These calamities have not come upon the industry wholly by its own fault, though they have been aggravated first by the follies of the boom period and later by the extreme individualism which has obstructed every attempt at reorganisation. For a considerable part of the industry's difficulties there is no cure; for nothing is ever likely to give back to Lancashire its virtual monopoly of the trade in cheap cotton goods to the countries of the Far East. Great Britain owed its position of predominance as an exporter of cotton goods to the long lead in mechanical efficiency established during the Industrial Revolution; and now that other countries have put their cotton industries on a basis at least equally efficient, it is impossible for Lancashire to regain its previous control of the market. Moreover, with the aid of modern machinery the need for highly skilled labour, on which Lancashire's eminence largely depended, has been very much reduced. The coarser kinds of cotton piece goods can be manufactured by cheap labour using highly mechanised methods from yarn produced by ring-spinning—an almost unskilled process; and although the skilled workers of Lancashire remain more productive than their rivals in the making of the higher qualities of goods, it is out of the question for their skill to offset the cheapness of the labour which the Far Eastern producers can command for the mass-production of the lower grades of cotton cloth.

The war of 1914-1918, by interrupting Lancashire's export trade, hastened what was bound in any event to come before long—the large-scale competition of the Asiatic producers. From the moment when the Japanese entered seriously into the business, a good deal of Lancashire's trade was bound to be lost. It is now a question not of gaining back the greater part of these losses, but rather of doing what can be done to prevent a further decline by introducing the greatest possible efficiency into every section of the industry, including the marketing of its products, and by endeavouring by all possible means to extend the market for the higher grades of cotton goods.

To stress the importance of these causes of Lancashire's troubles is by no means to exempt from blame those who have failed during the past twenty years to achieve any effective reorganisation of the industry. The root of the trouble is to be found partly in the determined individualism of many of the employers and partly in the extreme sectionalism of the existing methods. In the great majority of cases the firms which weave cotton cloth neither produce their own yarn, nor bleach, dye, or finish the goods which they manufacture, nor have any direct contact with the markets in which their goods are sold. Spinning, weaving, bleaching and dyeing are done mainly by separate specialist firms, though there are some which carry on a number of processes in combination. Merchanting is almost entirely separate; and the manufacturers of piece goods work in the main to the orders of a host of merchants, who undertake the function of interpreting the needs of the various importing countries, and play off one manufacturer against another in their attempts to cut prices in the highly competitive markets in which they have to sell.

This form of organisation was probably the most efficient in the eighteenth and early nineteenth centuries, when Lancashire was winning its predominance. It is utterly obsolete to-day, as appears plainly wherever the British exporters have to meet the keen competition of

the Japanese. In Japan three large companies control over two-thirds of the total imports of raw cotton and market nearly two-thirds of the total exports of piece goods; and these same firms also carry on a substantial part, though not so large a part, of the processes of manufacture. Cotton spinning is highly concentrated, two-thirds of all yarn production being in the hands of nine firms; and these same firms control a large proportion of the bleaching, dyeing and finishing of cotton goods. Weaving is less concentrated; but there too the big firms are increasing rapidly their share in the manufacture, and in any case their control of both spinning and finishing puts the weavers very much in their hands.

All sections of the industry are closely organised in associations dominated by the great combines; and the State also intervenes actively in order to promote efficient organisation. Export associations for the exploitation of the various markets were set up under State auspices in 1930; and the State helps the producers with an indirect subsidy by way of a shipping rebate on imports of raw cotton, as well as by commercial agreements designed to increase exports of finished goods.

In competition with this highly organised industry the British exporters are at a disadvantage which is much more serious even than the disparity between British and Asiatic rates of wages. The sectional character of the British system not only demands too many intermediate profits, it also stands formidably in the way of standardised mass-production and of knowledge by the manufacturers of the real requirements of the market.

The home demand for cotton goods has ever since the Industrial Revolution accounted for only a small percentage of Lancashire's output. It was as a producer supplying most of the world that Lancashire reached the levels of employment and output which culminated in the "golden age" of the British cotton industry before the war. Even to-day, though exports have been cut down to less than one-third of the pre-war quantity, cotton goods are

still among Great Britain's most important exports, valued even in 1938 at nearly £50 millions—a total exceeded only by exports of machinery at £58 millions. As recently as 1937 cotton still headed the export list with a value of over £68 millions.

Plainly, then, it is of vital importance that this great industry should be organised with the greatest possible efficiency. The power of Great Britain to purchase necessary imports depends on the maintenance of the exporting trades; and it would be totally impracticable to find substitutes for the cotton goods which, in 1936 and 1937, still made up more than one-sixth of the total exports of British manufactures.

As I write, the latest of the many post-war attempts to reorganise the Lancashire cotton industry is about to be made. The Government has recently introduced into Parliament a Cotton Enabling Bill, under which those at present responsible for the industry are to be given powers to bring about reorganisation under private ownership. Under this scheme, which has many disadvantages but may yet be better than leaving things as they are, there is to be established a Cotton Industry Board with large compulsory powers. This Board is to consist mainly of representatives of the firms engaged in the various sections of the industry—including three workers' representatives as against nine representing employers and merchants—and there are to be three impartial members, one of whom is to be Chairman of the Board. The main functions of this body, in addition to promoting research, will be to register on a compulsory basis all firms engaged in the industry and to pass judgment on the sectional schemes of reorganisation which it is the purpose of the Bill to bring about. Merchants will not be compelled to register; but only registered merchants will be given the advantages of the special reduced prices which are to be introduced under the scheme.

The sectional schemes which are to be authorised under the Bill are of two kinds—"redundancy" schemes

and schemes for the fixing of prices. Redundancy schemes, which will be administered by Boards of impartial persons nominated by the Board of Trade, will have the object of buying up and putting out of action plant which is regarded as excessive in relation to the demand for the industry's products. They will be designed to scale down the existing productive capacity, and thus to check the tendency to cut prices in order to secure orders. Price schemes, on the other hand, will be directly administered by the members of the trade concerned, without State nominees, and will be designed to enforce minimum prices upon all producers. The Cotton Industry Board will have to be satisfied that the prices fixed do not exceed "the costs incurred by an efficient firm working the customary hours." Schemes of either type will come into operation only if they are approved by a majority of the firms affected and if the favourable votes represent two-thirds of the trade. They will also require the approval of the Board of Trade, and will have to be laid finally before Parliament, but they will thereafter take effect unless within a month either House of Parliament passes a resolution of rejection. There is also to be set up a distinct Cotton Export Development Committee, empowered to make plans for the reorganisation of the export trade.

This is a very bare summary of the scheme drawn up by representatives of all sections of the industry for presentation to the Government¹ early in 1939. The scheme appears to have the assent of a majority of all sections, except the merchants, many of whom see in it a threat to their control over the manufacturing firms. It, or something like it, seems likely to be passed into law, with the effect of giving public sanction in yet another industry to price-fixing by private capitalist interests and to a compulsory combination of profit-makers which would have horrified orthodox economists only a few years ago.

¹ See *Proposals for Legislation on the Reorganisation of the Cotton Industry*. Cmd.5955, 1939.

As long as an anti-Socialist Government remains in power, reorganisation is bound to follow those anti-social lines. It has done so in the case of coal and steel, as well as in the various agricultural marketing schemes. In effect, if industries are to be so organised as to face the conditions of the modern world, they must, wherever they are engaged in competition with large-scale combines in other countries, either become profit-seeking capitalist monopolies or be brought under public ownership and control. There is no effective middle way.

The Labour movement has recognised this; and the scheme drawn up by the Trades Union Congress for the reorganisation of the cotton industry provides for the complete socialisation of the trade.¹ The only exception is that it is proposed, for the time being, to leave the importation of raw cotton in the hands of the merchants organised in the Liverpool and Manchester cotton markets. The importers have to deal with the cotton producers in America and elsewhere, and maintain for this purpose their own staffs or agents on the plantations. Later on, this business will probably be taken over by a public Import Board, which will be responsible for the bulk purchase and grading of all the raw cotton that is brought into the country. But the Trades Union Congress holds that reorganisation of this part of the trade had better be deferred until the new scheme for the other sections is in working order, and until the method of Import Boards is being applied simultaneously to other grades.

For the rest of the industry and for the marketing of its products the Trades Union Congress proposes the establishment of a British Cotton Corporation "to take over all businesses and undertakings engaged in the spinning, manufacturing, finishing, packing and marketing of cotton goods, or goods composed of a mixture of cotton and other materials." It proposes that the Corporation should consist of persons appointed by the Board of

¹ See *Cotton: the T.U.C. Plan of Socialisation*. Trades Union Congress, 3d.

Trade, not to act as representatives of any particular interest, but as full-time public servants, chosen for their competence to conduct the affairs of the industry. That is to say, the conditions are to be the same as for the various Boards and Commissions discussed in previous chapters. The Corporation's duty would be to exercise general supervision over the whole industry, and to ensure the conformity of its policy with the economic plan drawn up for industry as a whole. But the actual administration would be carried on, not by the Corporation itself, but by a series of Sectional Boards, set up under its auspices and working subject to its control. There would be a Sectional Board for each of the main divisions of the industry—spinning, manufacturing, and finishing—and also a Board for marketing, which would hold the key position, as its requirements would determine the demands made upon the producing sections of the trade. In addition, machinery would be created for the expression of complaints by consumers, and for the investigation of such complaints. Research would be placed under the control of the Corporation; but each section would be expected to carry on specialised work of its own.

On the labour side, the Congress scheme provides for Works Councils in all establishments, representing both the Trade Unions and the technical and managerial staffs. These Works Councils, it is proposed, should have the right to nominate candidates to be considered for appointment to the various Sectional Boards. The scheme stresses the need for developing among all those concerned "a new conception of industrial management and administration" and for developing "a healthy discipline of workshop self-government, in which authority is related to merit alone."

This plan of reorganisation is obviously similar in many respects to the plans which a Labour Government would propose for other manufacturing industries which it had decided to socialise. The cotton scheme is bound, indeed, to lay more stress than would be necessary in most

cases on the exporting and marketing aspects; and it also proposes a greater degree of devolution upon sectional bodies than would be needed in industries possessing a simpler and more unified structure and technique. Each industry, of course, is bound to have its special needs, and to call for particular treatment: But as this book affords no space to discuss the detailed needs of one industry after another, what has been outlined in this and the foregoing chapters must serve as a broad indication of the policy which a Labour Government would follow in other cases as well, whenever it decided that the time had arrived for dealing with them. The details will be different from case to case; but throughout the basic principles of socialisation will remain the same.

CHAPTER XVI

PLANNING

AN attempt has been made in the foregoing chapters to outline the Labour proposals for the reorganisation of a number of particular industries and services in order both to make their conduct more efficient in a technical sense and to ensure that their policy shall be directed by considerations of public welfare, rather than of private profit. In most cases, the proposed remedy is that of public ownership and operation under a nationally appointed body responsible to the Government and to Parliament, and falling within the department of a Cabinet Minister who will be called upon to answer in Parliament for the policies actually pursued.

If this were all, reorganisation of particular industries along these lines would hold out the prospect of greatly improved working of the economic system; for the putting right of conditions in a number of industries which are now very inefficiently organised, or administered in

opposition to the public interest, would of itself do much to amend the working of other parts of the system. But Labour is aiming at something more than a merely sectional reconditioning of a number of particular industries and services. The Labour Party means, as we saw at the beginning of this book, to advance as rapidly as possible towards a comprehensive planning of the proper use of all the vital resources of production, so as to ensure that no available resources shall be left unused and that all shall be used to the best possible social purpose. This object involves planned industrial reorganisation not merely for a number of particular industries, each regarded as a separate concern, but for industry as a whole, with a due regard for the correct relations between one industry and another.

It is, however, out of the question for a Government proceeding by constitutional and evolutionary methods to establish all at once the conditions requisite for the operation of a comprehensive economic plan. This objective will have to be approached by stages; and the plans which the next Labour Government will be in a position to carry out will be of necessity partial and incomplete.

This unavoidable incompleteness by no means absolves the Government from the need to assure itself that its individual projects are not only sound and workable in themselves, but also coherent and mutually consistent as contributions towards the building up of a wider and more inclusive plan. Thus, whereas capitalist Governments, when they are driven reluctantly to nationalise, or partly nationalise, some essential industry or service, are very careful so to reconstitute it as to isolate it as much as possible from any form of "political" control, the aim of Labour will be to make the policy of each industry that is socially controlled a matter for democratic division by the representatives of the people, and to ensure the correct adjustment of each to the needs of the whole.

This means, practically, that the Boards which are set up for the administration of the various socialised

services cannot be left to determine their own policies, but must be made the instruments of a policy laid down for all industry by the Government with the endorsement of Parliament. In order to guarantee this conformity, each administrative Board or Commission must take its orders as to policy from the Government, and be directly within the sphere of one of the departments between which the work of Government is divided. It will, however, be clearly impossible for Parliament, or for the Government itself, to undertake the detailed work involved in devising a comprehensive economic plan, or in supervising its execution. There will have to be special planning agencies, under Government control, concerned not with the administration of particular industries, but with thinking out and advising upon the formulation of a general economic plan.

The complete creation at the outset of the *general* machinery of economic planning is neither practicable nor desirable on any ground; but it is highly desirable that there should be from the first at any rate the nucleus of a national planning authority under the Government's control. There are a number of alternative ways in which this could be done; and it is not necessary to pronounce dogmatically in favour of any precise form of organisation.¹ But perhaps the best course would be to constitute a Ministry of Economic Planning, with a Cabinet Minister at its head, and to place this ministry in a special relation to the Prime Minister, who would be responsible for securing the necessary co-ordination between it and the more specialised departments in charge of particular aspects of economic and social administration. It would then fall to the share of the Ministry of Planning to work out comprehensive schemes for the development of the natural resources; but the Ministry would not be so choked with detailed duties of administration as to be prevented from surveying the entire field in an objective way.

¹ For a discussion of the alternatives, and of the whole subject, see *The Machinery of Socialist Planning*, by G. D. H. Cole. Fabian Society, 2s. 6d.

The duties of the Ministry of Planning would be clear enough in relation to industries and services which were actually being operated under public ownership and control. It would have to inspect and review the working of these services, to comment on plans and budgets presented by them, and to advise the Cabinet concerning their proper development as parts of the general economic scheme. But it would have even more important duties in relation to industries and services remaining under private ownership. To it would fall the duty of drawing up schemes for the socialisation and future administration, of services which the Government proposed to take out of the hands of private enterprise; and it would have also to work out for the Government's consideration schemes for the regulation of industries which were still to be left in private hands. Thus, if the Government proposed, without actual socialisation, to bring such industries as building or engineering under some form of public control, the detailed projects would be worked out by the Ministry of Planning in co-operation with the departments most intimately concerned—at present the Ministry of Health in the case of the building industry, and the Board of Trade in that of engineering.

'The control and development of privately owned industries in the transitional stages between a capitalist and a Socialist system are closely bound up with the organisation of finance. Except to the extent to which industrial developments are financed out of the reserved profits of business, the creation of new means of production depends, under the capitalist system, on the provision of long-term capital through the investment market and of short-term capital, or credit, through the banks. The reorganisation of banking as an instrument of Socialist planning is discussed in a later chapter of this book; but it is necessary to emphasise at this stage the close connection which would need to be secured between the reorganised banking system and the machinery essential for the control of economic planning. If the Government's economic projects are to

be effective, they must be assured of adequate supplies of credit from the banks; and, if planning is to extend beyond the industries which are brought under public ownership to those which remain in private hands, the Government must also be in a position to influence the flow of capital through the investment market, so as to prevent the misapplication of capital resources and to direct the available supplies of new capital into the types of enterprise which need to be developed in the interests of the people.

The instrument which the Labour Party proposes immediately to create for this purpose is a National Investment Board.¹ This body, which would take over the funds now available for investment in the hands of various Government departments and agencies, such as the Public Works Loans Board, would either itself draw up each year, or would have drawn up for it by the Ministry of Planning, to which it would be attached, an estimate of the prospective national income and of the sum likely to be available for investment in all forms of enterprise. It would have before it, on the basis of statements drawn up by the Ministry of Planning and approved by the Cabinet, a schedule of the Government's own requirements for investment in the development of socialised enterprises and in such services as housing, road construction, and other capital works. It would be presented, further, with a schedule of priorities, indicating in what types of private enterprise, and where necessary in what actual undertakings, the Government, on the advice of the Ministry of Planning, considered that the investment of new capital ought to be encouraged or approved, and perhaps also what forms of investment ought to be discouraged, or positively forbidden.

It is suggested that, instead of each socialised enterprise raising funds from the public independently on its own behalf, all borrowing from the public for purposes

¹ See *Socialism and the Condition of the People*, Labour Party, 2d., and *Currency, Banking and Finance*, Labour Party, 2d.

See also *The Control of Investment*, by Colin Clark. Fabian Society, 51., and my *Machinery of Socialist Planning*, cited already.

of investment in such enterprises should pass through the hands of the National Investment Board, which could either issue loans earmarked against a particular public undertaking, or itself borrow the money from the investors, and re-lend it to the undertaking which needed the capital. This would ensure that the claims of the various socially controlled services upon the capital market were clearly co-ordinated, and that each service would be able to get its capital at the lowest possible rate, because it would have behind its demand the full credit of the State.

It is a more difficult question whether the National Investment Board should be authorised, at any rate at the beginning, either to raise from the investors or itself to lend capital for industries remaining under private ownership, when their claims to a share of the available supply of capital had been approved by the Government as consistent with the needs of the general economic plan. If the Board did not do this, it would still be required to authorise, or refuse to authorise, all proposals to appeal for capital to the investing public; and no public issue of capital would be allowed without a licence from the Board. This system of licensing would have to be extended to cover indirect issues by way of "offers for sale," and would probably have before long to be made applicable also to the investment of company reserves in new works or extensions of existing works; for without these provisions it would be easy to avoid the ban on unauthorised issues. Probably, in the great majority of cases, private enterprise would be left to make its own appeals to the capital market, subject only to the necessity of securing the Board's consent. But where an industry was being subjected to a form of reorganisation involving a considerable element of public control over its future working, the National Investment Board might well be authorised either itself to advance funds for development, or to sponsor the requisite capital issue, with or without guaranteeing an appropriate rate of interest over a period of years.

Where the National Investment Board itself lent capital

to firms remaining under private ownership, or invested in undertakings of this type, it would presumably be authorised in suitable cases to appoint members to the board of directors, so as to create a type of "mixed concern" already familiar in some other countries, but hitherto highly exceptional in Great Britain. Even here, however, there are already examples of the "mixed concern"—for example, the Anglo-Iranian Oil Company, in which the Government has not only invested capital but also appointed representatives to the Board. How far it would be desirable to develop this type of mixed undertaking can be discovered only by experience; but it obviously offers a possible method of extending the influence of State planning over industries which are not regarded as ripe for socialisation, or which Parliament cannot find time to socialise owing to the pressure of more urgent affairs which must be given precedence.

In addition to the control which the National Investment Board would be called upon to exercise over the distribution of the available capital for internal uses, it would clearly be necessary to make provision for a co-ordinating control over investment in the home and foreign markets. The process of overseas investment is at present regulated by the Government's power to impose a ban upon foreign issues and by the influence which it and the Bank of England are able to exercise over the placing of funds abroad by means other than public issue in London. These powers could either be handed over to the National Investment Board, which would thus become responsible for supervising the entire flow of new capital both at home and overseas; or, if it were not handed over, there would have to be close collaboration between the Board and the Treasury or such other Government department as might continue to exercise this form of control. It is evidently indispensable to the working of a planned economy that the overseas investment of capital should be kept under effective regulation; for otherwise it will be impossible to ensure an adequate and steady

flow of new capital into the home market in accordance with the needs of the economic plan. But it does not greatly matter to what precise authority the exercise of this power is entrusted, as long as proper co-ordination of policy is assured.

In all probability the National Investment Board will be set up with relatively narrow powers, and its authority will be extended as need arises and as the best forms of development become plain on the basis of the experience gained. The main thing is that the Board should be brought into existence as soon as possible, in order that the Government may have at its command from the outset an instrument which can be used for additional purposes as its plans mature. It would even be possible to set up the National Investment Board in advance of the creation of the proposed Ministry of Planning, if it were felt necessary that the creation of this new Cabinet department should be delayed until it could be set up as part of a wider scheme of administrative reorganisation. But if that were done, it would be important to create the National Investment Board on a basis which would make easy its attachment to the Ministry of Planning as soon as the wider scheme was brought into operation.

For my own part, however, I am disposed to think that the creation of a Ministry of Planning ought to be regarded as one of the first tasks which a Labour Government would be called upon to undertake. One of the principal faults of British economic policy in recent years has been that it has proceeded by way of a series of unrelated expedients. One industry after another, and one branch of agriculture after another, have been allowed to get into a condition in which it has become imperative to do something about it; and when this emergency has been reached, and not before, something has in the end been done, though usually on most unsatisfactory lines and with scant regard to the consequences of action in one field on other branches of the national economy. If mistakes of this order are not to be repeated perpetually,

it is of the first importance that there should exist some body, free in the main from day-to-day administrative duties, with the particular function of keeping a watch on the whole course of industrial development and of endeavouring to anticipate difficulties instead of meeting them only when they have already become serious. And it is also essential that the body which is to propose plans for meeting or anticipating difficulties shall be so equipped as to be able to foresee as far as possible the reactions which any given method of handling a particular problem will be likely to produce elsewhere.

The need for some such organisation as I have suggested is shown most plainly of all by the controversy at present being carried on over the problem of controlling the location of industry. Ever since the war, new industries have been allowed to develop in a completely planless fashion, with consequences which have involved the community in enormous unnecessary expense and suffering. For a variety of reasons the rapid movement of population into the coalfield districts and from the South to the North, which was characteristic of the nineteenth century, has been reversed during the past two decades, and almost all the new industries that have grown up have been created in the South and Midlands and above all round Greater London and a few of the other largest towns. On account of this, the decay of the older basic industries in the North of England, the industrial belt of Scotland, and South Wales has not been compensated by the growth of new industries within reach of the displaced workers of these areas; and there have been created stagnant pools of unemployment which have not been drained even when industrial revival has for the time being considerably expanded the total demand for labour. It is true that during the past year or so the expansion of the demand for armaments has done something to lessen the depression in certain of these areas, because armament-making is still very closely related to the heavy industries, which in their turn still depend greatly on the coalfields. But only

this highly precarious form of expansion has brought any substantial benefit to the majority of the depressed areas; and even so their unemployment ratios have remained much above the average for the country as a whole.

The reasons for the change in the location of industry in Great Britain are complicated, but in broad outline they are not difficult to discover. With the relative decline of foreign trade and the increasing concentration of production on the home market, accentuated since 1931 by the protective tariff, proximity to the consuming centres has come to be of greatly increased importance to the producers of finished goods. On this account, London and other great centres of population exercise a growing attraction for the manufacturer who is considering where to place his factory; and the greater the average level of purchasing power in a particular district is, the more attractions it offers. Thus the influence of the desire for proximity to the consuming market is cumulative in its effects. When some factories move into an area, and thus increase its prosperity at the expense of areas in which no corresponding growth has taken place, there is all the more reason why other factories should follow suit. Nor should it be forgotten that it is much pleasanter to live in a prosperous and expanding than in a depressed and declining area, and that quite often the location of a factory in this or that place is a matter ultimately of the employer's personal choice rather than of sheer economic necessity. Add to this that for the factory owner to have an address in a depressed area is often a deterrent to customers, who are less inclined to place orders in such places than in the more prosperous and expanding districts.

Of course I do not suggest that every employer is free to place his factory where he chooses, or that economic conditions do not often play the deciding part. But the economic conditions affecting location have themselves changed very greatly, even apart from the increasing attractive power of the great consuming centres. On the whole, the principal growth of recent years has been

in the lighter finishing trades, in which the costs of materials and of their transport form a relatively small part of the total cost of production, whereas the cost of highly mechanised plant and the costs of salesmanship and advertising tend rapidly to increase. Under these conditions it is no longer important for the manufacturer to locate his factory in the neighbourhood of the raw materials which are to be used in manufacture. Nor is it important to be near a coalfield where a factory is to be run, as most of the plants making light consumers' goods are run to-day, with electricity rather than coal. The Grid, while it has been of great importance in making electric current available at a lower price to the general run of consumers, has undoubtedly been among the factors accentuating the southward trend of industry and the piling up of factories in and around the Greater London area.

It has often been argued that, just as the prosperity of British industry in the nineteenth century was based on the migration of population to the coalfields, so the reverse movement which has been proceeding of late must be based on real economic forces with which it would be an act of unwisdom to attempt to interfere. Did not the Industrial Revolution cause terrible distress to the handloom weavers and agricultural labourers who were left derelict in the Southern and Western counties; and did not Great Britain all the same emerge greatly enriched by the very forces which for a time involved this social distress?

The point of view indicated by such questions is for two reasons quite unacceptable. In the first place the movement of industry to the coalfields during the nineteenth century was a necessary movement, in the sense that proximity to coal and other raw material supplies was at that stage an indispensable technical condition of industrial progress. There is to-day no corresponding technical necessity. There is no *technical* reason why we should not make artificial silk, motor-cars, gramophones, breakfast foods and cosmetics to all intents and purposes

where we please; and we are therefore in a position to allow ourselves to be guided by considerations of social as distinct from purely technical advantage. In the second place, the fact that the handloom weavers and the labourers were allowed to go through prodigious sufferings in the course of the Industrial Revolution is no reason at all for tolerating a repetition of these sufferings to-day. If there are sound economic reasons why industry must move to the South, then let it be moved; but let us be at the pains of doing everything that can be done to mitigate the hardships of the transition.

If, on the other hand, this necessity does not really exist, but only *appears* to exist, because of faulty social arrangements and of legal and economic conditions which encourage the migration, but can be changed as soon as we are prepared to change them, then let us not readily accept as conclusive forces which manifestly involve grave social disadvantages. We should at least make careful examination of the balance of good and evil which we can hope to achieve by attempting to regulate the operation of these forces.

The clinching argument often advanced in favour of letting the location of industry alone and making no attempt at public regulation of it is that, unless the employer is allowed to build his factory where he pleases, he will refuse to build it at all, so that total volume of investment will be curtailed and we shall only add more unemployment in the now prosperous areas to the unemployment which already exists in the declining districts. It is of course true enough that, under the profit-making system, no Government can compel an employer to erect a factory where he thinks that he is unlikely to be able to operate it at a sufficient profit. It is true that, if a purely negative restriction were imposed on the erection of factories in the areas in which population and employment have expanded most rapidly, *and nothing else were done*, the probable consequence would be that *some* employers would decide against building factories, and that there would be *some*

fall in the total volume of employment. But I do not believe that the decline would even under these conditions be at all considerable. The differences in the real economic advantages of alternative locations as between one region and another are in most cases not nearly so large as they are often made out to be. No doubt there would be a great deal of grumbling; but there would be enough alternative sites left to give any employer a pretty wide range of choice, and I do not believe that in practice many would be deterred from embarking upon enterprises which they would otherwise have put in hand.

It would, however, be the wrong policy merely to prohibit factory-building in some areas without at the same time doing something positive to encourage it in others. On a small scale it has already been demonstrated that factories can be encouraged to settle in depressed districts by comparatively modest inducements such as are provided on the Trading Estates recently created on the North-East Coast and in Scotland and South Wales. These experiments are, indeed, pitifully small, and provide altogether only an insignificant quantity of employment. But they are valuable in that they show that something can be done, as soon as there is brought into existence a public body empowered to take action and to apply its mind to the possibilities of industrial reorganisation.

Clearly, this duty of influencing the location of industry is one which would fall most appropriately within the sphere of action of the Ministry of Planning. The Labour Party has consistently argued that it is the wrong policy to segregate certain areas—labelled as “special” on account of the severity of depression in them—from the rest of the country, and to consider the problems of these areas quite apart from the wider considerations of a national economic plan. The Labour Party objects to the present arrangement, not only because the Commissioners for the Special Areas are endowed with wholly inadequate powers, or because certain districts with claims fully as strong as those of the areas now under the Commissioners are

excluded from receiving help, but above all because it is impossible to undertake any effective planning within the Special Areas without any relation to what is happening in other parts of the country, or without taking in hand the reorganisation of the great basic industries which are carried on partly within the Special Areas and partly outside them. A Ministry of National Planning would either take over altogether the powers of the existing Commissioners for the Special Areas, or, if it were desired to relieve the planning authority of detailed administrative duties, would become the co-ordinating agency for the Commissioners' activities, which would be extended throughout the country and greatly widened in scope. The second would, in my view, be the preferable arrangement; for it would both leave the Ministry of Planning freer to pursue its essential tasks and provide the Commissioners with what they now pre-eminently lack—a central Government department, with a Cabinet Minister at its head, directly attentive to their claims and requirements.

This question will be followed up further in the next chapter, in which the reader will have before him the plans drawn up by the Labour Party for the re-establishment of prosperity in the depressed areas. We shall also there discuss in relation to these plans, the means to be used by a Labour Government in developing and controlling, in accordance with the needs of the people for higher standards of consumption, those industries which have to be fitted into the structure of a planned economic system while they still remain wholly or mainly in the hands of private enterprise.

CHAPTER XVII

THE DISTRESSED AREAS

At the Labour Party Conference of 1936 it was decided to appoint a Special Commission to visit the depressed areas and to draw up a plan for their restoration to economic health. The Commission set to work and in the following year published a series of reports dealing with the problem both as a whole and in relation to each separate district. It was felt that the continued neglect of these areas by the Government, and the failure to produce any constructive plan for setting their affairs in order, were symptomatic of a general inability to work out any constructive economic policy for Great Britain, and that it was incumbent on the Labour Party to produce in detail its own proposals, which could then be urged on the Government as specific remedies for the intolerable conditions then existing.

Two more years have now passed; but still nothing has been done to tackle the fundamental difficulties of the depressed areas. They have been awarded a certain number of armament contracts, and there has been some small progress with the establishment of Trading Estates; but in general the situation remains much as it was when the Labour Party's Commission made its reports.

In a preliminary report dealing with the situation as a whole, the Commission emphasised the entire inadequacy of the powers possessed by the Special Commissioners even within the restricted districts subject to their mandate, and demanded that the problem of the Special Areas should be entrusted to a Cabinet Minister with a properly equipped department at his call, and that the Commissioners should become executive officers working under this Minister. It was further proposed that the Special Areas should be extended so as to include a number of additional districts. A new area—Industrial Lancashire and Cheshire—was to

be scheduled; and the existing areas were to be widened so as to include all industrial South Wales, most of Central Scotland, Tees-side, and certain other depressed districts which are at present excluded from the Acts. Moreover, it was recommended that power should be taken, subject to the consent of Parliament, to schedule further areas by Order without the need for additional legislation.

The Labour Party Commission, presumably because it wished to limit its proposals to measures which could be pressed upon the present Government with some hope of success, did not propose the establishment of a Ministry of Planning with power to promote industrial enterprise in every part of the country. But it did clearly indicate in both its general and its special reports the limitations necessarily attaching to any scheme confined to areas suffering from abnormal depression. It showed that the fundamental problems of the depressed districts could not be successfully tackled without a thorough reorganisation of their basic industries; and it proposed that power should be taken and used to prohibit the building of any new factories outside the depressed areas, except where the projectors could prove that there was "a conclusive and overwhelming case for their going elsewhere."

It is indeed evident from the entire tenor of the Labour Party's reports that the appointment of a Cabinet Minister charged with special responsibility for the depressed areas was regarded as a preliminary step towards the creation of more comprehensive machinery for economic planning. After advocating a bold policy of public investment in these areas, the Commission went on as follows:

"But if the investment is to bear its full fruits, it must be part of a programme of Socialist Planning. A number of our proposals are designed to contribute to such a programme. It is our aim to help to mobilise public opinion, so as to compel even the present Government to act more vigorously than hitherto, and to prepare the way for another Government, firmly convinced of the

necessity for more fundamental changes, at no distant date, to take over and complete the unfinished task."¹

It can be assumed, then, that if a Labour Government were in power, it would go beyond the interim measures advocated in the report, and would set up not a Ministry for the Depressed Areas alone, but a Ministry of Economic Planning, with jurisdiction over the whole country.

This, of course, would not remove the need for special help to the areas in which unemployment and distress are exceptionally severe. It would not involve the abolition of the Commissioners for the Special Areas, but would leave them to act as the agents of the Ministry's policy. Indeed, it would probably lead to an increase in their number, the two Commissioners now responsible for England and Wales and for Scotland respectively being replaced by a Commissioner for each scheduled area, or at any rate for each of the main areas—Industrial Scotland, the North-East, Cumberland, Lancashire and South Wales. Devon and Cornwall, North and Central Wales and the Scottish Highlands, and perhaps certain other backward or impoverished areas, might well be brought under Commissioners of their own, with similar powers adapted to their more rural conditions.²

Certain things could be done at once to ease the burdens which are at present pressing almost intolerably on these very poor and distressed parts of Great Britain. One obvious alleviation would be to relieve them of a large part of the excessive cost of public assistance. The public assistance rates, even since the main body of the able-bodied unemployed have been taken over by the Unemployment Assistance Board, still remain much higher in the depressed areas than in other parts of the country; and this discrepancy ought to be removed by a special grant

¹ *Labour and the Distressed Areas: a Programme of Immediate Action*, Labour Party, 1d. See also the report on *Local Government and Depressed Areas*, published in the Report of the Brighton Labour Party Conference, 1933.

² For the problem of the Scottish Highlands, see *Devolution of the Highlands*, by David Keir. Fact. 6d.

from national funds, sufficient in amount to bring down the local rates for public assistance to the national average for the rest of the country. Moreover, this principle could be applied to other local services financed out of rates—for example, to certain of the health services, which have got into a deplorable condition in many places owing to the sheer inability of the local authorities to afford satisfactory standards.

These measures of equalisation could not, however, do more than touch the fringe of the problem. The local authorities in many parts of the depressed areas are in a desperate position, and need much more help than can be given them by the Commissioners under their existing powers. When these powers were widened in certain respects by the amending Act of 1937, nothing was done except in one respect to help the local authorities. What is needed, in the words of the Labour Report, is "power to make grants up to 100 per cent. if he (the Minister to be appointed) thinks fit, of the net cost of schemes approved by him in connection with any local authority services. Both revenue and non-revenue producing services should be eligible for grants." Furthermore, "the Minister should not be debarred from making grants in cases where Government departments already have power to do so." For example, he should be able to make special grants for housing, over and above the standard exchequer subsidies.

The only power of this sort included in the 1937 Act related to the repair or improvement of streets in the depressed urban areas. In this field, the Commissioners can now make special grants; but this authority falls a long way short of what is needed. For example, it would be plain common sense for the nation to take over completely the maintenance of the main roads throughout the scheduled areas—apart from the need, to which we shall come later, for undertaking large new schemes for the improvement of road and other communications.

There is a special case for helping the depressed areas

to raise the standard of their educational services. The present policy of encouraging the removal of juveniles from these districts stands condemned, because it aggravates the difficulties of re-establishing their economic prosperity. If such areas as South Wales are left with a large population of old and ageing people, and with few young workers available for employment in relation to the numbers in the higher age-groups, the obstacles in the way of establishing new industries in them will be greatly increased. In all the depressed districts, the Labour Party Commission found evidence of strong resentment at the Government's policy of transferring juveniles to more prosperous centres, both because parents disliked sending their children away from home at fourteen, and because it was felt to involve a giving up of the attempt to put the depressed areas back on their feet.

Local authorities in these areas need special help with school-building and equipment. Moreover, wherever there is a redundancy of juvenile labour, it is obviously false economy to allow boys and girls to leave school at 14, instead of continuing their education. A Labour Government, as we have seen, would raise the leaving age at once to 15 without any exemptions; but in the depressed areas there would be a strong case for the immediate adoption of 16 as the minimum age for beginning employment. This would, of course, involve an additional provision of higher schools; and the cost would have to be met out of special grants from national sources.

Just as there is a case for keeping young people at school instead of sending them out to face the risks of unemployment, so there is a strong case for enabling the older workers to retire from the search for jobs at an earlier age in the depressed areas than elsewhere. This could be secured in part by a scheme which would provide retiring pensions, at an earlier age than under the general scheme, for workers in such specially depressed industries as coal-mining or ship-building; or there could be a scheme for earlier pensions restricted to the depressed areas rather

than to any particular group of industries. Pensions under any such scheme would, of course, be conditional on retirement from "gainful employment," on the lines proposed in the Labour Party's general pensions plan; and, if the general scheme were introduced on sufficiently inclusive lines, the need for a special scheme for depressed areas or industries might disappear. If, however, financial considerations caused the general scheme to be somewhat narrowly restricted in its scope, provision could be made for applying it on easier conditions wherever unemployment among older workers stood at an exceptionally high level.

The measures so far discussed for helping the depressed areas are in the main designed rather to relieve their distresses than to increase their prosperity by making them more productive. Of course, any steps taken to increase the amount of money income circulating in these areas would contribute towards an improvement in local industries by stimulating consumers' demand; but no such help would go far towards setting them permanently on their feet. Any real recovery must depend on the development of opportunities for employment either by the revival of the old basic industries or by the creation of new industries to replace them where they have shrunk. The Act of 1937 endowed the Commissioners and the Treasury with certain additional powers to encourage industrial development both in the "Special Areas" already scheduled and in other areas in which exceptionally serious unemployment exists. Under this Act, the Commissioners were empowered to give financial assistance to firms proposing to establish new enterprises in the Special Areas, provided that such assistance should be limited to a period of five years. In addition, the powers of the Commissioners to set up Trading Estates were extended, and the Treasury was endowed with the power to grant similar facilities in depressed centres outside the Special Areas. But the power to advance money by way of loan was limited to a maximum of £2 millions; and, although the sum to be provided by Parliament for

the establishment of Trading Estates and site companies was not made subject to any definite limit, in practice the measures taken under these provisions of the 1937 Act have been quite small.

The Labour Party stands for a much more ambitious effort. It holds that Trading Estates designed for the reception of small factories are all very well as far as they go, provided that they are well spread about in different parts of the depressed areas, and that due precautions are taken to ensure that they do not merely cause the migration of factories from one part of these areas to another. But it recognises that, valuable as the starting of a number of small establishments may be as a supplement to other measures, the problem of employment cannot be solved unless large-scale undertakings also can be persuaded to settle in such districts as the South Wales valleys.

The forms of assistance provided by the offer of sites and standard factory buildings on Trading Estates and of small loans from the Special Areas Reconstruction Association or the Nuffield Trust, or from the Commissioners or the Treasury under the 1937 Act, may avail to attract a certain number of small industrialists to settle in the depressed areas; but they are bound to be ineffective as inducements to bigger firms. In order to persuade large businesses to establish themselves in these areas, it is indispensable for the Government to assume the general authority over the location of industry proposed in the previous chapter. There is, however, no valid reason why, with the aid of the National Investment Board, effective pressure should not be applied and effective inducements offered. The Board could not only make its preparedness to license a proposed issue of new capital conditional on the location chosen for the new factory meeting with its approval; it could also, in suitable cases, itself advance capital to the undertaking, or even take up shares.

If the policy is to be followed of encouraging new industries, large and small, to settle in the areas which need

them most, it will be necessary to do everything possible to increase the economic attractions of these areas. This is largely a matter of improving the means of communication. West Cumberland, for example, suffers from a very bad railway service, from bad roads and a lack of facilities for direct road communication with the nearest large markets, and from the decay of its harbours on account of the shrinkage of the revenues available for keeping them in order. South Wales suffers from the lack of any way across the Severn south of Gloucester, and from bad road communications along the head of the narrow valleys running down to the coast. In the Tyne region, a way of avoiding Newcastle and a bridge or tunnel across the river near its mouth are urgently required. In Scotland, there is the often-mooted proposal of a ship canal linking Clyde and Forth, the need for new road bridges across the Forth and the Tay, and the strong case for a greatly improved road system in the Western Highlands. In all these instances it is plain that what is required is entirely beyond the capacity of the local authorities concerned, or of the Commissioners acting within their existing powers. These and many other problems of better communications will have to be tackled as parts of a national scheme, or they will never be tackled at all.

I have no space in this book to detail the particular proposals made by the Labour Party's Commission for each of the areas in which it made a special investigation. The reader who is interested can find them for himself in the separate local reports.¹ Enough has been said to make their general purport plain. It will be objected that the schemes in question will involve the expenditure of a great deal of money; and so they will. But it must not be forgotten that the depressed areas are already costing the nation dear both in maintenance for the unemployed and in loss of revenue through the disuse of their productive

¹ *Labour Party Commission of Enquiry into the Distressed Areas. Special Reports.* 1. *Durham and the North-East Coast.* 2. *West Cumberland.* 3. *Lancashire.* 4. *South Wales.* 5. *Scotland.* Each 1d.

powers. The sums spent on them so far, indispensable as they have been for the mere relief of distress, have done nothing more than keep the people alive: they have made hardly any contribution towards economic recovery as distinct from temporary relief. It is the Labour Party's view that this way of handling the problem is economically as well as morally indefensible. It cannot be sound economy to allow large areas, endowed with plentiful resources of materials, soil fertility and skilled labour, and embodying in their existing equipment of buildings and public utility services a huge investment of capital, to rot away merely because they have lost their attractiveness as fields of investment for the business man in search of maximum profit. The business man, in deciding where to put his factory, is concerned only, or at any rate primarily, with the amount of profits that the capital invested in his own establishment is likely to yield: he is not affected by the fact that his decision to place his factory elsewhere will condemn to destruction or render unprofitable great capital assets already invested by others. The State, on the other hand, is necessarily concerned with the *total* economic consequences of investment policy, as well as with the social consequences in terms of human welfare. If the investment of a million pounds in a depressed centre will render productive several million pounds of existing capital that would otherwise run to waste, the investment is sound from the public point of view, even where it may involve some direct loss, or at all events a smaller direct profit than could be secured by the investment of an equivalent sum elsewhere. But from the standpoint of the private investor these indirect consequences are irrelevant to his decision; for it is no concern of his to assure anybody's profit but his own. In that essential difference lies the gist of the case for State Control of the direction of private investment, and in case of need for the investment of public funds in such a way as to maintain existing capital values and conserve public services on which large sums have been laid out. The more socialisation is applied to basic

industries, the easier it will be for the State to influence the location of industry and to help the depressed areas without the need of offering inducements to private investors. But under existing conditions it is indispensable to accompany projects of public investment through socialised services with measures for the encouragement of complementary forms of enterprise, even if this involves the use of public money in aid of private profit. It must of course in all such cases be ensured that any private enterprise which is helped by the State shall observe fair labour conditions and shall fit in with any conditions that may be prescribed in accordance with the Government's general plan of economic reorganisation.

CHAPTER XVIII

FINANCE AND BANKING

THE age in which we live has been called the age of Finance Capitalism. As the scale of industry grows larger and the complications of the market increase, the banker and financier assume an increasing importance in the conduct of economic affairs. Capital for large-scale enterprises cannot be raised from the investing public without the help of wealthy financial institutions which sponsor or underwrite the issues of industrial shares. Such specialised institutions as insurance companies are in control of large masses of capital which is available for investment: the small investors make increasing use of investment trusts of various types, and of other intermediate agencies for the placing of their money; and over an ever-increasing part of the field one form or another of collective investment through large-scale capitalist agencies is replacing the personal investment of individual savings in production enterprise.

Moreover, every industrialist and every trader who

does business on any substantial scale, including the ordinary shopkeeper and the farmer, depends continually on credit for the ability to carry on his undertakings. Overseas trade is financed mainly by bills of exchange or similar instruments; and there exist in the City of London important specialised agencies for the discounting and acceptance of these bills—a business which is also carried on extensively by joint stock banks. For purposes of internal trade and production, business firms normally depend on bank loans and advances of short-term credit, of which the joint stock banks are the suppliers, through their chains of branches extending over the whole country. If the financial machine were to stop, as it threatened to stop in the United States at the beginning of President Roosevelt's term of office, the productive machine would largely stop too—until there had been time to make alternative arrangements for the financing both of current purchases and of production for the future.

Yet money, which is the commodity in which the bankers and financiers deal, is not a real thing, but an arbitrary creation designed for man's convenience, though often mismanaged to his undoing. The things which ordinary people really want to exchange are real things, and not money tokens, which have their usefulness only in making such exchanges easier and more general than they would otherwise be. If, under the capitalist system, money tends more and more to predominate and to reduce the productive processes of industry to a secondary position, that is because there is something fundamentally wrong with the capitalist system. It is the aim of Socialists to reduce money to its proper function of facilitating the exchange of real things; and it will be the purpose of a Labour Government to take the first essential steps towards this salutary reformation.

The existing financial structure of Great Britain is based mainly upon three sets of institutions—the Bank of England, the joint stock banks which hold the main mass of customers' deposits, and the more specialised

financial institutions which are commonly grouped together under the name of "The City." In addition to these institutions there are others which play important financial roles within their particular fields—the investment trusts and finance corporations, the building societies, the insurance companies, and so on. But it is best to begin with a consideration of the three groups of institutions which are predominantly dealers in money and in the various forms of short term credit.

Broadly speaking, the Bank of England has the function, under the powers conferred upon it by Parliament, of determining the *amount of money*. Parliament lays down certain rules for the management of the currency; but on condition of compliance with these rules—or sometimes of securing retrospective parliamentary sanction for departing from them—the Bank of England is legally free to manage its business as it pleases. In practice it works in very closely with the Treasury as representing the Government; but in the past it has often been very difficult to say whether in an emergency the Government finally controlled the Bank or the Bank the Government. It is, for example, clear that in 1931 the attitude taken by the Bank and by other financial institutions in London had a great deal to do with the difficulties and with the ultimate downfall of the Labour Government. It is no less clear that in France the attitude of the Bank of France has played a determining part on a number of occasions in defeating a Government which has attempted to pursue policies distasteful to the great financial interests—the French call them "The Two Hundred Families."

The methods by which the Bank of England settles the amount of money that is to be available from time to time are, broadly, Bank Rate and Open Market Operations. Every week the Bank of England fixes the rate at which it is prepared to re-discount bills held by other financial institutions—that is, such bills as it is prepared to re-discount at all. Normally bills are not taken to the Bank for re-discount except in an emergency, for the rates

charged by it are as a rule in excess of the rates of interest prevailing in the rest of the money market. The Bank of England is what is called "a lender of last resort": it is the refuge to which the financiers fly when they are unable to get money elsewhere. The Bank will always lend—to approved customers; and that there should be a lender of last resort is indispensable if the existing system is to go on working.

The main function of Bank Rate in relation to the total supply of money and credit is to be found in its influence over the whole complex of market rates of interest. When the Bank of England raises its rates, not only do the joint stock banks and other short-term lenders normally raise theirs in proportion, so that borrowing becomes more expensive over a wide field: the joint stock banks and other lenders also scrutinise applications for loans more rigorously, with a view to cutting down their total commitments. Thus a rise in Bank Rate makes it not only more expensive but also more difficult to borrow; and under normal circumstances the consequence of such a rise is to reduce the total supply of the means of payment available throughout the community. A fall in Bank Rate has precisely opposite results. It sets in motion forces which make borrowing throughout the money market both cheaper and easier; and it thus leads normally to an increase in the total supply of money.

Changes in Bank Rate have these effects, not of themselves, but because the joint stock banks and other money market agencies take notice of them. A change in Bank Rate need have no effect of itself, if the banks were to ignore it. But in practice they cannot ignore it; for the Bank of England has other weapons for insuring their compliance. A change in Bank Rate is a signal of the Bank of England's intentions, which it will proceed to make effective in other ways to such an extent as it may deem to be required. The most important of these other weapons at the command of the Bank is its power to engage in what are called Open Market Operations—by

which is meant simply the buying and selling of securities on the stock market.

Whenever the Bank of England buys securities it pays for them with its own cheques; and these cheques are for the most part promptly paid into the various joint stock banks and go to increase the deposits which all the joint stock banks regularly keep with the Bank of England. These bankers' deposits at the Bank of England occupy a peculiar place in the British monetary system. The joint stock banks treat them as the equivalent of cash. If a bank has so many million pounds on deposit at the Bank of England, it regards itself as possessing that amount of "cash," which it can then use as a basis for the granting of credit to its customers. Normally, the joint stock banks will follow the practice of granting credits in one form or another to the extent of roughly ten times the amount of their available cash resources, so that an increase of a thousand pounds in the amount of a bank's deposits with the Bank of England will normally lead to an increase of ten thousand pounds in the amount of its loans or other assets. Thus by buying securities out of money created by itself the Bank of England can bring about a very much larger increase in the amount of money flowing into the hands of the public from the joint stock banks.

Sales of securities by the Bank of England work, of course, the other way. When the Bank of England sells some of the large mass of securities which it always holds, the buyers have to pay it for these securities; and they do this by writing cheques upon their own banks. The payment of these cheques depletes the balances of the other Banks at the Bank of England, and deprives them of so much "cash." In doing so, it decreases their ability to grant credits within the customary ratio of cash to credit by roughly ten times the amount withdrawn on account of the Bank's sale of securities. The joint stock banks therefore proceed to call in, or not to renew, a number of their loans, and the purchasing power in the hands of the

public is this reduced by many times the amount of the actual sales made by the Bank of England.

This is unavoidably no more than a very rough and greatly over-simplified account of the methods by which the Bank of England regulates the amount of money.¹ It is not meant to suggest that the Bank of England can, in practice, create and destroy money without any limit. When a country is on the gold standard, which means that the value of its currency is fixed in relation to gold, and therefore also in relation to other currencies which are fixed in relation to gold, there are quite narrow limits within which a Central Bank can manipulate the supply of money, though the manipulation remains of very great importance within these limits. When, on the other hand a country is not on the gold standard, or on any other fixed international standard, as Great Britain is not to-day, there is no definite limit to the Bank's power to vary the supply of money, though a practical limit is imposed by the adoption of any policy which is based either on keeping the value of the currency stable *de facto* in terms either of any other currency—e.g. pound and dollar—or on maintaining a stable level of internal prices. If neither of these considerations is allowed to be decisive, then there is no limit to the extent to which a Central Bank can create or annihilate money by proceeding towards the opposite courses of inflation or deflation.

In practice, a limit is set to-day by the unwillingness of the Government and of the Bank to allow the value of pounds in terms of dollars and other currencies to fall—at any rate by more than a moderate amount. Broadly speaking, the Bank can create additional money only on condition that in doing so it does not upset the foreign exchanges. Within these limits, it is free to vary the amount of money in the hands of the public, with important consequences on the condition of industry and employment.

¹ For a further account, see *What Everybody Wants to Know About Money*. Edited by G. D. H. Cole.

In the main, the Bank of England settles only the *amount* of money available, and not what is to be done with it. When it buys securities, the additional money which it pays out becomes the property of the sellers, who can do with it what they please; and, what is in practice much more important, the joint stock banks are in a position to increase their loans, and are free to choose to whom they will advance the additional money. The *distribution* of credit among the various borrowers who want it for financing production or trade is mainly a matter for the joint stock banks. It is the joint stock banker who decides whether a particular applicant is or is not to receive the credit for which he asks.

The joint stock banks, of course, are the places where both business firms and private persons are in the habit of keeping their deposits, on which they draw cheques. Firms and individuals pay their receipts into the joint stock banks, and pay their debts by means of cheques or actual currency drawn from the banks. Business men, who grant trade credits to their customers, commonly want, at any rate at certain times, to pay out more than they have received. The joint stock banks, often against security, lend them the balance, which is repaid as the customers pay for the goods received. Without this accommodation, most business firms would need a much larger capital than they actually possess; for they would have to grant trade credits to customers out of their own resources.

Accordingly, the power of the banks over industry would be very great, even if it were confined to the granting or refusing of short-term credit for financing the normal period of business turnover. But in fact it extends a good deal further than this; for the banks quite often grant credit for longer terms. Moreover, in times of high speculation followed by collapse many firms which have borrowed heavily from the banks become unable to repay their loans to the banks, which then register debentures against them, and thus acquire a first charge

on their assets. Businesses which get into this condition often pass in effect under the control of the banks. In the last resort, the banks may even appoint receivers to manage them.

It is clear that both under normal and, still more, under abnormally depressed conditions the banks have very great power over industry. They have this power, no doubt, not so much because they want it, or know at all well how to use it, as because they cannot help having it under an economic system in which credit is indispensable to production. But, whatever the cause, the fact remains.

The banks, then, could, by a refusal to collaborate, wreck under present conditions any economic policy of which they disapproved. If a Socialist Government set on foot an economic plan involving that such and such enterprises should expand their production, and the bankers, disliking the plan, refused these enterprises the requisite supplies of credit, the plan would fail, unless the Government created a rival bank of its own to fill the gap. Moreover, if the joint stock banks' dislike of the Government's plan caused them to feel a "loss of confidence" in the security of the economic system, and if accordingly they refused to lend as much money altogether as they had been lending before, the inevitable consequence would be an increase of unemployment—again, unless the Government filled the gap by creating the requisite credits itself.

What I have just said may seem to contradict the distinction made earlier between the Bank of England as settling the *amount* of credit, and the joint stock banks as settling its *distribution*. But the Bank of England settles only the amount *available*, and not the amount *actually lent*. The joint stock banks cannot exceed the supply of credit made available by the Bank of England; but they can lend less than this amount. They can cause a depression, or even a panic, merely by "losing confidence" in the solvency or credit-worthiness of would-be borrowers:

they cannot create a boom, or a condition of "full employment," without the collaboration of the Bank of England.

It is true that the bankers will themselves lose money by refusing to lend up to the limit of the available supply. They will lose the interest on the loans they might have made. They will not therefore follow this policy for long, or except in an emergency. But they could use it—they certainly have used it in France—very effectively over a short period for bringing down a Government they disliked, or compelling it to change its policy.

A Government threatened in this way *could* meet the situation by creating credit itself. But in order to do this it would have either to have its own bank, or to resort to special methods of manufacturing money outside the banking system—as, for example, the present German Government has done on an enormous scale by various kinds of transferable bonds, tax-certificates, and promises to pay. The latter method involves very large upsets. It cannot be ruled out; but it should not be resorted to where simpler methods can be applied. The more obvious course is for the Government to take steps which will ensure the compliance of the banking system with the requirements of the national economic plan.

The Labour Party believes that the indispensable first step towards ensuring this compliance is the public ownership of the Bank of England. The Bank is at present a private corporation, owned by its stockholders, who are chiefly the great City finance houses. The stockholders appoint the Court of Directors, which appoints the Governor, who is thus a nominee of the financiers and not of the State. The Labour Party proposes to buy out the stockholders by giving them Government stock in exchange for their holdings in the Bank. It proposes that the Governor and the other directors shall be public servants, appointed by the Government, and that the Bank shall become an organ of Government policy, controlled either by the Chancellor of the Exchequer or by

a new Minister of Cabinet rank in charge of the whole realm of banking and finance.

If this were done, there would be no question of the Bank of England following a financial policy hostile to the Government, as there was in 1931. But there remains the problem of the joint stock banks, which would still be in a position to obstruct the Government's policy if they were left uncontrolled. Ought they, too, to be nationalised by the next Labour Government?

On this issue, there are two schools of thought inside the Labour Party. It is, of course, agreed that the joint stock banks ought to become publicly owned *at some stage*: the question is whether it would be necessary for an incoming Labour Government to include their nationalisation among its measures for early adoption. One view is that, by taking over the Bank of England, the Government would acquire enough control over the joint stock banks to be able to ensure their compliance with its needs, and that, if this turned out not to be the case, it could use the nationalised Bank of England as a Government bank for supplying any necessary credits refused by the joint stock banks. The opposing view is that the control of the Bank of England would not be enough to remove the danger of a "strike" by the joint stock banks against the Government's policy, and that there would be considerable dangers in using the Bank of England, or a new subsidiary bank created under its auspices, as a supplier of credit in opposition to the joint stock banks; and that, accordingly, it would be better immediately to take over the joint stock banks as well as the Bank of England.

This issue was thrashed out at the Labour Party Conferences of 1932 and 1933, with the result that the Labour Party Executive was instructed to lay plans for taking over both the Bank of England and the joint stock banks.¹ It is accordingly the policy laid down in *For Socialism and Peace*, which is the document embodying a

¹ See *Currency, Banking and Finance*, Labour Party, ad., and *Socialism and the Condition of the People*, Labour Party, ad.

full general statement of the Labour programme. But when, in 1937, the Labour Party decided to issue a shorter *Immediate Programme*, including only a selection from the proposals set out in the main programme, all reference to the joint stock banks was omitted, whereas public ownership of the Bank of England was given a prominent place. It is therefore to be assumed that the Labour Party, though it does propose to bring the joint stock banks under public ownership in due course, does not mean to include their socialisation among the measures which are to be given priority by an incoming Labour Government.

Personally I regret this; for I regard public ownership and control of the entire banking system as the key to the effective development of an economic plan. I believe that control over the distribution of credit would be the most powerful instrument a Socialist Government could apply for ensuring the compliance with its plans of enterprises still remaining under capitalist ownership.

I can, however, see the case on the other side. There is no doubt that the taking over of the joint stock banks is a policy which can be very easily misrepresented. In fact, the deposits of the public would be much safer in publicly owned banks than they can ever be in banks under capitalist ownership. Anything like the collapse in America, in which many thousands of depositors in privately owned banks lost their savings, would be impossible under public ownership. But it would not be easy to make the depositors see this, in face of the terrific scare campaign that would certainly be launched in the press and on the platform and over the wireless. The Labour Party remembers vividly the effects of the entirely baseless scare launched in 1931 about the insecurity of the deposits in the Post Office Savings Bank, which the Government was accused, without any foundation, of having squandered. The party leaders are afraid to face a similar campaign of calumny and misrepresentation, unless they really must.

Moreover, small business men and private persons

with bank accounts, as well as great capitalists, dislike the idea of the Government knowing about their financial affairs. They have no love for the joint stock banks; but they are apt to like even less the notion of the Government having access to their pass-books. Guarantees could, of course, be given against improper use being made of such knowledge; but even proper use is calculated to arouse considerable opposition among the middle as well as the governing classes.

In addition, some leaders in the Labour Party are eager to avoid a Labour Government taking on too much at once. They do not want the Government to be responsible through a socialised banking system for the entire process of granting credit to industry, but only for securing that credit shall be available where it is needed within the limits of the partial economic plan that can be set on foot at once.

I appreciate these reasons; but I am not convinced. If, however, the taking over of the joint stock banks is to be deferred, I feel sure it will be necessary not only to take over the Bank of England but also to set up under its auspices a separate deposit bank which can undertake all types of banking business, including the creation of any credits needed in connection with the Government's economic plan, wherever these requirements are not fully and satisfactorily met through the existing banks. In addition, the Bank of England could use its influence to develop the Co-operative Wholesale Society's Banking Department into an effective agency for the furtherance of its plans.

When the joint stock banks do come to be socialised, the method at present proposed by the Labour Party is the amalgamation of all the banks taken over into a single unified Banking Corporation. This would eliminate the competition between banks, and make possible the closing of a large number of redundant branches at a considerable saving in cost. Here I feel that the suggested policy may have to be reconsidered; for I am not convinced that the

proposed body would not be too large for efficient administration. I agree that the division between the existing banks has no logical foundation, and involves great waste. But I think, even if the Government began by amalgamating all the banks into one body, that this would be only the first step towards sorting them out again into more rationally organised groups—probably for the most part on regional lines, although there would be room also for institutions specialising in particular kinds of credit, including special banks for long-term and intermediate credits for both industrial and agricultural purposes.

Even if the joint stock banks are not socialised at once, some control should be established over them. This could be done by means of a licensing system, so that each bank would operate under a Government licence, which would be withdrawable if any one of them tried to use its power to obstruct the general economic plan, or to bring about a "loss of confidence" leading towards a financial panic. Such a system of licensing would continue to be needed after socialisation; for the Government would not take over the foreign and colonial banks which have offices in London, and these could operate under licence.

It would, of course, be necessary, when any bank's licence had to be revoked, for the Government to assure its continuance, in the depositors' interests, either under reconstructed management, or by amalgamating it with some other bank; and power to effect this would have to be included in the Act bringing the joint stock banks under control.

There is much to be said in favour of extending the system of licensing to the financial institutions which go under the collective name of "The City." Discount houses, acceptance houses, and issuing houses are all engaged in operations which need to be closely co-ordinated with the banking system. The Bank of England already exerts a considerable informal control over these agencies.

It is able to do this, because it is itself largely controlled by their nominees, and therefore they have no objection to falling in with its views. But when the Bank comes under public ownership and control, the position will be different. It will be necessary to give the Bank's hold over "The City" a formal and legal basis.¹

For the control of this licensing system, and later for the direct supervision of the socialised joint stock banks, it will be necessary to create an instrument. Thus, even if the joint stock banks are not socialised at once, the Banking Corporation proposed by the Labour Party should nevertheless be set up without delay, and should be entrusted with supervisory powers over the commercial banks. The Corporation would need to work in close co-operation with the socialised Bank of England and with the National Investment Board, and also with the Ministry of Planning. Its function would be mainly to ensure that adequate short-term credit should be made available for all enterprises approved in accordance with the national economic plan. It could also take under its supervision the existing Export Credits Department and other agencies for the supply of short-term credit under Government control.

So much for the machinery. Now for the policy which is to be used to carry it out. I have insisted throughout this book that the aim of a Labour Government will be to secure the fullest possible employment of all the available resources of production, and their use to promote the highest practicable standards of living. This implies, in the first place, a credit policy and a policy of investment designed to ensure the largest possible output of goods and services.

To this end, credit must be made both plentiful and cheap. The rates of interest for all approved loans must be kept as low as possible, in order to reduce costs and stimulate enterprise; and advances must not be refused to any borrowers whose services are required for the enlarge-

¹ For a fuller discussion, see *The City To-day*. Fabian Society, 15.

ment of useful production. This means that the socialised Bank of England must be prepared to create funds and secure their circulation through the banking system to the full extent required to bring about an expansion of production up to the point of "full employment"—that is, the reduction of unemployment to the unavoidable minimum. The action of the Bank in creating this supply of credit will of itself help to keep interest rates low, by holding up the prices of gilt-edged securities; and the Bank will of course also keep its own rate low.

The obstacle to the success of this policy is that the increased supply of money may, by placing more purchasing power both directly and indirectly in the consumers' hands, cause suppliers to raise prices, and thus set inflationary forces in motion. In order to prevent this, it will be indispensable for the Government to assume control over the prices of all essential goods, to be exercised strongly wherever there is any sign of profiteering. There is no sound economic reason why an increase in the supply of money to the point required to induce "full employment" should increase the costs of production as a whole. It will in fact raise costs in some cases, and lower them in others; but the latter ought to be the more numerous class if the policy is instituted at a time when there are considerable productive capital resources lying unused, and many cases in which factories can reduce the unit costs of output by producing more.

It is, however, certain that, in the absence of price-control, an increased supply of money would cause prices to rise; for in many cases capitalists would be able to make higher profits by raising prices than by producing more. They must be prevented from doing this, or the whole scheme will break down. It will be one of the most important functions of the Ministry of Planning to keep a regular watch on prices in all sections of the economic order. My own view is that, in this matter, we can take a lesson from the Totalitarian States. Germany has been able to finance her vast plans of re-employment without

runaway inflation only because prices have been rigidly controlled. No increase in the price of any essential commodity should be allowed without special permission, to be granted only after objective enquiry; and there should be drastic powers to punish all firms guilty of profiteering, and thus sabotaging the national plan for the benefit of their private interests.

Having assured by its own programme of public works and economic expansion, by a liberal credit policy, and by a firm control over prices, that increase in production and employment at which its economic policy will primarily aim, the Government will have to ensure that not merely more things, but also the right things, are produced. This will be the objective of its economic plan and of its control over the conditions of investment and short-term credit. Therewith, as output increases, the Government will have to ensure that the increased purchasing power passes into the right hands. Prices and wages are of necessity closely related, both because higher wages usually, though not always, involve in the short run increased production costs, and partly because higher prices inevitably lead to wage-demands. The Government will need to strike an appropriate balance between raising wages and keeping the cost of living down. If prices are to be kept low, money wages cannot be so high as they could be at a higher level of prices. The worker cannot have it both ways. It is therefore the more important to ensure that the first claims for higher incomes shall be those of the lower-paid wage-earners and of those living on unemployment or health benefit or on unemployment assistance or public assistance; and it is also the more important to provide, either by Family Allowances or in other ways, for the needs of the larger families.

The whole question of a higher standard of living based on higher production is of course bound up closely with the question of foreign trade. Even if home production of food and other necessaries is rapidly increased, a

larger purchasing power will mean more imports, for which payment will have to be made. This sets limits to the power to create additional money; for if the increased supply of money caused its value in terms of other currencies to fall imports would become more expensive. It is true that the same cause would cheapen our exports to overseas buyers; but there is no guarantee that exports would expand enough to make possible the increased imports that would be required. Here is an additional reason for controlling prices, in order to prevent a rise in them from leading to a demand for the creation of more money, even at the cost of depreciating the currency and making imports dear.

Foreign trade is vital to Great Britain, under any economic system. In the Labour Party there is widespread dislike of the protectionism which has been developed since 1931; and there are many who hanker after a return to the traditional system of Free Trade. But in face of the growth of economic nationalism all over the world, and of the adoption by such countries as Germany and Japan of new methods of State-aided barter and subsidised trading which threaten to shut out British goods from one market after another, everyone knows that a return to Free Trade is totally out of the question.

Nor should Socialists desire it. Our task is to devise new collective methods of trading which instead of preventing foreign trade will encourage and develop it under the conditions appropriate to a planned economic system. We must advance towards the planning of international exchange by import and export boards for the principal commodities, by trade treaties and agreements designed to lower tariffs and other barriers and to provide for the organised exchange of goods, and above all by trying to build up an effective system of economic as well as political collaboration among the countries which stand for peace and democracy. We must use for these purposes the machinery of the League of Nations, as far as it can still be made to work; and at the same time we must do all that

can be done to improve labour standards internationally through the International Labour Organisation and the international Trade Union movement.¹

CHAPTER XIX

PUBLIC FINANCE AND TAXATION

I DO not propose in this book to attempt to draw up the budget of a Labour Government, or to estimate in detail the cost of the plans advanced in earlier chapters. This matter is, of course, very important; but conditions change so rapidly that any estimate I could put forward would be speedily out of date. There is, moreover, a further difficulty. The Labour plan is, above all else, a plan for increasing production and employment by further development and better use of the available economic resources. If I were to add up the expenditure involved in all the various plans discussed in this book, the total would obviously come to something more than could be financed out of the *existing* national income without higher taxation than anyone proposes to exact. But in most cases the expenditure is designed to increase the national income; and any calculation which ignored this increase would be valueless. On the other hand, I do not pretend to be able to estimate, in pounds, shillings and pence, *how much* increase in the national income the measures discussed in this book would produce in, say, one year or five. I believe the increase would be very large—much larger than the 13 per cent. which might seem to be suggested by the existing level of unemployment.² I believe too that it would be steeply progressive, because an assured policy of economic development would speedily bring new powers of production into play. Great Britain's industrial output,

¹ See *For Socialism and Peace*. Labour Party, ad.

² March, 1939.

despite persistent unemployment, rose by nearly a quarter between 1929 and 1937. It could obviously be raised very much faster if the main efforts of those responsible for economic policy were directed to increasing instead of restricting output.

The expenditure involved in the various projects which I have outlined falls under two heads—current expenditure and capital expenditure. To the former head belong increases in health and unemployment payments, pensions, educational and health services and family allowances (if they are provided), continuing subsidies to local authorities for housing or other purposes and, in short, all charges which are not expected to bring in an equivalent economic return in the form of public income. Under the second head come the sums to be spent in productive investments in industries and services of all sorts, including the main part of housing expenditure, but not including any subsidies to be given in aid of uneconomic services. Sums spent on armaments belong to a class apart. Normally, such expenditure, being entirely unproductive, ought obviously to be met out of revenue; but under the conditions of to-day that is clearly impracticable, and borrowing for rearmament is the only possible policy. It should be added that this policy is advisable under present circumstances for an additional reason. The present Government, in refusing to follow a policy of national economic development through "full employment," has been allowing the resources of the community to run to waste. Borrowing for armaments does bring some of these disused resources into employment, whereas taxation would not, because it would reduce the purchasing power left in the hands of the tax-payers. But this borrowing is only possible *because* we were leaving valuable productive resources unused before we began to rearm. If we had then been putting our resources to full use, rearmament would have had to be paid for out of income, because it would have involved transferring men and capital from making other things to making instruments of war.

Under ideal conditions it is sound policy to meet all non-productive expenditure out of current revenue, and to make provision, also out of revenue, for a reasonable sinking fund against expenditure on capital account. Subject to this provision, the money needed for reproductive investment should be borrowed, and not raised by taxation; for, if it is raised out of taxes, the effect may be so to depress purchasing power as to cause a slump.

These rules, however, apply only if the available economic resources are in fact being adequately used. If they are not, additional purchasing power is needed, and it is certainly wrong to do anything that will reduce purchasing power. The incurring of budget deficits, in order to finance capital expenditure, is a way of increasing the volume of production, and therewith the national income.

I should go further, and say that, if widespread unemployment exists, the State is economically justified in creating additional money without paying anyone for the privilege. Why should the State *borrow* money, and pay interest on it, in order to create more economic activity, when it can perfectly well itself create the additional money without incurring any interest charge? Of course, I do not suggest that the State can create money *ad lib* in this way. Nor can it borrow *ad lib*. But if it is desirable to allow the banks to create £x millions of additional money, why may not the State create the money itself? It will be able to do so, as soon as it has turned the Bank of England into a public institution, to exactly the same extent as the Bank itself can to-day.

This proposal may sound very radical; but it is not. The bankers now create money out of nothing; and the State, in taking over the banks, will naturally take over this power, which never ought to have been allowed to fall into private hands. It will cover its capital needs partly by borrowing and partly by direct creation of money through the Bank of England. The correct proportions will depend on the current economic situation. That is all there is to it;

and there is nothing very startling or radical about the change, important as it will be.

As resources become more fully employed, the taxable capacity of the nation expands, and increased taxation, provided that it is rightly distributed, becomes a valuable instrument for preventing wasteful expenditure. How high taxation can be pushed depends mainly on three factors—the excellence of the scheme of taxation itself, the degree to which economic resources are being effectively used, and the extent to which provision for new investment is being made out of public instead of private resources. The most formidable argument against high taxation of the rich evaporates if the rich are no longer called upon to provide by saving for the bulk of the new investment required.

The Labour Party believes that direct taxation is in general much to be preferred to indirect taxation. It dislikes protective tariffs, not only because they obstruct trade, but also because they tax the poor heavily in relation to their inability to pay. The Labour Party wants to reduce tariffs, and to do away with them where satisfactory arrangements can be made for organised international exchange.

Where it needs to raise more money by taxation it proposes to do this mainly by direct taxes. A Labour Government would make the surtax on large incomes heavier and more steeply graduated, and would readjust income tax so as to increase the burden on the higher, while reducing it on the lower, incomes. It would revise tax allowances, and make much more stringent provision against tax evasion by means just inside the existing law. It would also, pending complete public ownership of the land, impose taxes on the owners of land values in order to appropriate the increased increment arising from urban and other forms of development. The Labour Party does not intend, when it increases the prosperity of agriculture, to put large increases of value into the landowners' pockets.¹

¹ For the Labour Party's taxation proposals, see *For Socialism and Peace*, p. 34. Labour Party, 2d., and *Labour's Immediate Programme*, p. 3.

The Labour Party's remaining principal proposal for increasing public revenue is that the existing methods of taxing inheritance shall be radically revised. The existing Death Duties have done practically nothing to reduce the inequalities in the distribution of property: they have at most only checked the tendency for these inequalities to grow still more extreme.¹ The Labour Party, as a Socialist Party, necessarily stands, on the one hand, for the complete abolition of the system which allows the inheritance of large fortunes, and on the other for a much wider diffusion of the power of parents to leave to their children personal possessions and small savings which will increase economic independence without opening the door to class-domination.

Immediately, a Labour Government may do no more than raise and readjust the existing Death Duties. But it will proceed before long to much more ambitious measures. The probable course of these later developments will be the adoption, in some form, of what is commonly known as the "Rignano" scheme—after the Italian economist who first put it forward. Under this scheme, in one of its forms, which will serve as an example, the capital of those dying, beyond a minimum amount which can be left absolutely to the heirs, becomes the property of the State, but is subject, for the life of the next heir, to an annual charge fixed at such proportion of its income-yielding capacity as may be thought desirable. If this proportion were one-half, the heir or heirs would receive from the State an annuity for life equal to half the income derived from the property; but upon the death of any such beneficiary, the property would be released from this charge, and would pass unencumbered into the hands of the State. Other forms of the scheme provide for the continuance of the annuities, at a lower rate, for a second life. Yet others provide that the heir should retain, say, half the capital left him, but that this should pass to the State on his death, or alternatively after

¹ For the figures, see *The Condition of Britain*, by G. D. H. and Margaret Cole.

two lives. But the forms which involve complete transfer of the capital immediately involve many fewer complications, and are greatly to be preferred. All these variants have this in common. After one or two lives the entire property, beyond any minimum exempted under the law, passes into the hands of the State. This does not prevent the accumulation of new fortunes; but it does stop the indefinite transmission of wealth from generation to generation, and it does mean that the accumulation of new fortunes would depend much more than at present on ability and much less on the possession of a nucleus of inherited capital.

Necessarily, if property were continually passing to the State on the death of its owners, the State would have to retain and administer this property—for any attempt to throw it on the market would fail for want of buyers. The State, therefore, would speedily become owner or part-owner of a wide range of industrial undertakings, and the National Debt would be gradually reduced as the State bonds became public property on the owner's death. In this way, socialisation would proceed piecemeal, quite apart from measures for public acquisition of particular industries, such as coal-mining or steel manufacture. Moreover, the State would acquire this ownership as the annuities ran out, unencumbered by any charge. It would be real socialisation of wealth—not merely a transference to public ownership subject to the payment of interest on the assets acquired.

For the administration of this publicly acquired property, either the Office of the Public Trustee could be expanded, or a special department could be created under the National Investment Board. Policy would in any case have to be closely co-ordinated with that of the National Investment Board; and State voting rights in concerns partly taken over would be used to further compliance with the national economic plan. Concerns wholly taken over would be sorted out under appropriate forms of management. Some might be sold back to private owners, and the money used to purchase other undertakings which the Government wished to acquire in the public interest.

A scheme of this sort has the great advantage that it can be made, at the outset, as drastic, or as mild, as may seem to be desirable when it is introduced. It is clearly the way of wiping out large capitalist fortunes that will involve the least dislocation, the least hardship to the present owners, and the greatest opportunities for progressive Socialist growth.¹

Apart from proposals designed to extinguish great fortunes by the taxation of inheritance, there is no reason to believe that the limits of current taxable capacity in Great Britain have been nearly reached, provided that higher taxation is accompanied by effective measures for enlarging the national income by the further use of the available resources of production. But it should be made clear that there are narrow limits to the possible increase of taxation unless these constructive measures are taken as well. Neither the Labour Party nor any other party can promise to hand out large additional sums with the object of raising the standard of living unless it makes provision for securing a larger national income out of which these benefits can be financed. Purely "eleemosynary" policies are doomed to break down. If we want to make the poor richer, we must do it by making full use of all our resources in order to increase productive power. Let us by all means tax the rich; but let us not pretend that, merely by taxing them, without putting the resources of the nation to better use, we can do more than a little towards improving the standard of living for the whole people.

¹ See further, for the Rignano scheme, *The Social Significance of Death Duties*, by E. Rignano, edited by Lord Stamp. For general tax proposals, see *A Socialist Budget*, by Colin Clark, Fabian Society, 6d., and *Taxation under Capitalism*, Fabian Society, 6d. See also an excellent book, *The Socialist Case*, by Douglas Jay. Colin Clark's pamphlet contains a very useful analysis of the probable cost of the measures to which the Labour Party was committed up to 1935, with proposals for meeting this cost.

CHAPTER XX

COMPENSATION

"The public acquisition of industries and services will involve the payment of fair compensation to existing owners; but thereafter the former owners as such should have no further part of any kind in the control or management or policy or finances of the publicly-owned concern. The suggested basis of compensation, broadly, is the net reasonable maintainable revenue of the industry concerned."

For Socialism and Peace

THE Labour Party proposes, when any industrial enterprise or other kind of property is transferred from private to public ownership, that the State should pay reasonable compensation for the assets which are taken over. As we have seen, the ultimate object of the Labour Party as a Socialist party is both to abolish private ownership of the essential means of production and to do away with the excessive inequalities of wealth and income which are bound up with the system of private ownership. It cannot, therefore, propose permanently to burden the community with charges incurred through the taking over of property which it regards as representing an unjustifiable claim. It would, however, be manifestly unfair to treat one class of owners very differently from another, or to confiscate one sort of property while leaving other sorts, to which the owner's title is no better, for the time being untouched. The Labour Party is not proposing to socialise all industries simultaneously, or to pass suddenly and completely from a capitalist to a Socialist system. It means to begin with those industries and services which it is most necessary for the State to acquire, either in order to re-organise their affairs or because they exert so important an influence over the life of the community that it is indispensable to make their conduct a matter of public policy with the least possible delay. But it would never do, under such a gradual scheme of transference from

private to public ownership, to take away the property of colliery-owners or railway shareholders without any compensation, while leaving, say, motor-car manufacturers or master printers in full possession of their establishments. The right way of "confiscating" the property of the capitalists is the way of taxation, including, as we have seen, the drastic taxation of inheritance. The socialisation of particular industries or services must be so arranged as to transfer future increments of value to the public; but it cannot, under the Labour Party's scheme, be so managed as to serve at the same time as a means of taking away the property of those whom society has hitherto accepted as legitimate owners.

It is necessary to pay compensation; but it is no less necessary to ensure that the amount paid shall not be excessive. In the past, when enterprises have been transferred to public ownership, excessive prices have commonly been paid. The latest instance of this error, still fresh in many people's minds, is to be found in the proceedings under the London Passenger Transport Act of 1933. Under this Act, the London Passenger Transport Board was burdened with a weight of compensation much beyond what was justifiable; so that the shareholders of certain of the undertakings which were acquired found themselves in receipt of large windfall gains either in cash, or through the appreciation of share values, between the time when the basis of compensation was known and that at which the properties were actually taken over. Moreover, the need to earn a revenue sufficient to pay the inflated charges which compensation has placed upon the Board is now being made the excuse for the raising of fares throughout the London area; and it also stands formidably in the way of claims by the transport workers for improved conditions of employment.¹

On what basis, then, ought compensation to be paid

¹ For an account of compensation under the London Passenger Transport Act and under other schemes, and for an excellent general discussion of the problem see *How Much Compensation?* by Ernest Davies, Fabian Society, 19.

in order to ensure fairness both to the past owners of the transferred undertakings and, what is no less important, to the public. The broad principle which the Labour Party has laid down is that of "net maintainable revenue." It proposes that an endeavour should be made in each case to ascertain what incomes the displaced owners could have expected to continue to enjoy in the future if their undertakings had not been acquired by the public, and to compensate them by the payment of so many years' purchase of the annual income thus arrived at. The number of years' purchase that would be appropriate would naturally vary from case to case, not only according to the different circumstances of the various industries but also according to the current and expected course of interest rates.¹

There are, however, certain important qualifications which must be borne in mind in applying this general principle. "Net maintainable revenue" may be as fair a basis as can be found where the undertaking has been carried on under conditions not involving any greater degree of exploitation of the public than is inherent in the ordinary operations of capitalism. But it would be wholly unreasonable to compensate a monopolist who has been in enjoyment of excessive profits on the basis of these profits, on the score of his expectation that his monopoly would be allowed to continue without interference. Wherever it appears that an exceptionally high return has been earned on the capital of an undertaking which is being acquired, the reasons for this high return will need to be carefully scrutinised and the basis of compensation adjusted so as to ensure that the public is paying nothing for monopoly "rights," as distinct from net maintainable revenue in the absence of monopoly.

Moreover, great care will have to be taken to make sure that claims are not inflated by the expectation that

¹ For Labour's compensation proposals, see the report on *Public Ownership and Compensation*, published in the Report of the Southport Labour Party Conference, 1934. See also the relevant sections of the reports dealing with socialisation of particular industries and services.

the enterprise is to be taken over by the public. It is, for example, fully possible for some classes of undertaking to inflate their current profits by neglecting to make proper provision for the renewal and improvement of their plant; and it would be manifestly unjust to pay compensation on the basis of an annual revenue swollen in this way. Such a revenue would not be "maintainable": it would be based upon a wasting capital asset. Instances of this abuse can be easily found where electricity or water undertakings have been taken over by municipalities from private companies; and it would be exceedingly easy to allow such properties as coal mines or mercantile fleets to deteriorate if there were an expectation of their being socialised on the basis of their current declarations of profit. The principle of net maintainable revenue will need to be very strictly interpreted if it is not to lead to excessive compensation. All capital assets of a physical kind are in some degree wasting assets: their utility does not last for ever. Land alone remains; and the fertility of land can be destroyed by ill-usage.

Various alternatives have been suggested to this principle of net maintainable revenue. It has been proposed, for example, that the State should have each property valued on ordinary commercial lines, as it might be valued for purposes of a private sale. This may indeed be the most satisfactory way of acquiring certain types of undertaking, especially small undertakings conducted as private businesses, as distinct from public companies. But it would be an immensely complicated method to apply save in exceptional cases, and would probably involve prolonged delay over valuation and subsequent arbitration proceedings, which would eat up a good deal of money in costs. Moreover, valuations of this sort are notoriously speculative, and exceedingly difficult to apply fairly as between more and less prosperous times. A second alternative would be to take stock market quotations averaged over a period as the basis for compensation; but this could be applied only to securities regularly quoted

on the Stock Exchange, and it would involve the fundamental disadvantage that the Stock Exchange is highly subject both to speculative influences and to alternate errors of over-valuation and under-valuation of assets. The London and Cambridge Economic Service's index of the average market value of industrial shares fell from 100 to 60 between 1929 and 1932, rose to nearly 116 on the average of 1936, and was down below 83 in January, 1939. Day-to-day fluctuations were of course very much greater than this. Plainly, stock market quotations do not furnish a satisfactory basis for assessing compensation payments.

On the whole, then, net maintainable revenue seems a fairer principle than any other which can be laid down for general application. The fairest course is to give to the displaced owners of publicly-acquired undertakings a continuance of their incomes over a period of years, in such a way that the incomes which they continue to receive represent a capital value broadly equivalent to that which they have been called upon to surrender. This raises the question of the comparative security of income under private and public ownership. If the State were to guarantee absolutely to the displaced owners the same income as they had previously been receiving without any guarantee, the recipients would be obviously better off under the new conditions than under the old. But it would not be fair to the public that they should be better off. The aim should be to make them neither better off nor worse off than before.

Thus, if compensation takes the form of an unqualified guarantee of income in perpetuity—subject, of course, to the State's right to tax both the income and the capital—it will be fair that the displaced owners shall receive smaller incomes than have accrued to them in the past in proportion as their security will be increased. In other words, it is fair that they should receive a smaller number of years' purchase than would otherwise be granted. It is not, however, to be taken for granted that the State would

concede this unqualified right to income. It would probably do so where the displaced owner had been previously in receipt of fairly secure debenture interest, or perhaps a stable return on a reliable preference share; but, in paying for securities yielding a variable rate of dividend, the State would be free to choose between conceding a fixed and assured rate of interest backed by its own guarantee and merely charging the annual sum payable against the takings of the socialised industry, without any guarantee either to make up the deficit from public funds or to allow charges or prices to be readjusted so as to maintain indefinitely the rate of return originally regarded as appropriate. Naturally, where the State did not guarantee the interest, it would make provision for a somewhat larger return to the displaced owners, so that the capital value of what they received would be approximately the same in either case.

In general, the Labour Party does not propose to pay compensation in cash. This may indeed be done in the case of some of the smaller enterprises, but it is highly undesirable as a general principle. There is no point in the State having to raise large loans on the capital market in order to pay for the undertakings which it proposes to acquire. To do this would probably raise the rate of interest against it, and thus saddle the socialised undertaking with an unnecessary rake-off to the financial interests which trade in public issues. The correct principle in the acquisition of all large undertakings is to pay in stock or bonds rather than in cash. The displaced owners would receive, in return for their holdings in the undertakings taken over, either State bonds forming part of the National Debt or stock or bonds specifically issued by the new socialised undertakings, with or without Government guarantee of interest. In most cases, the second of these methods is probably to be preferred; and where a State guarantee of interest is given, it will probably be limited to a fixed period of years. The granting of terminable annuities is not excluded as an alternative to the issue of

bonds bearing a perpetual return; but, if this method were used, the Labour Party would concede a somewhat higher annual income in order that the annuities might carry a capital value roughly equivalent to what would have been paid if the compensation had taken a different form.

It must always be left open to the State in socialising any particular industry to refuse to acquire at all undertakings which have no real value because they are obsolete and incapable of further production on economic terms. This would be a very important point in dealing with industries in which total demand has declined or is expected to decline and there are considerable numbers of undertakings almost on the point of closing down. It would be entirely unfair to the public if these undertakings were to be acquired on the unreal assumption that they could continue in the future to earn their past revenue. They should be acquired, if they were to be acquired at all, only at scrap prices; and in many cases it would be preferable to exclude them altogether.

If compensation is to be paid on the principle of issuing new scrip, the interest on which is to be chargeable against a particular socialised undertaking, the general assumption that each industry under socialisation is to "earn its keep" must not be allowed to prevent the State from subsidising a particular industry where this is desirable in the public interest, or from taxing some other industry which can bear the charge without public disadvantage. Even if it is salutary for each socialised industry to have its own regular system of cost-accounting and to be expected to balance its accounts satisfactorily, it must not be forgotten that there are certain services which either occupy a key position in the economic structure, so that it may be desirable to supply them at less than cost price, or need to be stimulated for non-economic reasons such as the improvement of the conditions of public health. The State will doubtless, in most cases, follow the principle of making each industry pay for itself; but it will be in a

position to treat the whole of the public trading estate as a single financial unit wherever this seems to be necessary, any such divergencies from the costing principle being, of course, made consciously and duly announced as forming a part of the national economic plan.

Where the taking over of an industry or service involves complicated financial adjustments in respect of compensation, there is no sufficient reason for deferring transfer until these adjustments have been made. The sooner the State enters upon the task of reorganising the sooner will the public benefits begin to accrue. Provided that a broad basis on which compensation is to be assessed in each particular case is clearly laid down in advance, the State can reasonably take over the properties at once, and begin to operate them as a public service. Detailed compensation claims can be dealt with subsequently; and, where necessary, interim payments can be made to the past owners, subject to readjustment when the amounts due have been finally determined. It is absurd, for example, that the vesting of mineral properties in the recently-established Coal Commission is being deferred until 1942.

To a Socialist, the payment of compensation on the basis suggested in this chapter, or on any other which will be accepted as fair by the owners of the transferred assets—though they will of course grumble even if in their hearts they do regard the suggested terms as fair—is tolerable only on condition that simultaneously with the rapid advance of public ownership there is a correspondingly rapid transference of capital values to the public through taxation. The progressive elimination of capitalist property by means of the taxation of inheritance is the indispensable correlative of compensation to those particular owners whose properties are taken over in advance of the establishment of a general Socialist system. Moreover, the budgets of publicly owned undertakings ought in most cases to be so arranged as to provide for sinking funds, to be devoted to the progressive repayment of the capital charges with which they are burdened. As this

repayment takes place, to the accompaniment of socialisation over an ever-widening field, the opportunities for capitalist investment will become progressively contracted, and the need for the services of the private investor as a supplier of capital will become less and less. As this happens, it will be not only easier, but also socially more necessary, to increase taxation upon large incomes and property; for the possessors of large fortunes will have become functionless, and it will be necessary to transfer their possessions to public ownership in order to ensure their use.

CHAPTER XXI

THE POLITICAL MACHINE

IF the things that are proposed in this book are to be done, there must be tools to do them with. We have seen already the need for an economic instrument—an agency of Government equipped to work out the essentials of a general economic plan, and to hold together the separate administrations of the various industries and services so that they can co-operate to a common end, instead of getting in one another's way. A central planning authority is indispensable: without it there would be endless confusion, and every sectional plan would go awry because it would conflict with others.

The Labour Party is aiming, however, not merely at scientific and efficient planning of the nation's economic affairs, but also at *democratic* planning—planning under democratic control, planning to serve the purposes which the democracy approves. Accordingly, there must be a political as well as an economic instrument adapted to the needs of the new policy.

It would be a miracle if the methods of government and administration which were worked out with a view to

the needs of a system of *laissez-faire* could serve unchanged the needs of a planned economic order designed as the first stage of an advance towards Socialism. The Parliament, the Cabinet, and the Civil Service of the nineteenth century were very different from the institutions which went by these names before the Reform Act of 1832. The legislative process was very different: the methods and structure of local government were very different; the political parties were very different, and rested on quite other foundations. The change in the basis of living which was involved in the Industrial Revolution required the reconstruction of all these institutions; and, with more or with less rapidity, they were reconstructed.

To-day, the institutions which were modernised to meet the needs of the nineteenth century are again becoming obsolete. Parliament is so congested with routine business that reforms which are urgently needed are again and again postponed, even when they are not matters of serious controversy between parties, and especially when they are not of such a nature that any party can make out of them much "capital" for itself. Acts of Parliament become longer and longer, and more and more complicated, in the endeavour to provide in them for every possible circumstance or exception that may arise; and when the attempt is made to avoid this complexity by leaving the details to be filled in by regulation, there is a danger that democratic control will be undermined. Cabinet Ministers complain that they have so many memoranda to read, and so many minor duties to perform, that they never get time to think, or to meet together and plan out their collective course of action on a foundation of proper discussion. The Civil Service, continually swollen by the assumption of fresh duties, struggles on under a form of organisation wholly inappropriate to many of these duties; and when new industries or services are brought under public control, the administrative staffs are placed in an anomalous position half in and half out of the Civil Service, because no one has yet thought out an appropriate way of organising the

personnel of the developing "business" side of the government machine. The institutions of local government are in an even worse plight; for our local administrators are called upon to organise services over areas which have become quite ludicrously ill-adapted to the changed conditions of transport and to the scales of operation now economically best.

As for our political parties and the electoral system through which they work, the tremendous enlargement of the electorate has made both the conditions of political propaganda and the relations between voter and representative utterly unlike what they used to be. Political meetings can reach to-day only a small fraction of those who have the right to vote. Canvassing is very difficult among so many: the newspaper and the wireless talk become the only effective means of appealing to the less politically conscious electors; and they are open very little to the general run of candidates. Consequently, though elections remain local in form, the basis of electoral appeals becomes increasingly national, and the individual candidate counts for a good deal less than he did.

This book is no place for attempting to solve most of the problems presented by the changes in the underlying conditions in which democracy has to work. I can discuss remedies here only to the extent to which they arise directly in connection with the immediate programme of a Labour Government set on carrying out the policy outlined in the preceding chapters. But even within this restricted scope there is a good deal that needs to be said.¹

If Parliament is badly congested to-day, with a Government that is seeking on the whole to preserve the *status quo*, it will evidently tend to become much more congested when a Government bent on drastic changes in the social system comes into power. Such a Government will be faced with the necessity of getting passed into law fully as much routine legislation as its predecessors; and in

¹ For the Labour policy, see the report on *Parliamentary Procedure*, published in the Report of the Southport Labour Party Conference, 1934.

addition it will be pressing on with a large number of measures of a radical character which it will have pledged itself to the electors to carry through with the minimum of delay. It will want to amend the provisions of practically every social service—health and unemployment insurance, public and unemployment assistance, pensions, workmen's compensation, and so on. It will be pledged to immediate and far-reaching reforms in the fields of education, public health, housing and town-planning, water supply, gas supply, and many other local government services. It will want to pass laws dealing with minimum wages, hours of labour, holidays, and other matters relating to industrial conditions.

Moreover, in addition to measures concerned mainly with "social reform," the Labour Government will have on its programme for early enactment far-reaching measures of socialisation and economic development. Coal, transport, electricity, iron and steel, cotton, armaments—all these are scheduled to pass early under public ownership. So is a large part of the banking and financial system; and there is much new machinery to be set up by law for the regulation of industries and services which are to be left still under private ownership, as well as for the control of investment and the working out and supervision of the general economic plan. Agriculture, too, will require a substantial amount of legislation; and there will be large amendments to be made in the structure of local government.

It is manifestly out of the question for Parliament, working along the traditional lines of procedure, to cope with this enormous mass of necessary legislation. Parliamentary methods will have to be greatly altered, as they were altered a century ago to meet the needs of the Reformed Parliaments of the era after 1832.

Objection is often taken to the delegation of powers by Parliament, so that the detailed application of the laws is left to be worked out in regulations instead of being included in the Acts themselves. But this method, which has

come to be used increasingly in recent years, will have to be carried a great deal further, if the parliamentary system is to continue to work with tolerable success. The answer to the criticism that such delegation is "undemocratic" is that, in practice, democracy is likely to be much better served if Parliament has adequate time to discuss matters of principle than if it is so overwhelmed with details that the questions of principle get lost or overlooked in the crowd.

What is needed is a way of making the process of regulation-making itself more democratic than it now is. It is no adequate safeguard of democracy to provide that regulations must be laid on the table of the House of Commons if there are so many of them that the House cannot possibly discuss them, or the members read more than a fraction of what they are held to have approved. There is need for other, lesser and more specialised democratic assemblies in which regulations made under powers conferred by Parliament can be debated and amended—possibly a system of representative Councils attached to each of the main administrative departments.¹ If this particular suggestion is not adopted, some alternative method, apart from Parliament, of ensuring democratic supervision of the drafting of orders and regulations must be thought out.

Parliament will need to economise its time in order to deal adequately with real and major issues of policy. And it will have to revise its methods, even so, if it is to get through the mass of legislation which must be passed in order to make a reasonable start towards a Socialist system: It will have to cut out a good deal of mere talking, to work more through committees, and to adopt more rational hours of sitting; to simplify the processes by which Bills become Acts; and to make increasing use of devices for securing democratic discussion of draft projects outside Parliament, in order to put them into better shape before

¹ For a discussion of this suggestion see the essay on *The Method of Social Legislation*, in my book, *Economic Tracts for the Times*.

they are introduced into the House. The requisite changes of procedure in all these respects need working out in advance, in order that they may be put into force at the outset, and that Parliament may lose no time before settling down to business under the new conditions.

The Cabinet, as well as Parliament, needs overhauling. The existing Cabinet offices do not adequately cover the field. There will be needed, as we have seen, a separate Ministry of Planning, both to co-ordinate the planning work of other departments and to take over special responsibilities such as the supervision of the work of reconstruction in the depressed areas. The new controls over the banking and the financial system can hardly be piled on top of the existing duties of the Treasury and the Chancellor of the Exchequer. They will require a separate department, under a Minister of Banking and Finance. Again, the Board of Trade, which is already overweighted with an omnium gatherum of varied functions, certainly cannot assume in addition the responsibility for the oversight of socialised industries such as iron and steel, cotton, and armaments. There will be needed a Department of Industry, if not more than one such department, to be responsible to Parliament for the policy of the various Boards and Commissions to be put in charge of the work of administration.¹

This necessary multiplication of Government departments will raise further problems; for the Cabinet will become unwieldy if the new Ministers are added to it without any reductions elsewhere. Probably some of the existing departments will need to be grouped—with subordinate Ministers for each department, but only one co-ordinating representative in the Cabinet—for example, a Minister of Defence responsible for all the "service" departments. Alternatively, there may have to be a delegation of much business now done by the whole Cabinet to Cabinet Committees—for example, Committees for Defence Services, for Economic Affairs, for Social Affairs,

¹ See my book, *The Machinery of Socialist Planning*. Fabian Society. 2s. 6d.

and so on—and these may involve the formal creation of a smaller inner Cabinet, on the lines of the War Cabinet which took shape between 1914 and 1918.

The Civil Service presents its own group of problems. As social ownership is extended, public employees will include many more technicians and professional men, in addition to administrative and clerical workers. New methods of recruitment will have to be thought out, and it will have to be made easier for men to pass from one department to another, or from the service of a regular department to that of one of the new Public Commissions or Corporations, or vice versa. It is also necessary to facilitate movement between national and local government services, and to make much greater provision for the promotion of efficient public servants from lower to higher grades. It is highly undesirable that the staffs recruited for the administration of socialised industries and services should be regarded as outside the Civil Service, or as attached exclusively to the particular Board or Commission for which they work; but it is also undesirable to apply to them the conditions of service worked out as applicable to Civil Servants of the nineteenth century type. Comprehensive reorganisation of the public services, local as well as national, will have clearly to be taken in hand.

Nor can the reorganisation of local government itself be neglected.¹ The problem of areas will have to be tackled in order to create suitable units of administration for the enlarged social services requiring local or regional autonomy. The anomaly of single towns or cities arbitrarily divided up between a number of separate borough councils will have to be ended; the proper relationship between the counties and the boroughs within their geographical frontiers will have to be considered afresh; educational areas will have to be rearranged so as to secure

¹ See the Report of the Labour Party Commission on the Depressed Areas, cited in Chapter XVII. See also the report on *Local Government Administration*, published in the Edinburgh Labour Party Conference Report, 1936.

unified control over elementary and higher education. Finally, the question of creating new regional units of local government covering larger areas than any of the existing councils, and therefore capable of tackling effectively large-scale services for which the existing areas are quite unsuitable, will have to be not merely considered, but made at the least the subject of experiment in those parts of the country where the problem is most acute—for example, in South Wales and on the North-East Coast.

I do not propose in this book to do more than outline what these problems are; for I have no space to deal with them adequately.¹ I mention them in order to make clear the magnitude and diversity of the tasks which await a Labour Government in reconstructing the machinery of State in order to fit it for the demands of an era of Socialist construction. Socialists have held, from Marx's day, that the machinery of the capitalist State cannot be simply taken over and applied to Socialist ends. Communists have argued that the existing State must be smashed altogether, and replaced by a new proletarian State built up afresh on the basis of the working-class conquest of political power. The Labour Party does not accept this conclusion; but its adherents recognise that the existing machinery of State will have at the least to be radically transformed. How far-reaching this transformation will need to be cannot be fully known until the matter has been put to the test of practice; but I have said enough to show that, even for the moderate advance towards Socialism which a Labour Government would undertake, large changes would be required in the structure of the parliamentary and administrative machine.

Among these changes is, of course, the abolition of the House of Lords as a legislative chamber, which is part of the Labour Party's programme. It is laid down in *For Socialism and Peace* that "a Labour Government meeting

¹ For fuller discussion of some of this, see *The Machinery of Socialist Planning*, by G. D. H. Cole. Fabian Society, 2s. 6d.

with sabotage from the House of Lords would take immediate steps to overcome it; and would, in any event, during its term of office pass legislation abolishing the House of Lords as a legislative chamber."

There is also the question of electoral reform. Plural voting still exists, though its influence has been diminished: it will have to be swept away. Further measures are needed to check undue electoral influence, and to reduce the cost of elections; and steps will have to be taken effectively to prevent employers from refusing their employees the right and the opportunity to stand for and serve on both local and national assemblies. To Proportional Representation the Labour Party is opposed, because there is need, above all in a period of rapid transition, for an electoral system which will conduce to strong government and give a party which stands for a clear-cut policy a good chance of securing a majority in Parliament. The Alternative Vote, on the other hand, ought in my opinion to be seriously considered, though it finds at present no place in the Labour programme.

If democratic institutions are to meet the challenge thrown out to them by the growth of dictatorships, they must be made to work more swiftly and constructively than they do to-day. Moreover, democracy must be purged from the reproach that it is synonymous with government by the old and tired. It must be made easier for young men and women to be chosen for posts of responsibility, both in the State and the local authorities and in the party, Co-operative and Trade Union machines. Above all, nothing must be done to discourage youth from formulating its own demands or passing candid criticism upon the projects and proceedings of its elders. The advance towards a new era needs the services of new men. It needs the courage and the freshness of men and women who have not grown tired in the execution of routine tasks, or become schooled to disappointment and unconsciously resistant even to the changes which they profess to advocate. The conditions of the new era upon

which we are entering require leaders who think in terms of novelty and experiment. The Labour Party must be young in spirit if it is to lead the way adventurously towards a new world.

CHAPTER XXII

CONCLUSION

IT will, I think, be admitted that the policy expounded in this book is moderate in both content and expression. Many, I am aware, will regard it as unduly moderate, and will wish that I had expounded a more thoroughgoing Socialist gospel. My answer to such critics is that there are two possible ways of trying to establish Socialism—by revolution or by constitutional democratic action through the parliamentary system. In some countries the second of these methods is no longer open to consideration, because the parliamentary system and the rights of democratic action have been destroyed root and branch. Where that has taken place, only the way of revolution remains open; and it must be admitted that the prospects of successful revolution are for the time unpromising.

But I am not dealing in this book with Germany or Italy, but with Great Britain where, despite certain recent invasions of democratic liberties, the parliamentary system remains in working order, and it is still open to Socialists to seek power by constitutional means. If power is to be sought in this way, the limitations involved in constitutional democratic action have to be accepted along with the method. It is illogical and useless, if it is proposed to advance by constitutional parliamentary action, to put forward policies which can be carried out only by revolutionary means. However drastically we may reform parliamentary procedure, there are limits to the number of measures that can be pushed through Parliament in a

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single session, or during the five years which constitute its maximum life. If we are not prepared to accept these limitations, we must give up the hope of constitutional action and turn revolutionary. We cannot have it both ways.

For my part, even if other objections are left out of account, I regard it as a sufficient reason for not turning revolutionary that I see no likelihood of a sufficient number of other persons doing the same to make revolutionism more than an impotent gesture. War might no doubt create quite speedily in Great Britain the conditions in which a formidable revolutionary movement could arise. But assuredly those conditions do not exist at present, and are unlikely to exist in the near future except as a result of war. War preparation alone will not create them.

If war actually broke out, I might very soon be advocating a policy radically different from that which is outlined in this book. But I have written in the light of things as they are, and not as they may all too speedily come to be. Under present conditions the only possible policy for the British Labour movement is a policy of constitutional and democratic advance; and, accordingly, for as long as these conditions remain in being, I accept that policy—and its limitations.

These limitations are set both by the restricted swallowing capacity of the parliamentary system and by the attitude of the electors. The support of the electors must be secured not only in order that a Labour Government may be returned to power, but also for its policy while it is in office. The electorate, as well as Parliament, has a limited capacity for digesting change; it does not want to be shaken too abruptly out of its existing habits of life. It is not prepared—even if no account is taken of other claims, the main body of the working classes is not prepared—to adjust itself suddenly to the vast changes which would be involved in an abrupt transition from capitalism to Socialism. The working classes are used to capitalism:

they need time for the assimilation of Socialist ideas and ways of living. If war destroyed the possibility of continuing their present habits, so that Socialism and Fascism were the only alternatives between which they had to choose, it would be possible to invite them to swallow Socialism hook, line and sinker. But that is not the choice with which they are at present actually faced. They are still able to choose in terms of more or less—more or less Socialism and less or more capitalism, neither involving all the upsets which are associated with any sort of revolutionary change of system. I want them to elect for more Socialism: but I neither expect nor ask them to do more than this at present.

In effect, it is not practical politics to ask the British people to accept the destruction of capitalist institutions—which do enable them to exist after a fashion—any faster than we are able to replace them effectively by Socialist institutions. If it is once decided that we are to go to work in a constitutional way, we can afford to destroy no essential institution that we cannot promptly replace by something superior in concrete results. We cannot destroy first, and create afterwards, as can be done in revolutions. We have to build as fast as we scrap, and to build soundly.

Frankly, I do not know whether Socialism *can* be built in this way. But I am sure the attempt is worth making—the more so because, under existing conditions, there is certainly no other practicable way. We may find—I think we shall—that when we have done a certain amount of Socialist construction on the lines suggested in this book, we shall have accumulated behind us so much support, and so strong a sentiment in favour of Socialism itself, that we can afford to proceed much faster and with less fear of asking the people to swallow more than it is ready to digest. We may find that, when we have got past the earlier troublesome and laborious stages, we can thereafter leap forward by much bolder moves towards a complete Socialist system. I feel sure we shall find this—

provided that we get over the initial difficulties with reasonable success.

But first things come first; and in this book my concern is with things that are to be done at once, and not with what may need to be done later. I hope my readers will bear that in mind, and not accuse me of having forgotten Socialism because I am writing only of the initial steps. If these steps cannot be taken with success, we shall have to await the conditions which will make possible alternative methods of advance. But for the present we ought to use the opportunities we have, and not take refuge from action in dreaming of situations which do not exist.

Yet, moderate as the proposals here advanced are, they are not unexacting. To put through even the moderate Socialist policy for which the Labour Party officially stands will require in the leaders high qualities of courage and determination, as well as intelligence beyond the ordinary. Even the outworks of the capitalist Jericho will not fall at the mere blast of the Socialist trumpet.

It will not be easy to win a majority for democratic Socialism in the House of Commons. But let no one suppose that, when it has been won, all will be over bar the shouting. British Capitalism is very strongly entrenched, and as long as the capitalist interests command the key positions of the economic system, they decide how the system works. The bankers can, by reducing the credits they are willing to grant, at any time reduce the number of workers employed. By refusing to purchase Government bills, or by throwing Government securities on the market, they can raise the rate of interest on public loans, and so impair the Government's credit. The industrial employers, if they dislike the Government's policies, can cut down employment and production, and so create the impression that the Government is leading the country towards disaster. And any move of this order made by capitalists in Great Britain will set up reactions among capitalists in other countries, and impair British credit abroad.

The financiers and capitalists can produce these effects, not only if they decide maliciously to do so as a conscious political move, in order to bring the Government into discredit, but even without any conscious malevolence. It is on the face of the matter unlikely that financiers and great capitalists will view with favour policies which are meant to curb their power and to bring about a less uneven distribution of incomes. Most of them believe strongly in capitalism, and disbelieve strongly in Socialism. If the Government in office begins passing Socialist measures, they will quite naturally tend to think worse of business prospects. They will "lose confidence." But under capitalism business activity depends mainly on the degree of "confidence" which the capitalists feel. The return of a Labour Government is therefore certain, *as matters stand*, to have a depressing influence on the stock markets, on investment, and on production and employment.

It will be an urgent necessity for an incoming Government to counter these inherent tendencies. Immediately, the key position will be the command of the Bank of England; for the Bank, by adopting a policy of credit expansion, can make it difficult for the joint stock banks to follow a policy of contraction—difficult, but not impossible. If, in face of the Bank of England's expansionist policy, the joint stock banks persist in deflating credit, the key position is still in the Bank of England; for it must then be used to provide credit directly to productive enterprise, including public works instituted by the Government. It would be suicidal for a Labour Government not to establish a firm hold over the Bank of England at the earliest possible moment.

Important as the credit factor is, above all at the outset, it is not the only factor, or even, in the long run, likely to be decisive. The Government can find means of supplying credit to the market, provided that the industrialists are prepared to make use of it in financing production. But what is to happen if the industrialists "lose confidence," and proceed to discharge workers right and left?

The industrialists, like the bankers, cannot behave in this way without loss to themselves. If they discharge workers and cut down production, they create the slump conditions which they feared: they make their own prophecies come true. It is important, therefore, to consider what behaviour on the part of an incoming Labour Government is least likely to cause the capitalists to start a slump.

The answer, in general terms, is that, the more the Government looks competent to carry out its declared policies in a consistent and efficient way, and the stronger its mass support among the electors is felt to be, the less likely are the capitalists to commit, either deliberately or instinctively, financial sabotage. If they think the Government's support in the country is weak, so that there is a good chance of bringing it down by a sudden *soup*, they will be much more disposed to take the risks involved than they will be if it seems fairly certain that another General Election would send the same party back to power. If they think the Government itself timid or inefficient, they will be more disposed to harry it in the hope of tempting it into a fatal mistake than they will be if it plainly means to carry its policy through with determination. Moreover, they will actually feel less confidence in a weak than in a strong Government, even if they dislike its policies. For a Labour Government, even if it is seeking to supersede capitalism by stages, wants industry to prosper and employment to be plentiful during the transition, and is therefore likely to follow policies which will for the time being increase capitalist profits. It will expand credit, and bring unused productive resources into play; and both these things will be popular with a large body of industrialists, even if the Government is increasing the taxes on profits and taking some industries out of the profit-makers' hands into public ownership. A strong and capable Labour Government, with an effective backing in the country, will be unlikely to be brought down by a widespread capitalist "strike." On the other hand, a weak

and ineffective Government almost certainly will be defeated by this weapon.

These considerations make it essential both that the Government shall have in advance a clearly thought-out policy and a determination to carry it into effect, and that the nature and implications of this policy shall be widely understood among its supporters. That is one great reason why the Labour Party, unlike other political parties, must take the entire membership of the movement into its confidence, and work out its plans to the fullest possible accompaniment of publicity and open discussion. It must forego any advantages that might be gained by making unexpected moves, except on day-to-day issues, because it is much more important that its supporters should know what it means to do than that its opponents should not. Hence the need, *inter alia*, for books such as this, in which an attempt is made faithfully to present the policy to which the movement is committed, in order that party members may be able to argue intelligently about the issues involved both among friends and with opponents and potential recruits.

Inevitably, the author who writes such a book, designed to set forth the policies collectively approved by the party, must suppress a part of himself. No one, at all events no one capable of thinking for himself, ever saw eye to eye with his party on all points, or was wholly satisfied with its collective decisions. One joins, and continues with, a political party not because one agrees with it entirely, but because one prefers it to the other parties, and because party organisation is indispensable for getting anything done. In this book, I have disciplined myself to write, not quite what I should have written if I had been acting simply as an individual, but what I believe represents the gist of a policy agreed on by the party as a whole. I have written nothing that I do not believe; but when I have felt my personal differences to be substantial enough to be worth recording, I have, I hope, always indicated where I am speaking for myself and not for the Labour

Party. The sum of these differences over the entire field of policy covered by this book is very small in relation to the sum of the agreements. The reader can take it that I regard the party programme—for what my personal opinion is worth—as being, on the great majority of the issues I have discussed, sound and well conceived.

There are of course many issues of policy which I have not discussed at all. This book deals, not with the whole party programme, but only with its *domestic* aspects. It leaves out all questions of international policy and all questions of empire policy. It does not discuss armaments, save on the single issue of socialisation. It does not discuss the question how far the carrying through of the social programme here outlined will be inevitably retarded if vast sums have to be spent year after year on arms, warships, aeroplanes, air raid precautions, and other services swollen by the threat of war.

The omission of these issues is not due to any idea that they are unimportant. They are of course supremely important. But a man cannot write more than one book at a time; and there are others who can write on these other issues with more authority than I. In concentrating on home affairs I have had in my mind the belief that, however much our thoughts may be overshadowed by the international crisis, it is of vital importance to our movement not to let other things slide. We are compelled, at present, to bend a large part of our energies to the struggle to save democracy as a world force. But *for what* do we want to save democracy? We want to save it in order to use it as an instrument for raising the standard of living and increasing the personal freedom of the common people. *That is what it is for.*

The common people will value democracy and throw themselves into the struggle for it, only if this purpose is made plain to them. But it is chiefly in terms of home policy that we can make it plain. Even in face of the world crisis, the next General Election in Great Britain will in all probability not be lost and won mainly on

Labour's foreign policy. The majority of the electors are still thinking more about houses, rents, food prices, wages, means tests, old age pensions and other matters of that order than about Hitler or Spain. It is only the "conscious minority" that thinks persistently about the international situation as a whole. The only part of it that comes directly and continually home to the back-street voter who is not politically minded is the part that is called A.R.P.¹ We cannot win an election by denouncing Fascism. We must of course denounce it; but we must do other things besides. We must bring home to the ordinary voter that democracy is a bread-and-butter question, and that we are concerned to save and develop it because it points the way to greater freedom, security, health, income and enjoyment for the common man.

When I say that the next election is not likely to be won or lost mainly on Labour's foreign policy, I do not, of course, exclude the possibility that the Government will try to fight it mainly on foreign affairs. Very probably they will attempt to pull off a "stunt" victory, posing, as the occasion may prompt, either as the saviours of peace from anti-Fascist belligerency or as the patriotic defenders of home and empire in face of Socialist pacificism and hostility to the alleged requirements of "national service." These two lines are of course inconsistent; but it is easy to imagine circumstances in which the one or the other might be taken with considerable effect.

From the Socialist standpoint, the best preparation against this danger is the diffusion among the electors of the clearest possible understanding of Labour's domestic programme. The more the voters understand the positive measures which Labour means to put into effect, the less will they be disposed to listen to "stunts." In matters of domestic policy the Government has less than nothing to

¹ See *A.R.P.: Labour's Policy*, Labour Party, 1d., where a demand is put forward for the provision of deep shelters for the population that is likely to remain in zones of danger, for the building of country camps on a large scale for those who are to be evacuated from these zones, and for control over the location of industry in the interests of safety in time of war.

put against the Labour plans; for in its anxiety to avoid taxing the rich it regards rearmament as a reason for cutting down the social services. In this field, then, Labour possesses a plain advantage, of which it must make the fullest use.

This book, then, deals with only a part of the Labour programme; but I think it important that this part shall be dealt with now, when there is a danger of home policy being forgotten amid the welter of international affairs. With matters of strategy and tactics, as distinct from programme, this book does not deal at all. That is why there is no mention in it of the internal crises through which the Labour Party has been passing of late—of the expulsion of Sir Stafford Cripps and Sir Charles Trevelyan and other leading members of the Party, of the denunciation by the Party executive of the "Popular Front," of the attempts to impose an increasingly rigid discipline on Party members and local constituency organisations, of the contest between the Executive and the Labour League of Youth, or of other current controversies on which I hold strong opinions, which I have expressed elsewhere. I did not bring these questions into this book for two reasons: first, because discussion of them would not have left enough room to do what I set out to do, that is, to expound the Labour programme in home affairs and, secondly, because I am convinced that these quarrels ought to be ended, and that we ought all to be able to work together inside the Party, with full freedom to express our differences, but in the knowledge that these differences are very small indeed in relation to the gulf which separates Socialists from Anti-Socialists, and that unity among Socialists is indispensable if democracy is to emerge victorious from its trials.

Here am I, much more a Crippsite in the recent controversy than a supporter of the official strategy, yet able to write in the midst of the contest a book expounding the official Party programme and setting down almost nothing from which, I think, either the opponents or the supporters of Sir Stafford Cripps are likely to dissent

except in detail. The quarrel, in effect, was not about what we are aiming at: it was simply about the best strategy for getting what we want.

At Whitsun, 1939, the Labour Party Conference decided definitely against a 'Popular Front,' in the sense of a national electoral alliance between the Labour and Liberal Parties. Readers of my book, *The People's Front*, will be aware that I always regarded such an alliance as impracticable, and favoured only local arrangements where they were mutually desired and collaboration on particular issues, such as the Spanish War and the Anglo-Soviet Pact. How far the decisions taken at Southport conflict with this type of collaboration is not yet clear; but it is clear that the Southport decisions rule out a 'Popular Front' in the wider sense. It would be absurd for anyone to go on advocating such a 'Front' in the knowledge that the party which must form the largest element in it refuses to come in. It is now the task of us all to strengthen the Labour Party to the greatest possible extent; and to this end it is indispensable that no one should remain excluded from the Party on account of past differences.

Here, at any rate, is my book, offered to the Labour Party in the hope that it may help a little in spreading clear knowledge of the Party's programme, and therefore in winning it support and consolidating the faith of those who are already in its ranks. Such as it is, I hope I may be allowed to dedicate it to the many thousands of men and women who have worked hard in building up the Party, on a basis of free discussion and broad mutual tolerance and fellowship, and do not want to see their work destroyed by sectarian bickering.

List of Books and Pamphlets on Labour Policy

THE Labour Party's official policy on home affairs is set out chiefly in the following pamphlets and reports, all obtainable from Transport House:

- Labour's Immediate Programme. 1937. 1d.
 For Socialism and Peace: the Labour Party's Programme of Action. 1934. Revised 1938. 2d.
 "Socialism in Action" Reports. Each 2d.
 The Land and the National Planning of Agriculture. 1932.
 The National Planning of Transport. 1932.
 The Reorganisation of the Electricity Supply Industry. 1932.
 Currency, Banking and Finance. Part I, 1932; Part II, 1933; Revised 1936.
 Socialism and the Condition of the People. 1934.
 Water Supply: a National Problem and its Solution. 1935. 1d.
 Labour's Policy for the Schools. 1934. Revised 1938. 1d.
 Up with the Houses: Down with the Slums! 1934. Revised 1935. 2d.
 Fair Rents and No Profiteering. 1934. Revised 1935. 1d.
 The Blind Persons' Charter. 1935. Revised 1937. 1d.
 Labour's Financial Policy. 1935. 1d.
 Why the Banks should be Nationalised. 1936. 1d.
 Socialism and Social Credit. 1935. 2d.
 Labour's Plan for Oil from Coal. 1938. 1/-
 A.R.P.: Labour's Policy. 1939. 1d.
 Labour's Policy for our Countryside. By LORD ADDISON. 1937. 1d.
 Labour's Policy of Food for All. By THOMAS JOHNSTON, M.P. 1937. 1d.
 Labour's Policy for Coal and Power. By GEORGE RIDLEY, M.P. 1937. 1d.
 British Transport at Britain's Service. By HERBERT MORRISON, M.P.
 The Nation's Wealth at the Nation's Service. By DOUGLAS JAY. 1938. 1d.
 Labour's Aims. By C. R. ATTLEE, M.P. 1937. 1d.
 Labour's Claim to Government. 1938. 1d.
 The Position of the Middle-class Worker in the Transition to Socialism. By G. L. BENJAMIN. 1935. 2d.

The following also embody official policy:

- Labour's Pension Plan. *National Council of Labour*. 1937. 2d.
 Coal: The Labour Plan. *National Council of Labour*. No date. 3d.
 Cotton: the T.U.C. Plan of Socialisation. *Trades Union Congress*. No date. 3d.
 Iron and Steel: the T.U.C. Plan of Socialisation. *Trades Union Congress*. No date. 3d.
 Unemployment and the Cost of Living. *Trades Union Congress*. 1937. 1d.
 Holidays with Pay: the T.U.C. Policy. *Trades Union Congress*. 1937. 3d.
 Holidays for All. *Trades Union Congress*. 1937. 3d.
 Education and Democracy. *Trades Union Congress*. No date. 2d.

The following reports on policy are to be found in the Reports of the Annual Conferences of the Labour Party, but have not been reissued separately in pamphlet form:

- Southport Conference Report, 1934. *Labour Party*. 1/-.
 Public Ownership and Compensation.
 Import Boards.

- A State Health Service.
Parliamentary Procedure.
Brighton Conference Report, 1935. *Labour Party*. 1/-.
The Beet Sugar Industry.
The Tithe Question.
Socialisation of Coal and Allied Industries.
Unemployment and the Unemployed.
Local Government and Depressed Areas.
Broadcasting Policy.
Edinburgh Conference Report, 1936. *Labour Party*. 1/-.
The Tithe Question.
Ceremonial Functions and Honours.
Local Government Administration.

The programme of the Co-operative Party, which works in alliance with the Labour Party, is set out in .

Britain Reborn: Work and Wealth for All. Co-operative Party, 6d. and further in a series of pamphlets dealing with particular questions, as follows:

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| Britain Reborn Series. | Co-operative Party. | Each 2d. |
| Power and Fuel. | | Buy British. |
| Transport. | | Work for All. |
| The Countryside. | | Civic Ideals. |

The Labour Party's Commission of Enquiry into the Distressed Areas has issued the following reports, each 1d.:

- A Programme of Immediate Action. *Labour Party*. 1937.
Central Scotland. *Labour Party*. 1937.
Durham and the North-East Coast. *Labour Party*. 1937.
West Cumberland. *Labour Party*. 1937.
Lancashire. *Labour Party*. 1937.
South Wales. *Labour Party*. 1937.

The following are published on behalf of the Standing Joint Committee of Women's Industrial Organisations:

- Socialism and the Standard of Living. *Labour Party*. 1938. 1d.
Nutrition and Food Supplies. *Labour Party*. 1936. 2d.
Children's Charter. *Labour Party*. 1937. 1d.
Protect the Nation's Mothers. *Labour Party*. 1936. 2d.
Women in Industry. *Labour Party*. 1935. 1d.
Women in Offices. *Labour Party*. 1936. 1d.

The following useful booklets are issued by the New Fabian Research Bureau (now the Fabian Society), but are not official pronouncements of Labour Party policy:

- The Essentials of Socialisation. By G. D. H. COLE. 3d.
The Nationalisation of West-Country Minerals. By A. K. HAMILTON-JENKIN. 3d.
The Relations of Central and Local Government. By W. A. ROBSON. 3d.
The Control of Investment. By COLIN CLARE. 6d.
Taxation under Capitalism. Edited by BARBARA WOOTTON. 6d.
Socialist Credit Policy. By E. F. M. DURBIN. 1/-.
Marketing Boards and Import Control. By M. PHILIPS PRICE. 6d.

- The Housing Question. Edited by J. H. MARTIN. 6d.
 Transport, Town Development and Territorial Planning of Industry.
 By F. J. OSBORN. 1/-.
 A Socialist Budget. By COLIN CLARK. 6d.
 Aircraft Manufacture: A Description and Proposals for Socialisation.
 By R. MCKINNON WOOD. 6d.
 Facts and Figures, a Handbook for Labour Speakers. 6d.
 Planned Socialism. By H. DE MAN. Edited by G. D. H. COLE. 1/-.
 Technical Education: an Immediate Programme. By BARBARA DRAKE
 and TOBIAS WEAVER. 6d.
 Rent Rebates. By GEOFFREY WILSON. 1/-.
 Foreign Trade. By HAROLD BARGER. 6d.
 Nutrition: a Policy of National Health. By BARBARA DRAKE. 6d.
 Adult Education. Edited by A. CREECH JONES, M.P. 6d.
 How Much Compensation? By ERNEST DAVIES. 1/-.
 The Forty-Hour Week. By MICHAEL STEWART. 6d.
 State Education: an Immediate Programme for a Socialist Government.
 Edited by BARBARA DRAKE. 1/-.
 The City To-day. By A. CRITZEN. 1/-.
 Milk, from Cow to Consumer. By JOAN BULMER and PETER VINTER. 1/-.
 Living Wages: the Case for a New Minimum Wage Act. By G. D. H.
 COLE. 6d.

The following books deal especially with the policies which a Labour Government would be likely to pursue, either generally or in particular fields:

- C. R. ATTLEE. *The Labour Party in Perspective*. 1937.
 HUGH DALTON. *Practical Socialism for Britain*. 1935.
 DOUGLAS JAY. *The Socialist Case*. 1937.
 HERBERT MORRISON. *Socialisation and Transport*. 1933.
 G. D. H. COLE. *The Next Ten Years in British Social and Economic Policy*. 1929.
 G. R. MITCHISON. *The First Workers' Government*. 1934.
 LORD ADDISON. *A Policy for British Agriculture*. 1938.

The following deal especially with problems of Socialist planning:

- BARBARA WOOTTON. *Plan or No Plan*. 1934.
 G. D. H. COLE. *The Machinery of Socialist Planning*. 1938.
 G. D. H. COLE. *Practical Economics*. 1937.
 G. D. H. COLE. *The Principles of Economic Planning*. 1935.

The following pamphlets contain the chief official expositions of the Labour Party's foreign and colonial policy:

- Labour's Foreign Policy*. By ARTHUR HENDERSON. *Labour Party*, 1933. 2d.
The Colonial Empire. *Labour Party*. 1933. 2d.
The Demand for Colonial Equality of Economic Opportunity. *Labour Party*. 1936. 4d.

There are also numerous manifestos on recent questions issued by the National Council of Labour or by the Labour Party.

This book has no index, not because the author has been too lazy to make one, but because he believes that, in view of its nature and arrangement, the very full table of contents at the beginning will serve the reader as a more convenient and satisfactory means of reference.

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