

UNEMPLOYMENT: CAUSES AND REMEDIES

BY

GEORGE WHITEHEAD

F.R.ECON.S.

*Author of "The Unfair Sex"; "Bernard Shaw Explained";
"Psycho-Analysis and Art," etc.*

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UNEMPLOYMENT:
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Previous Works by Mr. George Whitehead

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PREFACE

IN consequence of certain views expressed without equivocation in this volume, I fully expect to be assailed by a barrage of abuse from those friends of Labour whose support takes the form of demanding conditions so impracticable that the attempt to satisfy them has led to hundreds of thousands of persons being thrown out of employment.

As I am not a politician haggling for votes, I can view with comparative fortitude the spleen displayed towards all who venture to utter unpalatable truths to a democracy which has been fed on flattery and bribes until any attempt to treat a social disease as one would treat an individual complaint results in the investigator, analysing causes and effects with a view to a removal of the evil, being regarded as almost inhuman.

The physician who refrained from drawing attention to foolish habits and vices which were undermining the health of his patient because he was afraid of hurting his feelings would be a bad doctor, as would also the practitioner who hesitated to advise amputation or to administer nasty medicine when these obnoxious remedies were essential to recovery.

Wages that are too high in relation to the work done, preventing the sale of the product, or State mollicoddling which undermines the morale of the producers, are analogous to intemperance in dancing, eating, drinking, smoking or drug-taking, or refraining from exercise, and living muffled up in an unduly heated or asphyxiating atmosphere which undermines the health of the patient. An unpalatable social regimen, nasty physic, and in some cases social surgery, may be as essential to national recovery as unpleasant discipline and a change of habit are frequently necessary to the recovery of the health of the individual.

On the other hand, while administering whatever unpopular treatment is regrettably necessary, there is no curative value in a pessimistic attitude on the part of the doctor, who may indeed kill the patient if he over-stresses the gravity of the malady. Especially is this the case with victims of nervous stress where the confidence has been previously undermined by alarmist quacks.

Even if the social doctor cannot emulate the method of the late Emile Coué, who effected cures by persuading his patients to declare repeatedly (and to believe the declaration) that every day they got better and better, he might at least refrain from depressing the patient by telling him either that his malady is inevitable as a result of the introduction of new machinery, or that in any case a cure will not be possible for another ten years, which are two of the disastrous contributions made recently by Mr. Neville Chamberlain. These depressing statements, in addition to undermining the confidence of the unemployed patients, were, needless to say, seized upon by Socialist quacks who gleefully took the opportunity to push forward their own dubious nostrums.

Another patient, the British taxpayer (altogether too patient) will not derive much satisfaction from a recent statement by Mr. Baldwin, that before taxes can be reduced conditions must improve, which is equivalent to saying that before the victim recovers from loss of blood he must continue to be bled.

And finally must be rejected the contradictory prescription of a Fleet Street specialist, Lord Beaverbrook, who vociferously proclaims the need for higher wages and a restoration of all the "cuts" imposed by the National Government, while at the same time demanding a reduction of taxation. How the Government can increase its expenses while reducing its receipts is not revealed by this practitioner.

In the following work I have tried to avoid the extremes of pessimism or inflated optimism. As candidly as the gravity of the situation, and the dearth of candour upon the part of political statesmen afraid of losing votes has warranted, I have set down what appears to me as a correct diagnosis of the problem. And if my candour is emulated by others, or leads to some improvement in our general handling of unemployment and allied problems, I will bear up as manfully as may be against the inevitable charges of those lovers of democracy whose humanity is displayed by their encouragement of Pyrrhic economic victories which prevent multitudes of Britons from earning their daily bread.

June 12, 1933.

G. W.

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UNEMPLOYMENT:

ITS CAUSES AND REMEDIES

CHAPTER I

THE MAGNITUDE OF UNEMPLOYMENT

No excuse should be needed to justify an addition to the list of volumes dealing with the evil of unemployment. Of all our problems unemployment remains obdurately in the forefront of the public mind. No nation has escaped its ravages, although some have suffered less than others. Post-war France was practically free until towards the end of 1931 when ominous totals were registered. After relative immunity until 1929, America then had to face the spectacle of bankruptcies by the hundred and unemployed men by the million. After

Country	Date 1932	Number unemployed	Increase compared with last year. Per cent.	Percentage of working population unemployed	
				1931 Per cent.	1932 Per cent.
United Kingdom ..	Oct.	2,747,006	1	21·9	22·9
Austria	Sept.	269,179	37	15·7	21·5
Germany	Sept.	5,225,000	24	21·9	28·0
Belgium	Aug.	344,054	89	25·4	39·9
Czecho-Slovakia ..	Sept.	459,406	114	—	—
Denmark	Sept.	116,899	211	—	—
France	Sept.	298,519	447	—	—
Italy	Sept.	979,638	35	—	—
Japan	July	481,589	23	5·6	6·8
Sweden	Sept.	74,496	112	—	—
Switzerland	Sept.	47,064	154	—	—
United States ..	Aug.	11,500,000	125	—	—

the war Germany had many oscillations of good and bad trade, but in 1932, in spite of a favourable balance of exports over imports, the world slump, added to internal troubles, left her with over five millions of her people out of work. All over the world unemployment was increasingly rife during 1931 and 1932.

The preceding list was published by the International Labour Office. (See *Industrial and Labour Information*, October, 1932.)

The following list applies to countries outside Europe, January, 1932:—

Country	Unemployed	Increase on year. Per cent.
Australia	120,694	34
Canada	35,048	80
Japan	418,596	8
New Zealand	49,935	44

While the figures for unemployment in the United Kingdom showed little change as compared with a year before, German unemployment advanced from 4,214,765 on August 31, 1931, by over a million, and the number of unemployed in the U.S.A. advanced by over six millions, from 5,100,000 in August, 1931, to 11,500,000 a year later. In March, 1933, Sir H. Betterton reported 13,000,000 unemployed in the U.S.A., and 5,598,000 in Germany.

The two following tables show that the percentages of increase of unemployed in relation to the populations during the periods indicated were 0·9 in Italy, 1·73 in Belgium, 2·85 in Germany and 3·47 in the U.S.A. :—

UNEMPLOYMENT IN 1931.

Country	Date	Unemployed	
		Number	Per cent. of population
Great Britain	24.8.31	2,813,163	6·25
Germany	30.6.31	3,962,000	6·35
U.S.A.	Jan. 1931	6,300,000	5·13
France	—	1,350,000	3·2
Italy	30.4.31	699,133	1·6
Belgium	31.3.31	207,277	2·57

UNEMPLOYMENT IN 1932.

Country	Date	Unemployed	
		Number	Per cent. of population
Great Britain	23.5.32	2,741,306	6.16
Germany	30.4.32	5,844,375	9.2
U.S.A.*	31.3.32	10,634,000	8.6
France †	Jan. 1931	1,350,000	3.2
	31.3.32	347,446	.83
Italy	30.4.32	1,033,000	2.5
Belgium	29.2.32	348,283	4.3

* Estimate of American Federation of Labour.

† The smaller figure shows only those on the registers of unemployment exchanges. The larger is the number of unemployed in January, 1931, as ascertained by a special investigation.

Remaining figures from *Labour Gazette*, June, 1932.

In spite of the alarming growth abroad recently, it is in our own country where unemployment since the war has been most persistent. For a short period after the Armistice practically every available unit was employed in Great Britain, if we omit the sixty-three million working days lost in 1919 and 1920 in consequence of industrial disputes, as against the eleven-and-a-half million days lost in 1913. But the post-war boom collapsed towards the end of 1920, and percentages of unemployment that would have been considered abnormal in pre-war times began to appear. For seventy years before the war, although many grave fluctuations of trade were recorded which resulted in oscillations of unemployment of from 2 to 10 per cent. with a general average of 4 or 5 per cent., on the whole the percentage of unemployment did not increase before 1914, nor indeed until the end of 1920 when 5.6 was registered among the insured section of the population. The figures mounted rapidly until by May, 1921, a percentage of 23.0 was registered. The situation then eased a little, and by June, 1924, had been reduced to 9.3 per cent. Then another rise began, until in June, 1926, the figures stood at 14.7 per cent. A gradual improvement continued until May, 1927, when 8.8 per cent. was recorded, which improvement was

almost maintained for a year. The last six months of 1928 saw the numbers rise, to be followed by seasonal improvements during the first half of 1929 until the election of that year put the Labour Government in office. Then immediately followed an increase of unemployment which continued during practically the whole period this Government retained office, until a greater number than the country had previously known was recorded. Then the crisis of 1931 saw the introduction of the National Government. On September 28, 1931, 2,820,000 persons, representing 22½ per cent. of the insured work-people of Great Britain, were registered as either wholly or partially unemployed. During the next two months the situation improved, the figures showing a drop of 314,000, and 1932 began with about two-and-a-half millions upon the live register. Unfortunately this improvement was not maintained, for on January 25, 1932, there were reported 2,728,411 which, when allowance is made for the removal of 85,000 married women from the list through the operation of the measure to remove anomalies, left the position almost as it was four months before.

By April 24, 1933, the number of unemployed had dropped to 2,697,634. But as about 170,000 had been removed from the live register by administrative changes the situation was about the same as it had been in September, 1931, when the figures stood at 2,820,000.

With the exception of 1926 when employment was adversely affected by the coal dispute, there were fewer insured work-people in employment during 1932 than in any year since 1924 in spite of the increase of working population. The average numbers of those employed in the insured industries as supplied by the Ministry of Labour were as follows:—

1924	9,526,000	1929	10,220,000
1925	9,611,000	1930	9,797,000
1926	9,062,000	1931	9,421,000
1927	10,015,000	1932	9,352,000
1928	10,019,000	1933 (April 24)	9,534,000

On April 24, 1933, there were approximately 9,534,000 employed in these industries, being 92,000 more than a year before. Out of every 100 out of work 59 had

been unemployed less than three months and 17 for twelve months or over.

In comparing the estimates in the percentages of unemployment officially assumed to average $4\frac{1}{2}$ per cent. before the war, with an average of 12 which obtained in the insured industries from the beginning of 1921 until the rise in 1929, some slight consolation may be obtained by reference to the bases of comparison. Prior to 1911 when State Insurance of Unemployment was introduced, we had to rely on estimates from the figures published by certain trade unions in connection with their members who received out-of-work benefits. As these unions were mostly concerned with skilled occupations, percentages derived from them would not yield a fair average for the whole of industry, as unskilled and semi-skilled workers largely unorganized and so not eligible for benefits would not be considered. The less skilled have a higher proportion of unemployment, that among casual workers like dock labourers, for example, being especially high. Estimates derived mostly from skilled occupations therefore would be unduly optimistic, and pre-war unemployment was accordingly probably worse than statistics usually assume.

Post-war figures on the other hand exaggerate the percentage of unemployment in general, based as they are mostly on returns supplied by the Unemployment Insurance Scheme. In the *Labour Gazette* each month are published figures relating to about twelve-and-three-quarter million workers representing about three-quarters of the wage-earning population. But those earning over £250 a year, and others whose occupations have less risk of unemployment, such as those in agriculture, domestic service, certain members of the railway industry and public servants, are exempt from unemployed insurance. If these classes were included, although their figures might add another quarter of a million to the total, the *percentage* would be reduced.

If the numbers of post-war unemployed, classed among the "anomalies," such as some dock labourers and others who, with overtime and special rates, earned in half a week's work a full week's pay, and the scores of thousands of married women who up to the end of 1931 continued

to draw the dole and to swell the unemployed figures although retired from industry, were deducted, the post-war figures would be reduced by over one per cent.

Even with the more reliable methods now prevailing, all figures regarding numbers of unemployed are only approximate and are not strictly comparable in the various years. Since 1911 there have been numerous alterations in the method of compiling unemployed statistics. For example, until October, 1922, those working "organized short time" were recorded separately; then from November, 1922, until May, 1923, only the number of persons totally unemployed was given, and since March, 1924, all those out of employment on the day of the count, whether completely or temporarily unemployed, have been included in the return, the two categories also being recorded separately.

The figures have also been influenced by administrative changes in the scheme of unemployed insurance, the persons registering in order to obtain benefits, the conditions of which have varied from time to time. The relaxing or tightening of the conditions of benefit has affected the numbers given, for some persons having exhausted their rights to benefit did not always maintain registration at the Exchanges. This would make the figures appear some tens of thousands more or less, according to the regulations prevailing at the time. When the number of registered unemployed shows a decrease it is often imagined that this is due to unemployed persons who are out of benefit, or receiving transitional payments, being deducted from the total. Actually not only are they kept on the register and still reckoned among the unemployed, but many not eligible for insurance at all are included in the total. The following list is taken from the *Labour Gazette* for May, 1933. It refers to the total of 2,697,634 reported as unemployed in Great Britain on April 24, 1933.

	Men	Boys	Women	Girls	Total
1. Claims admitted	1,976,763	19,168	292,056	12,341	2,300,328
2. Claims under consideration	41,218	1,330	13,756	1,051	57,355
3. Insured persons not entitled to benefit or transitional payments	201,633	13,566	69,483	3,251	293,933
4. Uninsured persons on Register	49,514	34,794	30,405	31,305	146,018

CHAPTER II

HISTORICAL BASES OF UNEMPLOYMENT

SOCIALISTS usually assume that unemployment is an evil connected solely with capitalism, and that prior to the industrial revolution of 1760 it was unknown. This is an error. In primitive times doubtless every person who desired could be employed gathering roots, fruits, or shell fish; and in later times in hunting and fishing. After domestication of animals somewhat displaced hunting, each member of the nomadic gens (or enlarged family) would find some task easily available, such as tending the flock, milking the cattle, or fabricating the garments from the skins of the animals. The gens would be upon a communal or family basis with the eldest member in authority acting as patriarch, and whose word was law. When settled habits were established in the period of agriculture aided only by crude implements every person again would find more tasks waiting than he wanted, tilling the communal land, or developing some private patch in his own interests. The chattel slavery which was encouraged by this system, in consequence of prisoners of war being granted their lives on condition that they performed the repugnant tasks previously done by their masters, again enabled everyone to be employed who desired, and frequently when he did not. The owners of the slaves were then free to devote themselves to soldiering, loafing, attending to the development of their minds or discharging the duties of statesmanship. Except when the slave state was overrun by invaders, no man who desired employment or a master was denied, for even when one master was killed in war, another took over the slaves. Any free-man who found a difficulty in carrying on his occupation was taken as a slave to discharge his debts, or voluntarily sold himself into servitude, and thus found an employer.

Probably it was not until the downfall of the Roman Empire that during a disturbed period the estates were broken up by the invaders, the owners killed or enslaved, and many former slaves scattered with neither masters nor means of support. After a short period of unappreciated freedom these unemployed men voluntarily became slaves or serfs of the Catholic Church, working on the lands attached to the abbeys and monasteries which began to be erected with the aid of slave labour, or were impressed in the service of the nobility which arose in Europe on the ruins of the Roman Empire. A masterless man was not only in danger of starvation, but he was unprotected against marauding ruffians, who had scant mercy upon the defenceless. It was to the interest of a poor man to take the oath of allegiance to some lord and in return for his protection enter into a form of semi-enslavement which was known as serfdom.

We need not here consider in detail the various grades of serfs who in the manorial period worked upon the land of their overlord so many days in the month, in return being protected and allowed to retain the produce (subject to a tithe of ten per cent. for the Church) from land tilled so many days in the interest of the serf. The essential point is that all who desired could be employed in some capacity. The only masterless man was the outlaw or the fugitive from justice against whom was raised the hand of his fellows. Various factors, chief among which were the Crusades, led to the decline of the manorial system. The nobility, requiring money for their wars against the Saracens, abolished the obligation to compulsory labour in return for cash payments, and this system of commutation became general. The woollen industry encouraged a great development of sheep farming which needed larger tracts of land and fewer labourers than were required for tilling the soil. A series of plagues in 1349, 1361 and 1369, gave a fillip to economic developments which laid the bases of the unemployed problem of later years. The various plagues, and especially the Black Death, eliminated a great proportion of the people of Europe; in England it is said to have destroyed a third of the

population. As a result there was a scarcity of labour. Prices having risen and the demand for labour being keen, naturally efforts were made by the workers to increase the remuneration paid for their services. Legislation was introduced to prevent these improvements, and when other oppressive measures were enforced, there occurred the Peasants' Revolt in 1381. It was not a success, but in spite of legislative attempts to keep the peasant in the district of his birth, commutation went on and many men relatively free left the lord of their manor when he failed to give satisfaction, and tried their fortunes with another. Towns at this period were springing up where developing industries offered ample opportunity for labour.

In simple agricultural communities where each family is more or less independent, growing its own food, fabricating its own clothing and erecting its own homestead, although the standard of life offers few or no luxuries, unemployment is unknown. Only by the invention of appliances and the specialization of labour can that increased productivity essential to a real civilization be accomplished. In the primitive village communities, even after craftsmanship had developed by those with appropriate aptitudes specializing as smiths, carpenters, tailors, &c., the land remained always in reserve when orders failed to provide a full-time occupation. These craftsmen would own their own simple tools and materials unless these latter were provided by the customers.

When wood was displaced by stone as material for building, and when public buildings began to be erected, then associations of labour on the larger scale would be attempted. Without considering the architectural and engineering feats of earlier civilizations, it may be said that in England the erection of abbeys, monasteries, cathedrals and castles led not only to the employment of large bodies of associated labour at first on a slave or semi-slave basis, but to the development of craftsmanship on the part of men working for wages. The foundations would have to be dug, the stone would have to be excavated and carried to the site, and smiths, masons, sculptors, carpenters and their labourers would

apply themselves to their respective tasks. In the intervals between the completion of one building and the erection of another, or even during the periods when, owing perhaps to faulty organization, the materials might not be available, the land would always be accessible whereby any spare time might be utilized.

A wage-earning class had arisen long before the Black Death, in consequence of cottars or serfs not having sufficient land to occupy their whole time and thus being free to work for wages paid by those more fortunately placed. When rents began to displace labour services on behalf of the lord of the manor, many of the landless received a fixed wage from him. This class of labourer was available for building and other duties according to the needs of the time. By the thirteenth century a fair degree of specialization had developed in spite of the predominance of agricultural pursuits. As a reliable currency began to be established and roads improved, interchange of services was extended. By the time of the Black Death markets were well in evidence, while foreign trade for several centuries had been more than a mere possibility.

The shepherding of sheep needed less labour than the cultivation of the land, and agricultural workers were displaced. But as this coincided with the shortage of labour caused by the plagues of the fourteenth century and the need for labour in the developing towns, labour displacements at first caused no anxiety, especially as a patch of land was usually available for cultivation by anyone who cared to make the effort, and in the last resort the monasteries were ready to give food and shelter to anyone in actual need.

Various changes then occurred. The manorial system was completely undermined by 1450, and money rents had practically displaced payments by service. There were many towns which had obtained freedom by furnishing money to nobles in the time of the Crusades. In these towns industries developed and the men of the various specialized crafts formed associations of craft guilds which were an early form of trade unionism. The guildsman developed into a master craftsman employing a number of apprentices and journeymen, all of whom

had the hope, and many the possibility, of becoming working employers in later years. The development of industry implied markets at home and abroad. The Norman Conquest, and later the Crusades, had developed foreign trade. At first England exported lead and tin, especially to Germany; then fish, meat and cattle, and later fine wool, which the people of this country were originally unable to weave. By the eleventh century, however, weaving was established and the arrival of skilled Flemish immigrants gave a great fillip to the manufacture of wool and the weaving of cloth.

England in the Middle Ages had no serious rival in northern Europe as a wool-producing country, the wool of Spain being suitable for only certain kinds of fabrics. Large quantities of English wool were exported to Flanders, where it was manufactured into cloth. Ninety per cent of English wool went to Ghent and Bruges in the days before the art of weaving fine cloths in England was mastered, although a good amount of coarse weaving was done in the cottages of the people. When the Flemish weavers settled here in the fourteenth century, especially in Norwich, they improved the standard of weaving, and the manufacture of worsted cloth became an important industry. It was chiefly associated with the town of Worstead from which the material took its name.

Without attempting to trace out in detail the development of English industry we need only repeat that, based upon the displacement of the manorial system and the agricultural economy with which it was associated, there arose sheep-farming and wool-production, and increasing specialization in manufacture with the inevitable development of trade at home and abroad. As demand increased, the custom of employing more and more journeymen under one master extended, and these journeymen were divorced from the soil as manufacture developed at the expense of agriculture.

Before the Industrial Revolution commenced definitely about 1760, more capital was needed to pay wages and to accommodate the workmen as well as to provide material and credit in connection with trade transactions. Middlemen arose and industrialism was well established

even before the vast extensions made possible by the factory system of the nineteenth century.

As previously mentioned, a system of wage-earning had been established before the period of the Black Death, being well in evidence not only among land workers, but especially in the building trades of the thirteenth century, and being vastly extended during the next two hundred years. During the extension of the wage system there were occasions of temporary unemployment, but starvation could always be alleviated if all else failed by appeals for food at the monastery gates. In passing it may be noted that prior to the dissolution of the monasteries by Henry VIII between 1536 and 1539, the Church owned one-fourth of the land of England, so some charity from this wealthy source was rightly expected for the needy, as the enormous wealth had been derived from the charitable offerings of others.

But it was in the sixteenth century that legal pauperism and unemployment in England really originated. At this period were heard complaints of unemployment largely associated with the woollen industry. And as the monasteries were not available to dispense charity (the proceeds of their dissolution being gambled away by the King and his favourites after a few bishoprics and grammar schools had been founded to justify the spoliation in the eyes of the people) the famous Poor Law of Elizabeth had to be introduced whereby the needy became more or less a public charge.

In 1563 wages were fixed by the justices, and in spite of rising prices, their assessments were maintained. As the wages settled by justices, who were employers of labour, had been none too high at the start, when prices rose poverty became acute. As early as 1541 (two years after the monasteries had been despoiled) Henry VIII had to introduce some system of relief, voluntary contributions at first sufficing. In the reign of Edward VI pauperism grew. Finally, in 1601, Elizabeth was obliged to declare that all property should be assessed to provide a rate for the relief of pauperism. This Poor Law was made permanent in 1641. It helped to keep wages down, for the employer knew his sweated workmen would get

relief from the rates, and the general public was taxed to subsidize industry. In later years, both in the eighteenth and nineteenth centuries, the Poor Law system became a scandal and was abused by employer and employed in a manner somewhat reminiscent of the modern "dole."

As previously stated, there were large numbers of unemployed in the early part of the sixteenth century, although at this period the nation as a whole was becoming prosperous. Not only had the change from arable to pasture land displaced many labourers, but the unemployed were increased by the disbandment of hordes of retainers who in previous time had been deemed essential to the state of persons of wealth. Trading outlets for riches were developing instead of mere ostentation. A series of bad harvests aggravated the growing problem, and the dissolution of the monasteries threw upon the world 50,000 of their previous inhabitants, many of whom joined the unemployed. It is significant that by 1595 attention was being drawn to the number of persons in the fishing industry who were being thrown out of work by the observance of fast days when less fish was eaten.

An aggravating cause of pauperism and of unemployment was the enclosure of common land and the extension of sheep farming. Large farms being needed, the landed gentry enclosed not only waste land but that of the smaller yeomen, who could not afford the legal costs necessary to fight these encroachments. It must be admitted, however, that the enclosures resulted in immense improvements to the productivity of the soil, the methods of small cultivators having been very wasteful and inefficient.

As manufactures grew, so did the need of an export trade. Commercial rivalries developed with Spain and Holland. A series of wars were waged nominally associated with religious hatred, but actually having commercial bases. With the discovery of America and the new route to India, war broke out among European nations in order to settle the question of commercial supremacy. Drake preyed upon the Spanish ships carrying merchandise, and Portuguese traders in the East

were harried by both English and Dutch. Eventually England became a great industrial nation, with important commercial connections with foreign lands and an expanding home trade of considerable dimensions. But trade on the grand scale implies production in anticipation of probable demand. Industry is at the mercy of a host of vicissitudes for which little or no provision can be made. The failure of the harvest of some potential customer reduce the effective demand for home manufactures; disease among the English sheep sometimes held up the supply for a season; civil disturbances at home and war abroad were disturbing factors, and in the dynastic, religious and political squabbles of the time, Continental markets were very unstable. As early as the sixteenth century, therefore, it was definitely seen that specialization of industry and expanding foreign trade, while certainly essential for any high degree of prosperity, were associated with uncertainties in demand and even supply, which frequently dislocated numbers of workers and established almost permanently unemployment as part of the price a nation pays for industrial progress.

Although the introduction of machinery and the extension of the factory system after the Industrial Revolution about 1760, which established what is known as the modern system of capitalism, added to the gravity of the evil, unemployment had previously become a social menace. In the reign of Henry VIII many of the unemployed were dealt with as criminals, and thousands of wandering vagabonds were hanged on the King's highway, a good proportion doubtless being idle and criminal, but others were men who could find no master or other means of lucrative employment. According to Harrison's *Description of England*, three or four hundred "rogues" a year were hanged, and Henry VIII had 72,000 idle persons, and great and small thieves, consigned to the gallows during his reign. After his death, however, the numbers increased. By the time of Elizabeth unemployment was the subject of many complaints, and the evil has more or less persisted from that time to this.

In Elizabeth's time attempts were made to classify the

unemployed. The Poor Law provided for the able-bodied and the impotent, and these were subdivided into further sections. The impotent were those who were sick or too young or too old to work. The able-bodied were of three types: the vagabond, the masterless man, and the sturdy beggar, known as a rogue or Egyptian from which the word gypsy has been derived. The penalties continued to be severe against the sturdy vagabond class from 1558 to 1601, and any labourer who changed his situation or abode was obliged to prove he was not in this class. In 1569 a day's search conducted chiefly in Yorkshire revealed 13,000 masterless men, and a similar search in London also yielded a large number, who were consigned either to gaol or hospital, according to their condition. On conviction as vagabonds they were flogged and branded on the ear with a hot iron, while repeated convictions were punished by death. These penalties were exercised in order to check professional mendicity which by this time had become quite a trade, the members of which were organized in bands.

Under James I banishment was inflicted upon vagabonds, the number of idle vagrants in his day having increased to 80,000. The recruiting and disbandment of armies, added to the influx of Irish vagrants, are said to have been partly responsible for the trouble. In the seventeenth century many vagabonds became highwaymen. In spite of severe penalties for vagabondage and rewards for the apprehension of the offenders, in 1743 and 1744, Parliament was still drawing attention to the increase of vagabonds, beggars, "and idle and disorderly persons." It was discovered that the best way of checking the evil was to put the offenders to work, which one Lord Mayor discovered was "worse than death to them," as they gave the parish a wide berth where work was made a condition of succour. Houses of correction were established which became the workhouses of later years. In 1796 unfortunately the work test was abolished, and relief was given both to the able-bodied pauper and to those in work who besieged the workhouses and with threats demanded to have their wages supplemented at the expense of the parish.

Overseers were terrorized and the expenditure on Poor Law trebled itself. According to a historian of the Poor Law "the country had nothing to show for it but the creation of a demoralized people, who found it paid better to be idle, thriftless paupers, than sober independent workmen."¹

The dole system of later years would appear to have repeated some of the mistakes of the past.

¹ Chapter on "Origin and History of the English Poor Law," by H. Dendy, in a collective work on *Aspects of the Social Problem*, p. 225.

CHAPTER III

PRE-WAR CAUSES OF UNEMPLOYMENT

IN pre-war days there was a tendency for many people to attribute poverty and unemployment to personal defect. The individual concerned was often blamed as an idler or drunkard or one who lacked foresight or initiative. Since the war so many millions have been out of work, the greater portion of whom, however efficient and willing, would have been unable to find employment, that the personal factor is dismissed under the assumption that the unemployed labourer is in no way responsible for his state.

We shall see in spite of the scapegoats frequently blamed, such as a world slump, "the capitalist system," new machinery, currency, disorganization, and tariffs or the lack of them, that bribery on the part of politicians, stupidity on the part of trade union leaders, and covetousness on the part of their followers, as well as other causes associated with the weakness of human nature, are at least as potent causes of unemployment in Britain to-day as they were before the war and so must be kept in mind as well as the strictly economic factors usually held responsible.

Let us first try to assemble some of the causes of unemployment prevailing before the war. We can then deal with the post-war factors responsible for its increase. As we have seen, since the sixteenth century there has always been some unemployment in this country. In any society that does not rest upon a slave or a semi-slave basis, some risk of unemployment, as Sir William Beveridge suggests, "is probably an essential part of economic health for the community. A society in which every individual was absolutely sure of never

losing his job would be a society without any change at all—a dead body, not a live one.”¹

One consideration is that a reserve army of unemployed ready for action is always necessary if the employer is to attack without undue delay any contract placed in his hands. If some firm of shipbuilders received an order for a number of vessels necessitating an immediate increase in the staff of 5,000 men, as happened for example, when Cammell, Laird and Co. were commissioned in 1927 to build three steamships for the Canadian Government, in the absence of a reserve, this and similar commissions could be executed only by robbing some other industry of its labourers. Industrial dislocation would soon be evidenced and, especially in respect to foreign trade, the unsatisfied customer would speedily transfer, perhaps permanently, his orders to another nation. Even if there were an increasing demand for labour in general, particular kinds of labour must sometimes be disengaged. If it were possible to so organize industry that immediately a ship in one yard was completed, another was laid on the stocks miles away, or housing schemes in another district compensated for the completion of given contracts, some displacement of labour would occur unless the industrial army is prepared to be as mobile as the fighting army, ready to change its home at the word of command. This is impracticable in the case of workmen having families and home associations not easy to uproot. One member of the household might be needed in one district and another elsewhere. Family life would disappear. When an industry becomes obsolete, or when dislocation occurs by the introduction of new machinery, it is inevitable that those who have become too specialized or too old to adapt themselves to new processes will be unemployed. The workers cannot be redistributed on the instant with every changing fashion or fresh demand. Distance from home, unadaptability, lack of millions of houses kept in reserve to accommodate the moving men, the fluctuations through failing harvests, changing fashions, seasonal occupations, or in regard to work at the docks

¹ *Causes and Cures of Unemployment*, p. 9.

with the varying number of ships to be unloaded, which in turn may be affected by unpredictable winds and tides, are many of the factors which necessitate a reserve of labour.

If this reserve army is not too great, and wages when in work permit of some preparation being made for the temporary periods of waiting, no great hardship need be inflicted. And under such circumstances industry in general will benefit, as the idle, inefficient, or intemperate workman will tend to be the first dispensed with when poor trade in a particular firm necessitates a reduction of the staff. Even with the abnormal unemployment of to-day, as a result of the dole and the slackness of modern Poor Law administration, a far larger proportion of aged and semi-incapable workers, together with work-dodgers who have not the excuse of physical incapacity, is to be found among the habitually unemployed than can be observed among those in work.

Some part of this sponging, of course, is due to once willing workers having become morally flabby as a result of a long period of unemployment to which at first they objected. While recognizing that an overwhelming proportion of male¹ workers would be glad to accept situations at the current rates of pay, it is as well to face the fact that a not inconsiderable portion of the unemployed is prepared to remain so while the inducements to slackness which have prevailed of recent years remain in operation.

While some margin of unemployment may be economically healthy, if it is too great, say more than 4 per cent., or if hundreds of thousands of workers are permitted to remain out of work for months together, we

¹ This does not apply to the same extent among females. On October 31, 1931, a high official of the Ministry of Labour stated to the press: "If there were 50,000 women and girls prepared to take positions as domestic servants in good homes and at fair wages, we could place them all in the North of England by Monday. This means that one-third of the wholly unemployed women in the north-western area could be taken off the dole immediately if the generations-old prejudice against domestic employment and the stay-at-home attitude of women in the industrial areas could be broken down. . . . Girls who go into training at the centres are booked up weeks before they have finished the course."

have a state of social disease. One of the outstanding features of British post-war unemployment is the way it has tended to concentrate in certain areas connected with particular industries. In the period between the Armistice and the end of 1929 we had industries with only 4 or 5 per cent. of unemployment, while others had one worker in three on the dole; and districts where unemployment was almost negligible, and others where half the men could not find a job.

In this connection it may be noted that not only does each country have its own specific causes for unemployment, some of which may hardly operate in others, but the same thing is associated with each industry inside the nation. Some general factors may and do apply, but each industry has its special problems and no general panacea will fit every one. Attempts to attribute any social disease to one cause or promises of cure by one panacea, are too reminiscent of the market square quack with his alleged specific for every ailment. Political and economic quacks are especially rife in the present period of social disorganization.

Post-war unemployment in England has been worst in the most highly localized industries such as those concerned with shipbuilding, iron, steel, coal, cotton, wool and linen. Professor Clay, in his work on *Post-War Unemployment*, published in 1929, says that of the 630 Poor Law Unions in England and Wales 400 had not then been affected by the problem of able-bodied pauperism, while 50 unions with 35 per cent. of the population, accounted for more than four-fifths of the able-bodied pauperism in the whole country. At the end of 1928 counties with a quarter of the population had in each less than 5 per cent. unemployed; but Durham and four counties in South Wales had each of them more than 20 per cent. London had four times the population of Durham but had fewer out of work. Specialized districts like Jarrow had 53½ per cent. unemployed, Bishop Auckland had 36½, Batley had 27, Wigan had 21, while some of the textile districts in Lancashire, such as Blackburn, had one in three of their workers on the unemployed registers. Before the revival of the shipbuilding industry in November, 1932, there were

126,000 unemployed out of 200,000 men in the industry, a percentage of 63.

The following list gives the percentages of unemployed in the various districts on November 21, 1932:—

INSURED UNEMPLOYED. DISTRIBUTION IN NOVEMBER, 1932.
GREAT BRITAIN AND NORTHERN IRELAND.

	Insured July, 1932	Percentage unemployed, November 21, 1932
London	2,366,200	13·2
South Eastern	996,220	14·8
South Western	907,580	18·3
Midlands	1,892,350	18·9
North Eastern	2,084,770	29·2
North Western	2,193,800	25·6
Scotland	1,340,310	28·2
Wales	618,770	38·3
N. Ireland	265,000	28·5
Special Schemes	143,000	3·5
Total	12,808,000	22·2

In districts too highly specializing on one industry, in the event of displacement the worker has usually no alternative but to leave his home or remain idle, sometimes for years on end, as we find in some of the mining areas. The average man, especially if getting on in years, is reluctant to leave his family or move his home, even if housing accommodation were always available, while ability and willingness to tackle another job than that to which he has been accustomed is far too rare even in the absence of an over-generous dole and public assistance which remove the fear of any real shortage of necessities.

Before the war it cannot be said that British unemployment increased faster than the growth in population. This, of course, suggests post-war causes not operative to the same extent in previous years. If the figures published by trade unions since about 1860 are accepted as approximately accurate, we find that unemployment fluctuated in periods of six to ten years from about 2 per cent. to a maximum of 10 per cent., the average usually assumed being about $4\frac{1}{2}$ per cent. But after the war the

minimum increased to 8 per cent., seldom falling below 10 per cent., and from 1922 to 1929 averaging $11\frac{1}{2}$ per cent. Before 1921 a slump which registered 17 per cent. was noted, while the average unemployment for the whole of 1930 reached 16 per cent. At the highest point on January 23, 1933, 2,903,065, or about 23 per cent. of the total of 12,850,000 insured workers, were out of work.

Sir William Beveridge classifies three periods of unemployment. The characteristic feature of the first relating to before the war he attributes to disorganization of the labour market. The chief causes of unemployment prevailing in Britain between 1922 and 1929 he considers to be rigidity of our economic structure—failure to adapt ourselves to a changing environment. But “the characteristic of the slump of 1930 is collapse of credit and prices, not only in Britain, but throughout the world.” He believes in addition that some of our measures associated with the relief of the unemployed actually help to increase unemployment, making it worse or postponing a cure. This aspect of the subject will be elaborated in a later chapter.

There were several factors operating before the war in the causation of unemployment which still obtain; but other factors will have to be considered to explain the abnormal rise after the war. Among the causes of pre-war unemployment stressed by various economists are the necessity for casual labour, the fluctuations of trade due to seasonal oscillations, changes in fashion, rationalization, alteration of industrial structure, and most serious of all, those periodic slumps which are known as cyclical fluctuations, occurring every seven to ten years as if part of a natural law.

Changes in the weather are obvious reasons why there is usually more work in winter for coal miners and gas stokers, and less work for bricklayers, agricultural and other outdoor workers. Most industries have seasonal variations. January is the busiest month for dockers; May, June and July for tailors; July and August for railways and those depending upon holiday makers; while December is the busiest month for workers in coal, gas, electricity and in the post office. The sum-

total of the seasonal fluctuations is reflected in rather more general unemployment in the winter months than in summer.

But in the opinion of the Poor Law Commission, casual employment and general lack of organization in the labour market associated with dock and other kinds of unskilled labour, was a greater cause of pauperism than unemployment due to seasonal variations. Ships come to the docks at irregular intervals. The gangers engage the men at separate stands, and each tries to keep a special reserve for his individual needs. As these fluctuate a larger body of men is kept in reserve over the whole port than is ever required. It frequently happens that although there is always a total number of men on hand more than the total required, individual stands are short and the work may be delayed. Overtime may be worked by one gang while other dock labourers are out of a job. One of the chief objects the promoters of Labour Exchanges had in view, before their establishment in 1910, was the decasualization of labour by providing centres to which employers might apply to satisfy their requirements. It has to be admitted that in this respect, as in some others, the experiment has failed. The problem of casual labour is still with us.

A change in fashion, as the displacement of the top hat by the bowler, may throw thousands out of work. But usually the innovation will find employment for more workers than are displaced, although not necessarily the same men are absorbed.

Rationalization, which includes the elimination of waste in effort and material as well as by the introduction of labour-saving devices which necessitate the abandonment of obsolete machinery and processes previously employing a greater number of operatives, may throw a considerable number of persons temporarily or permanently out of work. As we shall see later, other avenues are usually opened which enable at least as great a number to be absorbed in one industry stimulated by rationalization or eliminated by another as were originally displaced. But for a time, until adjustments have been made, distress may be felt on the part of those who are redundant or who cannot adapt themselves to the new processes.

Industries also may move from one district to another, the present general tendency being from north to south. When displacements occur to those operatives who are aged, or for any other reason reluctant to leave their homes or unable to adapt themselves to a changed habitat or conditions of work, some suffering is occasioned by developments which are essential to a progressive community.

But more important than the foregoing are fluctuations resulting in commercial crises of greater or lesser severity. These were noted in 1763, 1773, 1783, 1793, 1810, 1816, 1825, 1837, 1847, 1857, 1866, 1878, 1890, 1900, 1907 and 1914. The war postponed the development of a crisis looming on the horizon in 1914, and we are to-day apparently suffering from the accumulated effects plus the special dislocations caused by the war. During the periods mentioned, the banking systems of various countries were subject to immense stress and many banks failed.

It will be noted what a large proportion of these crises have occurred at periods of ten and twelve years. If an unemployment chart is studied for the period since 1860, it will be found that there is a close correlation between the fluctuations in the movement of prices, in the rate of discount issued by the Bank of England, and in the percentages of unemployed.

Employment was abundant (only 2 per cent. out of work) in 1864, 1872, 1882, 1890, 1899 and 1906. The intervals were from seven to ten years. Between these peaks were valleys when there was 8 or more percentage of unemployed at intervals of five to eleven years. These years were 1862, 1868, 1879, 1894, 1909.

These alternations of good and bad trade are far more potent factors in the problem of unemployment than mere seasonal depressions, as they are due to changes of industrial structure. They affect the whole of industry and may remain operative for years. The unemployed at such times, instead of being merely a reserve, assume proportions which become a menace to the well-being of all. So inevitable seem these crises, and so distinct in respect to periods, that no wonder many theorists have connected their appearance with natural causes.

Professor W. S. Jevons believed that the appearance of spots on the surface of the sun were coincident with the failure of the Indian monsoon and with agricultural depression in general. He suggested that sunspots as a result of less emission of heat had a bad effect upon both the quality and quantity of the harvests. Although this theory has not won acceptance, Sir W. Beveridge thinks that periodic changes of temperature by affecting harvests may find a reflex in trade all over the world. This is advanced as only one of many causes of fluctuation in trade.

Climatic conditions obviously have some effect upon the abundance or scarcity of harvests. As raw materials play an important part in industrial processes, the amount of available crops must not only affect the economic standard of countries mainly agricultural, but a shortage limits their ability to purchase the products of other nations. If there is a failure of the grain crop in India or the cotton crop in America, England will suffer, and a depression here reflects itself in other countries with whom we have trading relations.

Ricardo, J. S. Mill and other economists thought that crises were caused by an over-large expansion of credit as a result of undue optimism of business men. If a number of their fellows seem to be making high profits less capable capitalists are encouraged to speculate. A feverish activity follows as the optimism is communicated to the purchasing public. At last there results an over-expansion of credit, followed by the inevitable failure of many, until a trade crisis is registered possibly all over the world.

The Socialist argues instead that trade crises occur as a result of the workers receiving only a small proportion of the total product. An undue share is kept by the employer or capitalist and is invested in machinery or lies idle in banks or warehouses while the workers are short of the goods which glut the market.

Neither the psychological theory of Mill nor the under-consumption theory of the Socialist throws much light on why the crises seem to appear at regular fixed periods. The general questions of currency and under-consumption are deferred for further consideration.

A theory popular in America is that business conditions are always disturbed after or just before the election of a President. This and uncertainties associated with changes of government in England, sometimes alleged as causes of bad trade, will not account for dislocations deserving the name of industrial crises.

Without committing ourselves to any particular theory we may agree that the growing complexity of industry during the last century and a half makes some kind of breakdown from time to time inevitable. Commodities of every description to satisfy myriads of varying requirements and changing fashions have to be produced in anticipation of demands which it is impossible always to foresee. Armies of producers scattered all over the world combine in a hundred processes. Months, and maybe years, of preparation are sometimes essential before the goods can be placed in the hands of the retailer. A failure in the crop, due to unfavourable climatic conditions; a war, earthquakes, floods, or the depredation of insects such as the boll weevil pest which plays havoc with cotton in America; a revolt or revolution, or even a great strike, may hold up essential supplies; or a bank failure may so dislocate a link in the commercial chain that the delicate mechanism registers a breakdown which reverberates through the markets of the world.

Producing in anticipation of a demand depending upon individual caprice or social factors impossible to estimate accurately, must lead sometimes to confusion. Scarcely any industry includes the whole of the processes from raw material to finished goods. Where there is inaccurate co-ordination between various factors in production some breakdown is inevitable. It may be that raw material is short at a given moment, as when the cotton crop fails in the U.S.A., and after inflicting hardship on American growers, hits the cotton trade in Lancashire and, as during the American Civil War, reduces scores of firms to bankruptcy and tens of thousands of operatives to unemployment. Or enormous losses may result to Lancashire trade if the Indian agriculturist is denied satisfactory harvests and is thus unable to obtain purchasing power for the cotton goods of England.

On the other hand an exceptional harvest may supply an abundance of raw material or purchasing power which gives a stimulus to demand with sometimes unpleasant reactions. A large wheat crop in America has been found to result in more railways being built and more shipping laid down. The engineering, ship-building, coal, steel and iron industries were then stimulated, plant was established and ships were launched long after the special occasion to which they were a response had been passed. Losses were inevitable which induced unpleasant reactions not only in the industries mentioned, but in many allied trades.

So in the cotton industry the Indian consumers' orders, reflecting a bountiful harvest, may coincide with a good crop of cotton. Production is extended. Capital is floated, more looms are installed, and for a period there is a boom in trade. As it takes months to build and equip a factory, sometimes either the supplies fail and raw materials are increased in price, or the demand is exhausted before the new plant has got into action. In such cases capital is locked up in machinery and buildings so specialized that they cannot readily be turned to other uses. Bankruptcies may result which communicate themselves to other industries and a slump in trade may follow. If an industry becomes depressed, others associated with one of its many processes are of necessity affected, and large numbers of operatives may be discharged. The producers in one industry, moreover, being retail consumers of the products of the others, the loss of wages affects their power to purchase and a lessened demand of necessity is reflected in an increase of unemployment.

So interdependent are the various branches in modern industry that depression or prosperity in one generally tends to be communicated to another. A reviving demand for a finished product reverberates through all its derivative industries and their prosperity in turn influences trade in general. The credit system helps to develop what is called a *synchronism* whereby good or bad trade found in one industry synchronizes with good or bad trade in general. A demand for cloth goods stimulates the demand for spun wool. The weaver's

prosperity provides employment for spinners who in turn set in motion the activities of farmers, wool dealers, transport workers and makers of machinery. The renewed industry of these and other workers provides purchasing power expressed in greater activities among those who feed, clothe, house and provide for the luxuries and amusement of the producers. When trade at first begins to revive, the increased demand does not advance prices. The extra turnover alone provides a greater margin of profit. Only when an industry is employed to its full productive capacity are prices likely to rise, providing the demand continues. Raw materials will tend also to rise, and wage rates will follow their example. Less efficient workers will be reabsorbed, and overtime at enhanced rates will be introduced, thus adding to the costs per unit. If the demand appears to be maintained more plant will be installed. Loans will be floated to pay for the additional expenses, and banks will charge more for accommodation as additional loans are demanded. Speculation will be encouraged among all classes, and more and more capital will be borrowed. Prices, profits, interest and wage rates will rise and optimism will be disseminated through the whole of industry. There will be a boom. For a time the boom continues. It may be world wide. Then comes the reaction. The first blow may be sudden and unmistakable, such as the failure of an important crop, a war, or the collapse of a great bank. Almost immediately may come a sudden contraction of credit on the part of bankers and merchants. Filled with apprehension they may demand immediate payment of their outstanding debts in order that their position may be consolidated against the financial storm looming on the commercial horizon. Many firms may fail through inability to meet their commitments on the instant. Their bankruptcy not only involves others in loss, but institutes a feeling of general insecurity. The confidence is sapped. Banks maintain a tight hold on their funds and the boom collapses.

Or the crisis may be due to less direct and more protracted factors. As prices mount, the demand, at first voracious, begins to be satiated. Sales are reduced. Costs

remain high but prices must be lowered. The margin of profits is lessened. Orders are cancelled. Stocks accumulate until they have to be sold at slaughter prices. Credit is needed until the banks are obliged to protest and restriction is enforced. As demand still further dwindles, failures become rife and men are thrown out of employment. These losses cause a further shrinkage in demand, and disaster feeds upon disaster. The optimism of the boom gives place to the depression of the crisis, and financiers are reluctant to risk their capital in suggested undertakings which they would have blithely floated in a time of boom.

The collapse of credit which is engendered when banks are reluctant to extend their accommodation, not only prevents firms from fulfilling their commitments, but less reliance is placed upon credit transactions in general. The increasing demand for legal currency leads to a run upon the banks for money. The banks accordingly have to realize securities in a rush, and financial panic tends to become general. This further unsettles trade and leads to loss of employment for the workers.

As a financial panic is always associated with a contraction of credit it follows that if the whole of the banks are prepared to discourage mere speculation and to lend freely to legitimate men of business temporarily embarrassed so as to give time for them to adapt themselves to the changed situation, the crisis may be lessened. High interest in these cases must be charged, as the risk is great and in any case the demand for loans needs to be checked. Such a step implies some courage on the part of bankers, but is necessary to avert the full impact of a slump.

In some exceptional crises it may be necessary for the State to shoulder the responsibility, as for example during an important war. The crisis of 1914 was the greatest in history. The British bankers, backed up by the Bank of England and the British Government, took measures which obviated what might have become a panic which would have involved the whole financial world in ruin. The Stock Exchange and the banks were closed for several days to prevent the dumping of securities, especially by foreign nations who wished to withdraw gold. The

Bank rate was raised to 10 per cent. by the first of August, but reduced to 6 per cent. five days later. Deficiency in currency was overcome by the suspension of the Bank Charter Act to enable the Bank of England to issue notes until the £1 and 10s. Treasury Notes of the Government could be placed in circulation. A moratorium was declared for three months to relieve debtors of the pressure of their creditors for payment. These and other measures prevented panic and restored confidence.

After the war each important nation in turn suffered a financial crisis which was generally associated with slumps in trade and of necessity with serious unemployment.

CHAPTER IV

UNEMPLOYMENT FROM 1920 TO THE WORLD
SLUMP OF 1929

THE Armistice was followed by a great boom in trade. The war had destroyed vast piles of wealth. Devastated areas had to be restored; housing schemes and replenishment of roads and plant, suspended during the war, had to be undertaken, and an immense shortage of commodities of all descriptions had to receive attention. There was a considerable volume of purchasing power in the hands of demobilized soldiers and those who had made high wages and good profits during the war. The home trade and the foreign market were kept active, and mine, workshop and factory were employed to full capacity. Profits soared, and substantial bonuses induced speculation. Prices were forced up and wages more than kept pace with prices. Increased costs, due to increased wages on the one hand, and to traders taking advantage of exceptional demand on the other, led to still further increases in prices, until by March, 1920, wholesale prices in England were 263 per cent. higher than in July, 1914, and retail prices, by November, 1920, were up by 176 per cent. In other countries the increases were still more marked. All the signs of a boom were present: optimism, brisk demand, soaring prices, increasing wages, high dividends, over-trading, general speculation. One case is recorded of a cotton mill in Lancashire which, during this period, declared a dividend of 400 per cent. upon its ordinary shares.

The public appetite for commodities which had been starved for over four years was voracious. As the industrial resources of the nation had been concentrated upon munitions, it took some time to reconvert plant to its original uses. The railways were short of rolling

stock ; shipping had been destroyed and the ports were congested while the vessels still afloat were being re-conditioned. The coal output was low and its costs were high. There was unavoidable delay in the release of men. As Professor Clay remarks, the result was a price boom more than a boom in production, the volume of which did not rise to the level of 1913 until after the boom was passed. He goes on to explain that the restriction of credit, which would have prevented prices from soaring as they did until 1920, was absent as a result of forsaking the gold standard. Under the gold standard a cash reserve had to be protected at the banks and applications for loans were critically examined, so that credit was restricted when the borrowers were unable to furnish guarantees of satisfactory return.

The gold standard being abandoned meant the abolition of checks upon speculation. The Government, moreover, depended upon its creditors, who had only to refuse to renew bonds to force the Government to make application to the banks in order to expand credit. The floating debt was increased and taxation was remitted in 1919, at a time when it should have been increased. The raising of the Excess Profit Duty in 1920 came too late. Indeed, in addition to the heavy taxation then levied at the wrong time, it helped to encourage reaction following the boom.

During the war and for some time after, demand had fostered the development of inefficient firms and costly methods which would have been speedily obliterated in normal times. Equipment had deteriorated and organization had slackened, and less efficient workers had been absorbed so that the output per unit had dwindled while its costs of necessity were increased. At the end of the boom, instead of these inefficient firms which could not reduce their costs being allowed to go out of existence by bankruptcy, the banks assisted them by extending credit, which merely enabled them to prolong an insolvent existence by cutting prices, which hindered the recovery of more efficient rivals. Costly disputes in respect to wages postponed the satisfaction of consumers' demands at reasonable prices, and sixty-three million working days were lost in the two years of 1919 and 1920.

The collapse of the post-war boom in England was hastened by one or two factors other than the partial satisfaction of an abnormal demand which was the chief. Every effort had been made by producers to take advantage of the boom, and the Government also unloaded hundreds of millions of pounds' worth of stores upon the market. At last foreign traders found that their customers could not afford the high prices. The deflation of prices which Japan and America began to favour encouraged merchants to hold back their orders to buy at lower standards, and prices started to fall. The British Government assisted in this movement by declaring in favour of a policy of deflation and the banks began to recall advances and to restrict facilities for credit. Confidence was shaken, and the reparations paid by Germany in coal instead of money did much to encourage the growing uneasiness. Demands fell off rapidly, prices tumbled down, wage rates followed, and by the beginning of 1921 the post-war boom in England had collapsed.

It is true that after the very high figures for unemployment recorded all through 1921 and the early part of 1922, trade began to recover under the stimulus of a great decrease in prices until there developed in 1924 another boom, but far less marked than the one before. Although the demand for commodities was keen, possibly because by 1924 the agents of production had recovered their pre-war efficiency, the unemployment percentages, though lower than they had been since 1920, were very high as compared with pre-war figures. Some increase of unemployment was noted in 1925 and 1926, but in 1927 trade was even better than in 1924, though the second half of 1928 failed to maintain the improvement. The opening months of 1929 showed a seasonal improvement; but almost coincidentally with the arrival of the Labour Government the figures began to mount and continued to increase until January 23, 1933, when the highest point in our history was reached. The period from the middle of 1929 until 1933 was passed in the throes of a slump even worse than that of 1921. If the years of slump occurring before the war and the slump of 1921 and 1930 are omitted, we find that from

1922 to 1929 the percentage of unemployed averaged $11\frac{1}{2}$, which is three times the rate prevailing from 1860 to 1913. Two features of the period may here be mentioned, to be elaborated later. Real weekly wages (being remuneration received and balanced by the rise in prices since 1914) increased by nearly 17 per cent., and as the hours were also decreased the rise in hourly wages was about one-quarter. Since then, as a result of the further fall in retail prices, the increase of real wages has been still more marked. This rise, as we shall see, is one of the most potent causes of unemployment in England.

The second feature is that the first slump in 1920-21 followed a fall in prices, as did the increase of unemployment in 1925, and more strikingly still, so did the slump of 1930. But the lower prices in England are not a cause of bad trade so much as an effect. The demand had been largely satisfied before prices fell. The fall was due to the need of foreign producers to realize their goods at almost slaughter prices, which effort was a reflex of their own poverty and reduced power to purchase in British markets at prices which had previously prevailed.

Besides the modification in policy associated with unemployed insurance which affected numbers on the register, several special factors influenced the post-war statistics of unemployment. In 1922 the engineering industries had nearly 16 per cent. of the members unemployed, while the wool industry had less than 6 per cent.; in 1929 the engineering group had only 5·3 per cent., while the coal industry had 19·1 per cent. The explanation is not that the engineering trade had markedly improved, but rather that in order to provide munitions it had vastly augmented its numbers, and these redundant workers remained in the industry for some time after the war. Later, as the number was reduced to normal by assimilation in general industry, the figures for unemployment in the engineering and metal trades reverted to the post-war normal. The high percentage had been artificial.

Disputes helped to swell unemployment. Although, when men are on strike or locked out, they are not counted among the unemployed, others who lose work

through inability to get materials or services normally supplied by the strikers, help to swell the total on the register. In 1919 a short railway strike and a moulders' strike threw many other operatives out of work, as did the railway dispute of 1924. But the coal stoppages have had the worst effect, temporary and permanent, in increasing unemployment both of miners and others. One in October, 1920, had only a slight effect, but the two others lasting for many months in 1921 and 1926 seriously affected the whole of industry. The so-called "general strike" of 1926, which was the outcome of the coal dispute, dislocated trade for a time. As a result of the coal disputes, not only were home producers handicapped and men thrown out of work, but the foreign customers, finding they could not obtain British coal, gave their orders to our American, Polish, and other rivals. In some cases the foreign producer took advantage of the situation and agreed to supply coal on condition that he received a contract for a number of years. The coal trade of England was therefore badly hit, even after the crisis had passed. Temporary fillips to trade, reflected in improved figures for unemployment, were given in 1925 by the coal subsidy, which was otherwise foolish and abortive, and in early 1927 by the orders which had accumulated during the stoppage of 1926.

Although in this volume general causes will be elaborated, Great Britain will chiefly occupy our attention. Each country and industry has its own peculiar circumstances, and what applies to one cannot apply to all. A few brief notes on some of the special factors prevailing in industry since the Armistice may be instructive.

The coal industry suffered by the stoppage of 1921, but up to 1925 it had less than the average unemployed as a result of German production being hampered by currency and other troubles in 1922, and by the French occupation of the Ruhr in 1923 and 1924. After 1925 the German output, recovering normality, has been able to undercut us since that time, and the British mining industry has suffered accordingly. German coal supplied in the form of reparations to France, and the competition of Poland and America, especially during the coal disputes, have also undermined our trade. Some slight

improvement in the coal trade was registered as a result of the departure from the gold standard in 1931, but this was checked by the special tariff impositions, especially of France.

The engineering group which contributed most to the unemployed totals in 1921 and 1922 as a result largely of an expansion of 50 per cent. in its numbers for purposes of war, went back to average as its redundant numbers drifted into other occupations. This industry has been badly hit by foreign competition, the costs being too high in England, the employers complaining that the reduction in hours was not compensated for by maintenance in the output in spite of assurances which had been given by the leaders of the men.

The cotton industry suffered by the collapse in the Eastern market in 1920 which led to a drop in the value of rupees and silver. The recoveries of 1924-25 and in the early part of 1927 proved to be only temporary. The Indian boycott of Lancashire goods further crippled the cotton trade in 1930. The competition of Japan has been a further factor responsible for 40 per cent. of cotton workers being sometimes unemployed.¹ Many of the mills in Japan, in addition to working three eight-hour shifts per day, the operatives receiving wages which would be considered sweating in England, have the advantage of up-to-date automatic looms, one worker sometimes operating from twenty-four to one hundred. In Lancashire attempts have been made by the employers to instal six ordinary looms instead of the customary four per operative. Guarantees were offered that wages should be increased, although some of the work usually associated with the minding of looms was to be performed at the employers' expense in compensation for work done on the extra looms. Neither these nor other attempts, outside the question of more looms, to place wages on a footing justified by the heavy fall in the cost of living and the competition of Japan, were successful until

¹ Included in these figures are scores of thousands of married women who had actually left the industry but were allowed still to draw the dole and were thus wrongly reckoned among the unemployed.

March, 1932, when a new agreement was proposed. Without adjustments on the part of the operatives the cotton trade has no future. At the beginning of 1932 discussions were undertaken among mill owners relative to the permanent reduction of factories and looms now admitted to be redundant, and to establish some control of output. If these discussions result in action, a considerable percentage of textile workers must give up any hope of being once again employed in their own trade. The cotton trade received a decided fillip as a result of the abandonment of the gold standard and the Chinese boycott of Japan during the trouble at the end of 1931, but with the development of the fighting near Shanghai in 1932 conditions became too disturbed and trade once again fell off. During the two years ending September, 1931, unemployment increased in the cotton trade by 181,000. But during the twelve months following that date there was a reduction of 126,000. If the boycott in India can be removed some further recovery may be noted, but until silver recovers its value and conditions in the East generally improve, the cotton trade will suffer. Also it must be said that any military commander would be placed into an asylum who suggested in the event of a war with Japan we should send our troops into battle armed with bows and arrows against their modern big guns and magazine rifles. And yet in the commercial war for trade the industrial leaders of the British cotton operatives have insisted we shall fight the Japs with loom and trade union limitations as obsolete as the bow and arrow. While such tactics are persisted in, the cotton trade of England will have as much success against Japanese competition as would mediæval bowmen against modern artillery. Garments made of cotton are not so popular in England since the higher standard of the workers made more expensive fabrics attainable, and if some of the lost foreign trade is to be permanently recovered costs of production must fall. Profits have dwindled almost to nothing, and the adjustments in wages accepted towards the end of 1932 were long overdue; so also was the agreement to work more looms per operative which was arrived at only after protracted negotiations.

The building trade has benefited from a succession of

subsidies from the Government, one of the chief effects being that in winter larger numbers of operatives have been employed when normally they would have been out of work. Although permitting of higher wages than before the war, especially among the unskilled labourers, the subsidies have been largely responsible for very high costs of houses reflected in rents, which although high, are less than sufficient to pay the expenses, which thus fall upon the rates. A scheme whereby the Building Societies could with Government guarantees provide loans of 90 per cent. of the costs, together with lowered rates of interest, at the end of 1932, was adopted and is helping to stimulate the building industry. Besides elaborate housing schemes, the building of cinemas has found employment for a large number of workers.

Shipbuilding has suffered in consequence of a considerably lessened export trade. And seamen have been unemployed as a result of the reduction in the carrying trade of the world, a large proportion being normally done by British ships. Dock labourers have been subject to a similar curtailment of services in addition to having an overplus of competitors drawn to the docks by the remarkable advances in wages.

Agriculture has been almost ruined by the prohibitive costs of production, mainly as a result of improvements in the wage rates of labour. High costs have prevented the home growers from competing successfully with the importers who can undercut the British farmer at almost every point. Nearly three million acres have in consequence gone out of cultivation since 1918, and we grow more and more dependent upon foreign supplies, which situation, serious enough in times of peace, becomes a positive menace to national existence in times of war.

In many of the above-mentioned industries not only have the operatives suffered from unemployment, but the owners have experienced heavy losses even upon the trade that has been done. For example, in 1927 and 1928 upon each ton of coal sold there was an average loss per ton of 5·8d. and 11d. respectively. Two hundred firms engaged in spinning American cotton had a total debt of £28,000,000 and were piling up indebtedness at the rate of £2,000,000 a year. Hundreds of farmers

have been ruined, and in April, 1933, most of them were selling at prices which were very little above those of 1913, in spite of wage rates being over 100 per cent. higher. The engineering employers in 1928 published figures showing their profits from 1923 to 1927. These averaged for the five years less than $2\frac{1}{2}$ per cent., which meant that much work was done at an actual loss. Profits in the railway industry have also been minute, the problem here being competition of road transport and the exceptional increases in wage rates which have more than doubled since 1914, and have not been compensated for by the 50 to 60 per cent. increase in charges for passenger and goods traffic.

Besides the special factors prevailing in the various industries we note that high costs have had much to do with the handicap suffered by British industry since the war. While on the whole, until 1930, world trade was increasing, the share enjoyed by Britain had diminished until in 1931 we had to admit for the first time in modern history our exports were about £104,000,000 less than our imports. By that time, however, the world slump had introduced factors which must be considered in the next chapter.

CHAPTER V

CURRENCY AND THE CRISIS OF 1931

BRITAIN has been troubled with acute unemployment since 1920, while the other nations, until the "world slump" of 1930, did not suffer to anything like the same extent. But in 1929 Britain was involved in world factors which, added to internal troubles, sent our unemployment figures soaring from 1,110,125 on June 3, 1929, to 2,820,000 on September 28, 1931. During 1930 our exports fell by 22 per cent. and 1931 saw another serious drop. America suffered even more. A 27 per cent. fall in her exports was registered in 1930, while those of Germany fell 11 per cent. The industrial production of Britain fell 8 per cent. during 1930, but that of America fell nearly 20 per cent., while Germany showed a fall of 17 per cent. and Canada 15 per cent.

Through 1931 the slump continued, and during that year America lost still more trade, her exports showing a drop over those of 1930 of £283,799,600 (at par) and her imports being less by £144,160,200, although she was left with a favourable balance of £66,815,000. The trade of France also suffered. Her imports in 1931 were £330,000,000 (at par), her exports being £240,000,000, a decrease of £80,000,000 and £100,000,000 respectively.

British figures for 1931 were: imports £862,174,709; exports £453,199,164; adverse balance £408,975,545, which after invisible exports have been deducted left us with a net adverse balance of about £104,000,000.

America began 1932 with ten million unemployed. Her exports in 1931 had declined by £380,000,000 over the previous year. Her income and revenue were, of course, seriously hit. The numbers of those with incomes of £250,000 or over had dropped from 653 in 1929 to 149 in 1931. The net individual income of the nation for

the year 1930 decreased by £1,768,500,000 over that of the previous year. This represented a reduction in the average income of 17·6 per cent. Her revenue fell from £466,400,000 in 1930 to £273,600,000 in 1931, receipts from income taxes having dropped by £192,800,000. Over 2,000 American banks suspended payment during 1931. These details help one to understand why America decided in 1932 that she could not afford to reduce her claims for war debts against the other Allies.

On December 19, 1932, Sir H. Betterton, Minister of Labour, announced to the House of Commons that during the previous twelve months, while the value of British exports had declined by 6·9 per cent., the exports of Italy were down by 33·3 per cent., those of the U.S.A. by 35·7, of France by 37·3 and of Germany by 41·1.

The Review of World Trade, 1931-32, issued by the League of Nations at the end of 1932, gave details for the previous three years. World trade in terms of gold was less by 19 per cent. in 1930 than in 1929. In 1931 there was a further decline of 28 per cent. of 1930 values. In the first six months of 1932 there was a still greater fall of 33 per cent. as compared with the first six months of 1931.

Prices had fallen by about 50 per cent., but the volume of trade had also fallen by 7 per cent. in 1930, 9 per cent. in 1931, and 11·5 per cent. in the first half of 1932 compared to the first half of 1931.

The United States have been most severely affected, their trading values being down by 67·5 per cent. as compared with 60 per cent. for Germany, 57 per cent. for the United Kingdom, and 54 per cent. for France.

If the foregoing facts are collated with the figures of world unemployment in 1932 given in the first chapter, it will be recognized that "world slump" is not too extravagant a term to use in connection with the industrial crisis of 1929 onwards. The authorities seem agreed that this depression, like those of the last century, is closely connected with our monetary system.

Throughout the world, commencing in the closing months of 1929, wholesale prices of practically every raw material and manufactured commodity fell almost in unison. This suggests that something happened to

that which is common to them all—money, and gold, the material which is the basis.

Money is a medium of exchange. In primitive times men who wished to exchange a deer skin for a weapon, or a number of oxen for boat-loads of fish, had to resort to barter. So many fish for so many hides or oxen. This, besides leading to disputes, would be found inconvenient as industry developed, and at last there was established a fixed medium of exchange, a given amount of which was accepted as the equivalent of so much value represented by hides, weapons, oxen, fish or whatever commodity a man required in return for something he could do without. In earlier times oxen, slaves, various metals and even cowrie shells were used as money and became the accepted standard of value. In modern times gold and silver were found to be most serviceable and were eventually accepted as the standards of value, a certain amount of both metals being turned into coins of various denomination. Some countries in the East, such as China, prefer silver coins as the chief units of value, but the foremost nations have found gold more convenient. They therefore accepted a "gold standard." To be "on the gold standard" means that the unit of value is embodied by law in a certain amount of gold, and that these golden tokens can be freely exchanged for their equivalents in goods. As there is not enough gold in the world for the purposes of business, and as, moreover, gold is costly and cumbersome to transport in great quantities, paper substitutes for gold coins have been introduced, which under ordinary circumstances work satisfactorily. Before the war a £10 note could always be exchanged at the Bank of England for ten golden sovereigns. And by law the Bank was obliged to sell on demand bars of gold weighing 400 oz. at a maximum price of £3 17s. 10½d. per oz., these ingots containing 22 carats of pure gold and two of alloy. A country remains on the gold standard while its money, whether cheques, bank notes, or bills of exchange, is by law convertible into a definite amount of gold. Its coins may be called sovereigns, dollars or francs, and may be of whatever value suits the national taste without interfering with international transactions if the basis is certain.

Although gold is the standard of value, by far the bulk of business is done by means of paper. A Bank note, cheque, or bill of exchange, is a promise to pay gold coins of the amount represented on the paper whenever this is found necessary by the recipient. Transactions on immense scales are possible without the exchange of cash so long as confidence remains in the ability and willingness of the parties concerned to discharge their obligations. A man places gold coins in a bank and receives a receipt in his bank book. In turn he writes on a piece of paper, called a cheque, a name and a certain sum which authorizes his bank to pay on demand that amount to the one whose name has been written on the cheque. The cheque is accepted as money by the recipient if he has confidence that it can be cashed on demand. Between nations huge transactions are possible by means of bills of exchange, which permit of goods being received on promises to pay without actual cash necessarily changing hands for months.

A highly complex financial structure rests upon a basis of mutual confidence. Everything works smoothly until that confidence is undermined. Those with more money than is required at the moment deposit their surplus in banks. The bankers lend out most of these accumulations to clients who need sums of money either to discharge their immediate obligations in the form of payment for services or goods, or with which to obtain equipment for establishing a business. The one who lends receives interest, and the one who borrows pays rather more interest, the difference being the amount required by the banker to recompense him for his expenses and trouble in arranging these various transactions. The one who lends has confidence in the banker's promise to repay his deposit; the banker has equal confidence that the borrower will repay his loan. The deposits in the banks do not necessarily tally with the loans demanded. And some loans are for short, while others may be for longer periods. It is the business of the banker to keep a reserve of gold ready for any immediate call, while the bulk of his reserves is invested in undertakings for periods long or short. The bulk is locked up and cannot be recalled without notice. Experience enables the banker

to keep enough fluid cash accessible to satisfy normal demands, and while his customers retain their confidence all goes well. But if some rumour, justified or otherwise, gains ground of possible insolvency, the credit of the bank dwindles, and a rush of investors anxious to regain possession of their investments may be made. The banker may have ample reserves with which to satisfy the demands, but if these are locked up in loans so that they cannot be realized without months of notice, the demand for immediate payment may be so insistent that the bank is obliged to close. This may so affect the confidence of the general public that runs upon other banks may bring a crisis sufficient to imperil seriously the whole financial structure. So long as investors believe gold is there on demand, their confidence enables the credit system to work smoothly without cash being actually employed in the bulk of trading transactions.

The debts between the traders in various countries are cancelled by arrangements made by the Foreign Exchange Market. Gold is transferred at stated periods when a balance of trade has to be restored by actual cash or its golden equivalent.

Just as each branch of a bank keeps an appropriate reserve of cash, so the Bank of England, which is the banker of the other banks, always has a large quantity of gold called the "gold reserve" to meet normal demands. Other countries on the gold standard also maintain the reserve necessary in the interests of national and international trade.

During the exchange of goods between one country and the rest of the world, known as imports and exports, there may occur inducements which attract gold from one country to another. The country which is prepared to pay high rates of interest, providing it can win the confidence of the rest, other things being equal, will tend to attract gold to its banks. And if the prices of a country remain stable while those of another fall so that gold in the latter country is worth more than in the former, the country where the prices fall will tend to attract gold from the one where prices are either stable or increasing, just as a shopkeeper whose goods are

cheaper than those of his business rival tends to get more customers willing to exchange cash in return for commodities.

London used to be the most important financial centre of the world. Foreigners had confidence in our integrity and ability to discharge all our obligations. Capital, therefore, came in great quantities to London, where it was held until required by the investors who loaned it on "short term" if they wished to invest only for a short period, or on "long term" if for longer periods. As prices since the war have been unduly high in England in comparison with those prevailing abroad, other countries such as France have attracted gold from this country, and we have had to offer higher rates of interest than Paris or New York to prevent greater losses.

Credit all the time has been used more than gold as the agent of business transactions, although gold has been the essential basis. Although gold retains a fixed value, credit even more than prices is subject to violent fluctuation depending upon the amount of confidence given or withheld from the country or business concerned.

If business is brisk confidence increases and men are tempted to extend their field of operation. They borrow from the bankers, being willing to pay good interest for the accommodation. While the bankers are satisfied with the securities given they make the advances, and credit, based upon confidence, is extended. When, from whatever cause, their confidence diminishes the bankers restrict their advances and credit contracts. Less business can then be done on mere promises to pay and, as doubt grows, business tends to lessen. Goods will accumulate until in order to attract customers with cash both the retailer and the wholesaler are obliged to reduce their prices, and these may collapse, bringing ruin in their train.

After 1929 there was a downward movement of prices involving the whole world, which was connected with the collapse, or at least with the lessening of confidence and credit, which eventually involved England in the crisis of August, 1931.

For the past hundred years Britain was able to maintain the reserve of gold which gave a satisfactory basis to her credit system. We had no need to pay away our gold in return for the goods we imported because our exports were available for this purpose. In addition we performed shipping, banking and other services which yielded a considerable income, and we invested large amounts abroad from which was derived interest, the value of these services and the yield upon foreign investments being estimated at £450 millions a year.

The balance available, after the cost of imports had been defrayed, was used partly to extend commercial undertakings at home, partly to raise the standard of living for the British people, and in further investments abroad. Eventually we became by far the world's greatest creditor nation and enjoyed the confidence of all. While our trade was good and the national balance sheet was sound we were able to attract gold to London and our credit was unsurpassed among the other nations.

But the war came bringing many changes. During the war it was necessary to abandon the gold standard. In 1925 we returned to it with the country saddled with a colossal debt and severely shaken in every part of its structure.

More than one competent student has considered that the return to the gold standard in 1925 was premature. It has been argued that this is the chief cause of unemployment persisting after 1925 while other countries were not so afflicted.

We have previously noted that increase of unemployment is frequently associated with a fall in prices, whether as cause or effect being a matter of opinion and particular instance.

During the period when prices are rising we speak of inflation; when prices are falling, of deflation. Both inflation and deflation may result from the deliberate action of the Government or of the banks or independently of either.

After 1914, prices in Britain as elsewhere increased as the result of demand outstripping supply. They continued to increase until the Armistice. When business was resumed the accumulated demand for goods was so

great that prices soared more rapidly, helped by those who took advantage of the people's need. The increase in wholesale prices, however, was much more marked than retail, in England getting to 328½ in May, 1920, in relation to the 100 in 1914, as against an increase from 100 to 276 in November, 1920, for the general cost of living. It is obvious that if the inflation of prices had continued the stability of the country would have been imperilled, so steps were taken to introduce a check.

Either the Government or the Bank of England has power to inflate or deflate the currency. If currency notes are printed in prodigious quantities to pay for goods being destroyed by war, or through Government expenses not being recouped from taxation, the value of money (in this case paper currency) falls. A pound note will buy less than before. The temptation is great when the country is off the gold standard to inflate the currency, for this is the easiest way of raising funds; but it is done only by increasing the quantity of money and by lessening the value of its components. Germany pursued this practice until notes with a nominal value of millions of marks were needed to purchase goods which in England were valued at a few pence.

Deflation can be accomplished by the Government curtailing the number of currency notes and thus sending up the value of money, or by the Bank of England raising its charges for loans and thus making credit more expensive. This latter operation is called raising the Bank rate. The Bank may also bring about deflation by selling securities and withholding the money received from circulation.

If a nation is on the gold standard inflation tends to be checked. If the price level rises above that of another country the exchanges of the latter move against it, and gold flows out of the inflating country. To prevent this loss discount rates are raised, which tends to restrict credit and currency and thus checks the inflationary movement.

In this country deflation was accomplished in 1920 by joint agreement between the Government and the Bank of England, aided by the productive forces, which by 1920 had begun to satiate the demand. The Bank rate

was raised until it stood at 7 per cent. on April 15, 1920, after being only 5 per cent. before November 6, 1919. Wholesale prices accordingly fell in June, 1920, and retail prices also after November of the same year.

Just as there is what is called a "time lag" between the adjustment up or down of retail to wholesale prices, so is there a time lag between the adjustment of wages to prices in either direction. If prices are rising increases in wages lag behind, although the possession of more coins gives a sense of prosperity to the recipient in spite of their decreased value and the fall in real wages. So when prices fall money wages do not immediately respond in a downward direction, and the workman enjoys the benefit until the eventual adjustment. Even if, when prices are falling, money wages follow suit, as there is an interval before a lower level of money wages is established, by which time prices are still lower, falling prices bring a constant advantage to the workman whose real wages are higher as a result of the time lag, although he has usually a sense of loss because his wages consist of fewer coins than before.

But deflation, however necessary to a country's financial stability, may easily undermine employment, as we shall see was the case after 1925.

If prices fall naturally, as a result of supply overtaking demand, or in consequence of some economies in production, although through the immediate market being supplied there may be a temporary slackening of employment, this need not become permanent. But when prices are reduced by the action of the Government or the bankers, employment is likely to be permanently affected.

Deflation causes the goods to be cheaper. The manufacturer having lowered his prices, his receipts are less while his costs may be almost as high as before. The factors in the costs of production are raw materials, wages and salaries, interest upon the capital invested in the plant, rents, rates and taxes, and the profits he requires to pay for the upkeep of himself and dependants. Although the price of raw materials will have fallen, all the other elements in the costs of production—by far the major portion—may remain at the old level. In any

case there is a time lag, usually lengthy, before he can get wages, interest, rent, rates and taxes and household expenses adjusted to his lowered receipts. Some of the factors, such as the cost of credit and income taxes, may even increase during a period of falling prices, in which case the manufacturer is heavily handicapped and deflation is accompanied by heavy losses followed in some instances by bankruptcy.

Firms closing their doors will throw men out of work, thus lessening *their* demand for goods, which in turn has an adverse effect upon trade in general, and the beginnings of a slump may develop.

When a nation depends largely upon its export trade a world fall in prices may have serious repercussions upon its industry, especially if the country is undergoing deflation augmented by the action of its Government or banks. A nation whose currency is becoming inflated, although enjoying the artificial prosperity of a man carousing upon borrowed cash obtained at usury for which a severe penalty must afterwards be paid, undoubtedly does enjoy a real advantage in competition for the world's markets against a nation either stable or deflating. Inflation is a system of borrowing at the expense of posterity, while deflation is the repayment of the loan. A tradesman may undercut a rival if he sells at a price yielding no profit and lives upon borrowed money, while the rival's prices are increased through the necessity of raising not only sufficient profit to pay his way but also to repay heavy interest upon *his* previous borrowings. So a nation of tradesmen may, by a similar policy, gain trade at the expense of one repaying its currency debts by deflation.

After 1920 world prices fell. Great Britain had therefore to accept lower prices for the goods she exported. But costs were difficult to reduce. Workmen were reluctant to have their wages adjusted to the falling prices. British industrialists were severely handicapped in competition with the foreigners whose wages had not mounted so high and whose costs were accordingly less.

But we enjoyed up to 1924 an advantage. British sterling had been under-valued in relation to the American dollar. This reflected a slight lack of confidence of

America in Britain's financial stability of which we got the benefit. It paid America to exchange dollars for British pounds and to invest in British goods.

By the beginning of 1925 this over-valuation of the dollar had vanished. We lost the advantages given to British exporters whose prices had been less in comparison with those of America, quite apart from the question of costs, which, however, had been gradually falling. We returned to the gold standard in 1925 which unduly raised the value of British currency in the foreign exchanges and robbed us of the previous advantages we had enjoyed when sterling was under-valued in America. A drastic reduction of export prices was forced upon us if we wished to offer our wares successfully in competition with those of other nations. A return to the gold standard, and the policy of deflation, necessary as both may have been to restore financial stability and to avoid the fate of some of the continental countries whose depreciated currency, as in Germany, almost blotted out the middle and upper classes by obliterating their savings, had the effect of making British goods too dear. British exports were reduced in price by 14 per cent. between 1924 and 1927, but our rivals were able to make still greater reductions.

The world prices of raw material, such as cotton and wheat, had fallen considerably as a result of the increase in supplies. About one-fourth of the reduction of 14 per cent. in the price of British exports was effected by the cheapening of imported raw materials, the rest was a charge to be met by the British manufacturers. As the foreign manufacturer had reduced his prices by more than 14 per cent. he could undercut the exports of Britain. Since 1927 foreign prices have been still more reduced than ours in spite of the attempts of British manufacturers to follow suit by cutting profits, and even by their abolition, in order to get them down to a competitive level. These attempts have failed. Our costs and consequently our prices are still too high. This fact accounts for most of the loss of export trade and the growing unemployment up to the crisis in 1931. In spite of a heavy fall of wholesale prices and a fall in the cost of living from 75 per cent. above 1914 in 1925 to only 39 per cent. above in March, 1933, money wages

have not dropped more than 5 per cent., while taxation charges have increased. While our export receipts have had to be heavily reduced in order to try to approach those of our rivals, wage rates, transport and taxation charges have scarcely fallen. Our costs of production have not kept pace with falling prices, and we suffer accordingly. On the other hand, while we were deflating our currency our rivals were pursuing the opposite course. When their currencies were finally stabilized, they devalued their coinage and rendered unnecessary a deflation which otherwise would have been imperative. The permanent reduction in the value of the franc and the lira enabled France, Belgium and Italy to effect a great reduction in real wages and in the charges for loans and taxation. Their costs having therefore fallen, they could reduce their prices without suffering the losses the British employer was obliged to bear when he tried and failed to bring down export prices to a world level.

Wages in Britain since 1925 have been at an uneconomic level, and so have prevented costs being reduced to a point where our goods could be freely sold in the world market and a greater number of British workmen employed. The return to the gold standard prevented an inflation of home prices which would have been equivalent to a reduction in real wages and might have enabled us to compete with our rivals in the world market. When we once more abandoned the gold standard in 1931 a temporary fillip was given to British trade.

Some of the causes of Britain's troubles after the return to the gold standard were as follows: After 1925 the world's production of goods increased faster than the effective demand. Other countries were producing commodities they once purchased from us. We were also losing trade because, in addition to our costs of production being too high, when we returned to the gold standard in 1925 the British £ was stabilized at too high a value in relation to foreign exchanges. This increased our prices in their currencies by 10 per cent. at a time when world prices were falling. The high tariffs of other countries handicapped British exports. In the meantime our imports were increasing, as cheap

foreign goods in greater volume were dumped upon our unprotected home market, a process aided by the over-valuation of the £ which conferred an advantage to the foreigner over British manufacturers. The fall in prices without any commensurate decrease in money wages led to a redistribution of income whereby over £300 millions were transferred from the more prosperous classes to the wage-earners who expended a large proportion of their gains in extra consumption of foods and luxuries which had to be imported. Our invisible credits, represented by the income derived from shipping, banking and overseas investments, had dwindled because of the decrease in international trading, the failure of overseas debtors, and the reduction of the dividends of foreign concerns, in addition to a reduction of £11 millions in connection with war debts.

As our expenditure increased, our income was reduced until in 1931 we imported £104 millions more than we exported. As the situation got worse we had of necessity to live upon our reserves. Meanwhile we lost our position as the great lending nation, our place being taken by France and America. This happened partly as a result of faulty agreements in respect to war debts which led to our shouldering an unfair share of financial obligations, which enabled Russia and Italy to escape repayment of large sums borrowed from Britain, while France and America were enabled to receive sums still larger. As less money came to England more went to France and America. Tariff barriers have been used by both these nations to prevent their debtors from paying in goods. And the gold which has flowed into their coffers has not been utilized sufficiently either to buy goods from others or as investments overseas or in loans to other countries, as was the case when Britain was the leading creditor nation, our method stimulating not only the trade of Britain but of the world in general. Huge piles of gold have accordingly been hoarded in French and American vaults, and they have tended to restrict the credit and industrial activities of other nations. Through scarcity of gold in the debtor countries the fall in world prices has been aggravated. The American crisis of 1929-33 seems like the Nemesis

which rightly follows a policy of short-sighted greed that takes no account of the troubles of the rest of mankind.

Another factor which undermined our financial position was one connected with the banks. During the inflationary period after the war a large amount of gold was transferred to England by the foreign bankers who desired security based upon the stable currency of Britain. Many countries deposited their gold standard reserves in England. Thus before the crisis of 1931 London was holding £300 millions on terms permitting withdrawal on demand, an obviously precarious position when we take into account the instability of some of the foreign investing countries. On the other hand, although we borrowed on short terms of repayment, we lent much of the money abroad on long terms. This meant, of course, that sudden demands for large sums might need to be satisfied in the absence of adequate reserves, while the bulk of the deposits were locked up for lengthy periods abroad. British bankers invested far too much in foreign lands on long terms of what was repayable immediately. Thus some sudden emergency abroad, leading to a run upon British banks, would not only embarrass the banker, but might easily imperil the whole financial system. Unfortunately also, the sums due to England after the war for settlement in respect to foreign trade balances were taken largely in goods instead of gold because some foreign goods were very cheap in consequence of their depreciated currencies which gave us favourable rates of exchange.

For years Britain has been poised on a financial tight-rope, which has been violently oscillating while the confidence so essential to the maintenance of this position has been evaporating in consequence of both internal and external factors. This confidence, so indispensable a feature of financial transactions, especially in the case of a nation which is the banker for the world, was to dwindle still further after a series of events which culminated in the crisis of August, 1931.

The amount of gold in Britain commenced to decline when France began to withdraw her investments made here as a safeguard during her financial troubles in 1926.

Also she insisted upon receiving her trading surplus in gold instead of goods. Holland also withdrew some of her investments because her bankers wished to realize their assets as a result of various crises in Austria, Hungary and Germany. Germany for years has been financially unstable in consequence of the difficulty experienced in meeting her reparation payments. Her crises have involved repercussions all over Europe. Her creditors have been unwilling to receive more than a proportion of reparations in goods, so Germany has been obliged to borrow immense sums from other nations at short term in order to discharge her obligations. Unfortunately she has taken the opportunity of borrowing far more than was needed for this purpose, and with the remainder she has embarked upon extravagant schemes for improving her industrial plant and the standard of her people. These loans, owing to the lender's precarious position, have involved the payment of high rates of interest, and further borrowings have been resorted to in a manner reminiscent of the proverbial rake.

In the early part of 1931, it was found that Germany was unable to fulfil her agreements. In May the situation was made worse by the failure of many banks, that of the Austrian Credit Anstalt being the most important. Austria's credit suffered. Germany being affected, there resulted a flight from the mark and runs on German banks which seriously depleted the gold reserve of the Reichsbank, undermined confidence in Europe, and involved many financial failures. A disaster was postponed by a proposal of President Hoover which led to the suspension for one year of all payments due for reparations or war debts. Germany was obliged to borrow still further, which increased the financial strain, especially that of London. The intractable attitude of France made the situation more difficult. In the meantime a large amount of German gold left the country. In spite of negotiations in order to float an international loan, which France discouraged, panic developed until on July 13, a large German bank was obliged to suspend payment. The Berlin Bourse, and eventually all other German banks, were closed for several days and the whole

continental money market was seriously disturbed. Actually the German banks lost a total of £37 millions as a result of the July crash.

As we had lent Germany £70 millions on short term and it was obvious Germany would be unable to discharge her obligations, confidence was lessened in our stability, and considerable amounts were in consequence withdrawn from England by America and France. Between July 13 and July 30 the Bank of England had to part with £34 millions in gold, some of which went to Holland and Switzerland, but most of it went to France.

When the Macmillan Report on Finance and Industry appeared in July the weaknesses which it revealed in our banking system, when added to the revelations, furnished by the May Report on National Expenditure a week or two later, of the gross extravagance of which our rulers had been guilty, especially in connection with the Unemployment Fund, and the certain prospect of immense deficiencies in our Budget, which implied a definite advance in the direction of national bankruptcy, matters went from bad to worse.

Between the appearance of the two reports the Bank of England managed to borrow £50 millions from France and the U.S.A. in francs and dollars, with which it repaid loans to avoid further inroads upon its reserves of gold. Over three-fifths of this loan were exhausted within a few days in the effort to prevent the depreciation of the £.

The Bank of England has to back with gold all currency notes in circulation above what is called the Fiduciary Issue of £275 millions, which is backed by Government securities. These notes only retain their face value while confidence is placed in the national stability. About £80 millions worth of gold was needed to back the notes not covered by Government securities. As the Bank held only £133,559,785 in gold, this left only £53,000,000 to satisfy the foreign demands.

When the May Report was circulated abroad, foreign confidence was so undermined that it was feared we would have to depart again from the gold standard. The heavy drains had not only depleted our reserves of gold, but they had undermined our prestige to such an extent that we were unable to raise further credits

abroad. Confidence in Britain could only be restored by drastic steps. The Budget had to be balanced by economies of administration and by increased taxation or a flight from the £ would have then resulted. Currency notes unbacked by gold would have been printed, and this inflation would have sent prices up to the level of 1920 with wages and salaries remaining at a considerably lower level.

The Labour Cabinet was unable to agree on the steps to be taken, and a new Government was installed. The announcement that the Budget was to be balanced partially restored confidence to the extent of enabling Britain to obtain further credits of £80 millions from New York and Paris.

Then came a second crisis. Rumour of an approaching election, with the possible return of a Labour Government, led to a feeling abroad that the economy proposals, especially in respect to the dole, would not be realized. The reports of the insubordination in the Navy intensified this uneasiness. Concurrently continental countries, especially Holland, were being troubled, and cash was needed at once. Another raid was made upon the London deposits. The new loan of £80 millions was depleted to £37 millions in four days. Altogether between the middle of July and the third week in September £200 millions were withdrawn from London.

As the demands were unabated and as no further credits could be obtained from France or America, although their coffers were glutted with gold, the Bank of England was obliged to request the Government to legalize the suspension of the Gold Standard Act of 1925. Accordingly on September 20, 1931, the Bank was released from the necessity of selling gold on demand, which means the gold standard had been once again abandoned. The British £ ceased to be backed by gold. The panic had left the Bank of England with a gold reserve of only £130 millions needed for various contingencies including the payment of interest on the loans granted by France and the U.S.A. That Britain should be forced off the gold standard, while France, which owes us over £700 millions for unpaid loans made to her during the war, should be hoarding hundreds of millions

of pounds' worth of gold, is one of the ironies of post-war finance not lessened by remembering that Germany's instability, which precipitated the crisis, was brought about largely by reparations, most of which were paid to France. Also, a large amount of the withdrawals which so seriously embarrassed the Bank of England were made by French depositors, although in fairness we must not overlook the fact that France and America advanced two loans during the crisis.

Actually, by forsaking the gold standard some temporary fillip was given to British trade. This has led to some rejoicing at the expense of those who had previously declared that departure from the gold standard would be a calamity. Socialist critics have obtusely commented upon this apparent inconsistency. The explanation is that departure from the gold standard when the Budget was unbalanced, especially with a Labour Government in office and supporters clamouring for increases in the amount spent upon social services, would have led in all probability to paper currency being issued to pay for the deficiency. In the absence of the check provided by a backing of gold, inflation would have paved the way to financial ruin. With the Budget balanced and the Socialists reduced to temporary impotence, risk of inflation was considerably lessened, and in the meantime a welcome stimulant was given to British trade.

The Socialists tried to persuade the country that the crisis had been engineered as a "banker's ramp" in order to get rid of the Labour Government. But as Mr. G. E. Thomas reminds us in his interesting summary of *The Monetary Crisis*, British bankers could gain little by the lowering of London's financial prestige, and actually £200 millions were paid by them out of the short term capital which is the basis of their profits. And many London bankers lost money as a result of the continental bank failures which led to a run upon the London banks. It is true that British bankers were obliged to inform the Labour Cabinet that the American financiers had intimated that no further credits would be available until our national affairs were placed in order. The abuses relative to the payment of the dole were especially distasteful to America, and the Socialists'

handling of finance in general was under suspicion. As the Americans were asked to risk their money they could scarcely be blamed if they stipulated that some of the causes of foreign distrust were removed, especially as we already owed the U.S.A. considerable sums. Foreign financiers were not prepared to risk further sums in providing for what they regarded as wrong-headed socialistic experiments which were undermining the self-reliance of the workers and the general business capacity of the British people. Where our bankers were really to blame was in locking up in continental loans about £120 millions which they had been obliged to borrow at short term from France and America, without sufficiently realizing that developments on the Continent might freeze their loans at a moment when our creditors demanded repayment. From the side of the British bankers it should be said that they helped Germany in order to save Germany from collapse and Europe from a revolution, after American financiers had decided it was more profitable to gamble in Wall Street than to risk any more capital in loans to Germany. All through the financial turmoil Europe has experienced since 1918 Britain, to use an expressive Americanism, has held the baby while France and the U.S.A. have grabbed the gold. It is high time British statesmen ceased to penalize their own countrymen by foolish generosity which so far has not been emulated, or even appreciated, by those nations which have benefited.

The effect of departing from the gold standard was that foreign rates of exchange moved against us. The British pound, still worth twenty shillings in this country, dropped in France and America by nearly one-third in value. At the end of 1932 the British pound was worth about 13s. 6d.¹

An Englishman travelling in France or the U.S.A. was therefore penalized to the extent of 6s. 6d. in the £ as compared with the situation in July, 1931. Also, unless prices were lowered in order to retain British trade, goods imported from a country still on the gold standard

¹ In March, 1933, the British £ was valued at just over 14s. in France and the United States. By May 18, owing to America's departure from the Gold Standard, the £ was valued at 16s. 0½d. in New York and 13s. 10½d. in Paris.

which cost only 13s. 6d. would then need £1 for the same amount. Thus it was expected that higher prices would discourage imports and confer some benefit upon British manufacturers who have suffered by foreign competition. And as we must have certain foods and raw materials from abroad, however high the price, it was expected that a rise in the cost of living would result as a reflex of the enhanced prices.

Actually so great a reserve of goods was on the world market that foreigners were willing and even anxious to continue their business even after the abandoning of the gold standard at prices which, in spite of the adverse rate of exchange, showed no rise. The result was that after eighteen months had elapsed the cost of living in England showed a reduction of seven points instead of an increase. Doubtless when world trade revives the prices will commence to reflect the difference in the rate of exchange.

Many countries, among which are Denmark, Norway, Sweden and Japan, followed Britain's example and left the gold standard in order to be able to continue their trade with us and with others without penalizing themselves. This enabled them to wipe out the handicap their exports to us would have suffered by an increase in prices. In addition their trade with other countries would have had to face British competition exporting at prices which would have been much lower than theirs had they kept on the gold standard.

The practical effect of the fall in the rate of exchange has been that foreigners on the gold standard have been enabled to purchase our goods at a considerable reduction in price. They can now obtain goods which before July, 1931, would have cost them twenty shillings for considerably less and this enables us to undercut some of our rivals. The British advantage is associated chiefly with goods embodying little foreign material such as radios, gramophones, motor-cars, iron and steel products, together with overseas contracts fulfilled by British labour.

The beneficial effects were noted in 74 out of 101 industries reviewed by the Board of Trade. Cotton, wool, silk, coal, iron, steel, shipping and many other

industries registered an improvement in the four months following our departure from the gold standard. The numbers on the live register of unemployment showed a decrease of 314,000. Of these about 225,000 were absorbed in industry,¹ the rest were accounted for by the removal of certain cases of "anomaly"—chiefly relating to married women who had been allowed to draw the dole and to swell the figures for unemployment, although they had actually forsaken industry permanently in order to perform their housewifely duties.

The cotton trade temporarily benefited as a result of the Chinese boycott of Japanese goods, but its post-war normal, which is exceedingly bad, will be permanent unless some attempts are successfully made to reduce the costs to the level set by Japan. The boycott of British goods as a result of political troubles in India has had a crippling effect upon the cotton trade. British exports of cotton goods, which even in the poor year of 1930 amounted to £61,305,000, during 1931 dropped to £37,322,000. A slight recovery was noted, however, for 1932.

It is felt that as there will never be a renewal of the old demand for British cotton goods, steps should be taken permanently to reduce the plant in Lancashire so that by concentrating upon a smaller number of industrial units the present prohibitive costs may be adjusted to the low prices now obtainable. The workers' obduracy in refusing to operate more than four looms at reasonable wages, while our Japanese rivals are prepared to operate six or eight, has had an obvious bearing on the question of costs.

But another difficulty is the serious depreciation in silver used as currency by China, India and some other Eastern countries which once did a large trade with us. Silver is a commodity, but its price has fallen even more than that of the average commodity, so that the scanty savings of the Chinese and Indian peasant are worth far less than they were in 1929. When the crops fail, more

¹ This improvement was not maintained, for practically the whole advantage had been lost by January 25, 1932. The end of 1932 saw the percentage of unemployment practically as it was before we abandoned the gold standard in 1931.

silver must be sacrificed to the moneylender, which paves the way to bankruptcy, or the orders for Lancashire goods must be reduced.

There was a definite relation between the value of gold and silver. The ratio used to be 1 of gold to $15\frac{1}{2}$ of silver. As gold was worth from 77s. 9d. to 77s. $10\frac{1}{2}$ d. for a standard ounce, silver was worth about 5s. an ounce. As the price in 1932 was only 1s. 8d.¹ per ounce silver has fallen in value by two-thirds from what it was years ago. The old ratio of $15\frac{1}{2}$ silver to 1 gold was maintained as a result of Paris being always ready to exchange silver and gold either way in that ratio. But after the victory of Germany over France in 1870, Germany decided to demonetize silver in order to undermine Britain's commercial supremacy which was attributed to her commercial policy. France was forced to pay her indemnity in gold, and, afraid of the dumping of German silver, she closed her mints to that metal and the Latin Union followed her lead.

It appears that the recent fall in the value of silver is not due to over-production as this is never equal to the effective demand. According to the Silver Association "A surplus has been created only by the action of Governments in throwing on the market some 408,000,000 oz. of demonetized metal. During the last three years over 200,000,000 oz. have thus been sold, chiefly by the Governments of India and French Indo-China." (*Financial News*, December 14, 1931). When silver again rises in price the Asiatic will become more prosperous and so better able to renew his orders for the cotton goods of Lancashire. But always, if our prices are far ahead of those of Japan, we tend to lose our trade. It is interesting to recall that there was a great rise in prices in Europe from 1500 to 1650 in consequence of the importation from Mexico, Peru and Central America of immense quantities of silver, and it was during this period of rising prices that the first really serious symptoms of acute unemployment were noticed.

¹ By March 17, 1933, silver was selling in London at $17\frac{1}{2}$ d. an ounce, which was an advance of $\frac{1}{8}$ of a ld. an ounce as compared with the previous day. As a result of American influences prices oscillated, silver selling at $20\frac{1}{2}$ d. per ounce on April 24, falling to $18\frac{1}{2}$ d. on April 27, and rising to $19\frac{1}{2}$ d. on April 29.

Also prices fell during the period between 1873 and 1896 owing to a fall in the relative output of gold while the production of other commodities largely increased. The gold production of the world, which in 1860 was nearly £28 millions, was as follows in later years:—

		£
1865	..	24,600,000
1870	..	27,000,000
1875	..	20,300,000
1880	..	22,200,000
1885	..	22,600,000
1890	..	24,700,000

After 1890 the output was accelerated and by 1910 it stood at £94,800,000. During the period of acceleration in the supplies of gold, other prices also mounted.¹

Sir Leo C. Money, in his book *Things that Matter*, argues, however, that in addition to the increased supply of gold between 1896 and 1912 helping to send up the general level of prices, as supplies of raw materials grew less accessible through the cream being skimmed off, the unit of output would necessarily increase in cost apparently on a similar principle to the law of diminishing returns. But the increase of supplies and the cheapening of commodities after 1925 seems to prove that so far the law of diminishing returns has been held in suspense by rationalization and other post-war factors.

It would seem that too much silver will lower its price and impoverish those whose possessions, like the people in the East, are expressed in terms of silver; while too little gold in currency, either as a result of lessened productivity as between 1873 and 1890, or through the hoarding by France and America during the last few years, is definitely responsible for a fall in prices, which in the latter case has involved the trade of the Western world in chaos. In February, 1932, America at last seemed to have realized the folly of locking up the supply of gold, and an announcement that steps were to be taken to release about £200 millions worth of credit had a stimulating effect upon the commercial and financial world. It is said that £800 millions were

¹ About 85 per cent. of the gold has been added to our currency during the last eighty years, more than 50 per cent. of it during the present century.

added to the value of securities in two hours of trading.

As a result of the Bank of England's prompt repayment of the two loans to America and France borrowed during the crisis, and shipments of hoarded gold from India amounting to £38 millions by the end of February, 1932,¹ helped by the sale of gold trinkets and sovereigns,² the latter being disposed of at 27s. 6d. each in February, 1932, the financial position became a little easier, so that in that month the bank-rate was reduced from 6 to 5 per cent. Further reductions followed until eventually it stood at 2 per cent. On February 24, 1932, it was reported that foreign bankers had been profoundly impressed by the recovery in British financial prestige, and balances began to flow daily into this country from abroad.

The view enunciated in the Macmillan Report that a general increase in world prices is necessary before we can enjoy better trade, must be linked up with the rider that unless the cost of British production can be lessened, any general increase in world prices will leave us in the same position of relative disadvantage we occupied before.

The help to British trade given by our leaving the gold standard, which enabled our export prices in actual practice to be reduced, proved that we could recover some of our lost markets by cheapening the price of our goods. This lesson should not be wasted.

It was announced in February, 1932, that a Committee on Coinage was sitting in U.S.A. to consider a plan for the revaluation of silver so that silver for small currency should be restored with international agreement with a view to assimilating silver to the extent of 4 per cent.

¹ Between September, 1931, and May, 1933, India shipped £100 millions worth of gold to this country out of several hundred millions worth which has been accumulating there for centuries. If this feat is repeated during 1933 credit will be vastly extended, prices will rise and trade will accordingly benefit.

² The amount obtainable from this source was expected by one authority to be £50 millions out of a total of £200 millions which he assumed were held in private hands. The payment by Britain to America of £19,750,000 in gold in December, 1932, sent the price of sovereigns up to 29s. 6d. each.

of currency. It was hoped that some such steps would rehabilitate silver and so increase the purchasing power of the East. Also the world production of new gold had been stimulated so that in 1931 it was only $7\frac{1}{2}$ per cent. below the 1915 level of £96,400,000, which was the record until 1932, when the output totalled £100 millions. The 1922 output was 32 per cent. below that of 1915. The release of hoards of gold by India previously mentioned is equivalent to the discovery of a new gold field.¹

Unfortunately, steps were taken by France and other importers to obliterate the advantage we had gained by abandoning the gold standard. Their tariffs were increased upon British imports, and definite restrictions were imposed limiting their amount. Immediately after the gold standard was suspended in Britain our imports of coal to France were reduced by order of the French Government to four-fifths of the average tonnage of 1928, 1929 and 1930. On December 1, 1931, the quota was still further reduced to 72 per cent., and in addition British coal was subjected to a special surtax of 15 per cent., which does not apply to the coal imported from any other country. And on January 28, 1932, further restrictions reduced the quota to only 64 per cent. No wonder the average British voter was prepared to support the National Government's proposals for protection of our own markets by the weapon of tariffs so widely employed against the British exporter. Almost immediately the British Government announced its intention of using tariffs against nations which penalized our exports, several of the offenders, including France, expressed themselves as willing to make adjustments mutually satisfactory. Among other things the 15 per cent. surtax levied on British coal was abolished.

Of course, as one of the Cabinet dissentients from the policy of his colleagues reminded us, the departure from the gold standard, by lowering the international value of the British £, has gone some way towards the goal desired by those who wish to place an embargo upon imports by a tariff which raises their cost to the British consumer. It may be, as Mr. Paul Einzig contends in

¹ See Chapter XX for details of the increased output of gold.

his book on *The Tragedy of the Pound*, published in 1932, that the suspension of the gold standard will be a turning point in the affairs of Britain by coming as a timely warning to check the moral, economic, political and financial decline of the nation. This writer argues that the currency policy of France since 1926 was mainly responsible for our surrender of the gold standard, and that in general Great Britain's post-war military weakness has been taken advantage of by other foreign Powers armed to the teeth.

Other observers have commented upon the favourable impressions received abroad by the calm manner in which Great Britain passed through a crisis which in many countries would have led to panic and a run upon the banks that very probably would have induced financial collapse.

As Mr. Charles Rist, at one time Vice-President of the Bank of France, and now a famous French expert on finance, remarks in his article in the *Economist* of October 3, 1931: "The pound fell as a result of the unjustifiable panic; the forces which led to its fall were largely external to England." He explains how the assistance London rendered to Germany and Austria has so hampered her that London was not only having to carry its own currency but that of a large part of Europe.

Sir Harry Goschen, a leading banker who cited the words of Mr. Rist in his chairman's address delivered on January 29, 1932, before the annual meeting of the National Provincial Bank, also said, speaking of 1925: "This country returned to gold at the old parity as a matter of common honesty. England, having been left in charge of large sums by foreigners, had to make an effort to pay them back, if they wanted their money, in pounds as good as they had deposited here. It may have been a quixotic action on our part, but most of us who believe that England's reputation as an honest banker was an asset above all price will agree that the effort was worth making."

The speaker also mentioned that the most gratifying feature of the crisis was the quiet calm with which it was accepted by the public. "Nothing surprised, and

I might almost say thrilled, foreign observers more than the fact that on the day after the gold standard was suspended the British banks were all open as usual, and that there was no trace or suspicion of panic on the part of their customers."

The crisis also engendered some patriotic fervour as was proved by the acceptance without grumbling of additional impositions of income tax. The rush made to pay these charges was almost as great as if a bonus were being given instead of an increase demanded. The attempts of the Socialists to exploit the disappointment felt by those who suffered reductions in salary or dole also completely failed, if we overlook the trouble in the Navy, which certainly did us no good at home or abroad.

It is true that we were commendably calm. But it is a question worthy of thought as to how far the fortitude of the country was due to apathy and widespread ignorance of our national instability, and the inroads made in our industrial and financial prosperity by Governmental extravagance between 1918 and 1931, and the failure of the spokesmen of Labour to realize that social services and wage rates cannot be indefinitely maintained at a level too far ahead of those of our competitors at a time when world prices have tottered and the cost of living in England has been considerably reduced.

CHAPTER VI

OVER-POPULATION ¹

PRIOR to the Industrial Revolution the population of England was relatively small. At the time of the Norman Conquest in 1066 it was about 2,000,000. The year 1500 arrived before the population was 4,000,000. By 1688 5,500,000 had been reached. The effect of new methods was seen almost at once, for in 1810 the population had reached 10,000,000. During the nineteenth century this number was more than trebled, standing in 1900 at about 32,000,000.

There have been periods in England when for scores of years together the population was practically stationary. Thorold Rogers refers to times when the death-rate in the towns exceeded the number of births. Frequently plagues, and even famines, decimated the country, the Black Death being responsible, it is said, for the extermination of one-third of the population.

In earlier days and among primitive peoples the population frequently pressed upon the available means of subsistence until pestilence and famine reduced the numbers. As an alternative, invasions of the territory of others was resorted to as a means of providing land and food for a people which had bred too freely inside its own borders. Excess of population has been a factor in many of the wars of the past and was not absent in the last great European war. When Germany demanded a place in the sun she merely expressed the need of a nation increasing too freely for accommodation within its national boundaries.² Struggles for foreign trade, supplies

¹ For a full discussion of the population problem see the author's *Birth Control: Why and How*, Bale, Sons and Danielsson, Ltd.

² "Pressure of increasing European population on the means of living was the chief economic cause of the war, resulting as it did in a search for markets, for colonies and for external countries for investment and production." Professor Bowley, *Some Economic Consequences of the Great War*, p. 51.

of raw materials, colonies to accommodate superfluous nationals or efforts to extend the Empire are methods of expansion which frequently testify to the over-crowded state of the land or industries of those concerned. Rome was constantly invaded by fecund barbarians because an excess of population *in relation to the methods of production then available to the invaders*, when added to a martial spirit animating peoples fonder of fighting than of work, supplied a twin urge which finally battered down a great civilization.

The underlying urge behind the recent Japanese invasion of Manchuria was a biological one. Japan has had to accommodate a large and rapidly increasing population upon land restricted in extent and not too fertile. She finds that the safety-valve of emigration which enabled some of her European rivals to maintain a high birth-rate in the past, without the danger becoming too plainly manifest, is denied her. Australia, Canada, New Zealand, South Africa and America, whose sparsely populated territories have been available until recently to relieve the congestion of population in Britain, are now practically closed to the yellow races. Hence, with a birth-rate more than twice as high as ours providing an annual national increase which in 1931 was reported to be 900,000, Japan, as yet unwilling to reduce seriously her excess of births, must extend into Asia upon any pretext that will pass without the protest of the other nations. Such extensions have been time and again the inevitable preludes to war.

The population of Japan was practically stationary at 29 millions between 1723 and 1846. It then, having adopted European methods in industry, commenced to increase, until to-day it has well over 60 millions congested in a small acreage, with no room to expand. An hour or two before the Japanese attack was launched upon the Chinese at Shanghai on February 21, 1932, Mr. Sato, the Japanese delegate at the League of Nations "speaking with great emotion" told the world that Japan had decided to have the Government it wanted in Manchuria. "We have been excluded from the United States and from the South Seas," he said, "so where are we to go?" (*Daily Mail*, February 20, 1932). Japan in

the past has had to fight for territory. During the present century she annexed Korea, the island of Formosa, and the southern half of the island of Saghalien. She has also established herself in Manchuria, holding the harbour of Port Arthur and controlling the Manchurian Railway.

The following table, taken from Mr. Harold Cox's *Problem of Population*, illustrates the position as it was in 1920. Since then the Japanese population has been increasing at the rate of nearly one million a year.

		Area square miles	Population on October 1, 1920
Japan proper	.. ..	148,000	55,963,053
Korea	.. ..	85,000	17,284,207
Formosa	.. ..	14,000	3,654,398
Saghalien	.. ..	14,000	105,765
		<hr/> 261,000	<hr/> 77,007,423

The following table shows the contrast with Australia.

	Area square miles	Population
Australian Commonwealth	2,975,000	5,437,000
Japanese Empire	261,000	77,007,000

Occasionally a statesman will admit the consequences of unrestricted breeding. Mussolini, for example, has left no doubt of his recognition of what an uncontrolled population implies. He said in October, 1924: "Our births exceed our deaths by 440,000 annually. Markets are closed to us as the country grows. Only three roads are open to it: to addict ourselves to voluntary sterility (Italians are too intelligent to do that), make war, or seek outlets for the over-population."

In October 1926, Mussolini said: "We are hungry for land because we are prolific and intend to remain so."

And again, as reported in the *Sunday Times* on November 14, 1926: "Italy demands that her indisputable need of sun and land shall be recognized by all other nations. Should they fail to do so Italy will be forced to take matters into her own hands."

Mussolini has also demanded from Italian mothers 20 million babies, and bonuses are being granted to encourage their births.

Knowing that increase of population makes war inevitable, the encouragement of higher birth-rates, either in Europe or Asia, can be viewed only with the gravest

apprehension by any thoughtful student. Where pestilence and famine and excessive infantile mortality do not keep the population of a nation from increasing in excess of its means of food production, wars are inevitable if colonies or other avenues are not available to accommodate the surplus. If the nation is not equipped for war, there will be parricide or infanticide and abortion to keep down the numbers, as occurred among the Ancients and as is still practised in Asia and among some savage peoples.

Although birth-rates have fallen recently in nearly all countries except Japan, in consequence of a greater fall in death-rates the average increase of population during the last few years has shown no reduction as compared with the years 1900 to 1905. The Health Section of the League of Nations published some interesting data in 1932. As reported in *The Times* the figures showed that since the beginning of the century European countries, New Zealand and Japan, having about one-third of the population of the world, with the exception of Japan, showed decreases in both the birth and the death-rates. The birth-rate of Germany had fallen at forty times the rate of Portugal and five times that of France. France has a higher birth-rate than England, Austria, Scandinavia and Esthonia. The maximum decline in the birth-rate since the beginning of the century was 47 per cent. and in the death-rate 39 per cent., both maxima having been reached by Germany. "Out of the twenty-nine countries covered by the survey, nine have seen their birth-rate decline by more than one-third, and eight have suffered a decline from 35 per cent. to 23 per cent." England, Germany, Norway, Sweden and Belgium have now a natural increase of only one quarter of that prevailing twenty-five years ago, while Austria, France and Switzerland show a diminution of more than 50 per cent. But Japan, Spain, Portugal, Ireland and Russia have had a greater natural increase than at the beginning of the century. "In 1928 Europe had an increase of nearly 3,000,000 without counting the Soviet Republic, which appears to have had an increase of 2,800,000. Poland, Germany and Italy had an increase of more than 400,000; Rumania, Spain and England were next, with

a natural increase of from 200,000 to 300,000. Among the extra European countries the United States had an increase of 870,000 and Japan of 900,000."

Mr. H. G. Wells, in an article in the *Daily Telegraph* on February 23, 1932, drawing attention to the menace of over-population, said that the world population is now increasing at the rate of 13 millions per annum in spite of falling birth-rates, some of which were as follows between the years 1876 and 1926 :—

England and Wales	36.3 to 17.8 (15.3 in 1932)
Germany	40.9 to 20.7
Italy	39.2 to 27.8 (23.6 in 1932)
Sweden	30.8 to 16.9
New Zealand	41.0 to 21.1

The fall in the death-rates was as follows :—

England and Wales	20.9 to 11.6 (12.0 in 1932)
Germany	26.3 to about 11.9
Italy	28.8 to about 16.8 (14.5 in 1932)
Sweden	19.9 to 11.8
New Zealand	11.8 to 8.7

The population of the world is now over 2,000 millions. At the present rate of increase it will number 4,000 millions in a century; 8,000 millions in two centuries and 16,000 millions in three centuries. With a population of 4,000 millions appalling problems will be presented. If the world population ever reaches 7,000 millions, which is the highest estimate considered possible by reputable students, it will be only as a result of human adaptation to a standard of life congenial to none but the most degraded. And long before that point is reached wars and other horrors will have been forced upon the nations scrambling for a bare subsistence.

The above calculations are those of Mr. Wells, who assumes an annual increase of only 13 millions. But in August, 1932, Geneva issued elaborate statistics showing that in 1931 the actual increase had been 20 millions, which rate, if continued, will bring about appalling congestion at a much more rapid rate than is assumed by Mr. Wells. Some of the details given in the Geneva report are worth repeating. Asia had a population of 1,103 millions, showing an increase of 11 millions over the figures for the previous year; North and South America had 252 millions, an increase of

4 millions; Africa with 142 millions registered a decrease of 2 millions; Europe with its 506 millions gave an increase of 8 millions, towards which Russia contributed 3 millions, bringing its numbers up to 127 millions, while Poland and Spain each contributed a million and France added 640,000. The most remarkable fact is perhaps that relating to Italy, where the population registered a decrease of 400,000 in spite of Mussolini's efforts in the opposite direction. In 1933 were published further details which help to explain the position of Italy. In 1930 Italy's birth-rate was 26·7 per 1,000, 24·7 in 1931, and 23·6 in 1932. The death-rate was 14·1 in 1930, 14·7 in 1931, and 14·5 in 1932. In addition to a reduced birth-rate and an increased death-rate, whereas only 83,309 emigrated from Italy in 1932, 346,000 emigrated in 1930.

The details as to the world's population, while being important, must not prevent concentration upon the over-population of England as it affects unemployment. I wish to show that the fearfully high birth-rates of a hundred years ago or even the lessened birth-rate of to-day are impossible in the future; that the circumstances which permitted of the rapid increases of population before the war are no longer operative; and also that our excess of population is now a potent cause of our unemployed troubles.

In spite of a heavy death-rate, especially among the young, the population of England increased over three-fold during last century. The standard of living was vastly improved in consequence of certain advantages we once enjoyed but which have now almost disappeared.

Prior to the fall commencing in the seventies, the birth-rate in England was very high. Over a hundred years ago it stood at about 36 per 1,000 with a death-rate of 24 per 1,000. Less than forty years ago the mortality of infants during the first twelve months was 160 per 1,000. The birth-rate in 1932 was 15·3 per 1,000, while the death-rate for infants was 66 per 1,000 and the general mortality was only 12·0. The effect of the downward movement of births and deaths has been to reduce the numbers added annually to the population. But if England alone is considered, we

now have the most thickly congested country of the world (except Java), and we contributed to the congestion by an addition to the population of England and Wales of 2,040,000 during the last ten years.

This country could not have trebled its numbers during the nineteenth century, nor could it feed the present population, without the help of the world in general. As we became industrialized we had to depend more and more upon granaries outside these islands. America, Canada, Australia, Russia and the Argentine supplied vast quantities of wheat and meat which, after the introduction of Free Trade, cheapened the price of food and so enabled the country to sustain its increasing multitudes. Our own land meanwhile fed a rapidly decreasing proportion of its inhabitants. In return for the heavy importations of food and other raw materials we supplied the world with manufactured goods it was not yet in a position to produce.

While the Continent was kept busy with the wars after the French Revolution the industrial revolution was consummated in England. As we were an island protected by a Navy which proved adequate against the attacks of Napoleon, although we suffered from the wars, our industrial development went on faster than did that of the rest of the world. Blessed by a succession of inventors whose genius revolutionized the methods of production, we established our mills, mines and factories, and produced goods in an abundance which became the envy of our rivals. Napoleon's gibe that we were a nation of shopkeepers was accepted as a tribute by a people anxious to become the workshop of the world.

Besides mechanical equipment and skill such as none of our rivals then possessed, we had the materials needed by ourselves and others for industrial expansion: vast supplies of excellent coal and iron. Our trade mounted by leaps and bounds. Not only were the possibilities of steam first discovered in this country (if we leave out the practically abortive anticipation in ancient times) and applied as motive power in workshop, factory, mine and on the railway, but we were the first to use steamships as substitutes for the older sailing vessels. After the screw steamer began to dis-

place the sailing ship we became the chief carriers, not only of merchandise representing the growing imports and exports of the British Isles, but for the trade existing between the various foreign countries.

Although for many centuries our seamen have been famous, in 1603 Sir Walter Raleigh wrote: "The merchant ships of England are not to be compared with those of the Dutch. . . . We send into the East kingdoms yearly 100 ships, while the shipowners of the Low country send thither 3,000." Even up to 1849 America had a tonnage almost as great as ours, and in efficiency was said to be superior. But with the abolition of the old Navigation Laws we forged ahead. In 1849 British shipping had 3,487,000 tons, which by 1902 had increased to 10,154,000. But in 1932 there were in existence 20,591,000 tons of British shipping, which was over two-sevenths that of the whole world, America's share having become almost negligible. In 1928 we launched 61 per cent. of the world's output in the ratio of 50 ships in Great Britain, 13 in Germany, 7 in Italy, and 4 each in Japan and America.¹ In 1928 our income from shipping services was £130,000,000, an amount which has unfortunately become less since then. (Only £80,000,000 in 1931 and £70,000,000 in 1932.)

Because of our wide-flung Empire, our dependence upon foreign sources for food, and our vulnerable foreign trade, we had to build the most formidable Navy upon the seas. In peace and in war we controlled the ocean. We added to our wealth and we increased our numbers, needing more and more food from abroad and more and more foreign orders to pay for it.

The discoveries of gold in California in 1849, and in Australia in 1851, provided currency for our customers and vastly enlarged the basis of credit. Being the most favourably equipped city as a financial centre, London became the business capital of the world. England controlled overseas banks, and we reaped commercial

¹ But the rest of the world has been gaining upon us of recent years as the following particulars prove. They refer to tonnage of ships.

	1911	1923	1932
Great Britain ..	17,516,479	19,295,637	20,591,000
Others	24,398,286	45,075,149	49,540,000

advantages for our services as carriers and financiers to the rest of mankind.

For the greater part of the nineteenth century we forged ahead of our rivals. Because of the foregoing and other advantages we had roughly fifty years' start of them. Our success was possible only in the comparative absence of their competition. But long before the end of the century nations which had been our customers became our competitors and our advantages were being undermined. The following table illustrates how our rivals were definitely challenging our commercial supremacy in 1880, and how they have improved their relative positions since.

EXPORTS OF MANUFACTURED GOODS (In Millions of Pounds).¹

	1880	1927	Percentage of excess of 1927 over 1880
United Kingdom ..	197.4	564.0	286
France	73.0	268.5	265
Germany	82.1	371.2	252
U.S.A.	25.4	558.6	2,099
Canada	0.7	73.3	10,371

In order that we may not become too pessimistic a second table is provided, showing the manufactured exports in relation to populations.

EXPORTS OF MANUFACTURED GOODS PER HEAD OF THE POPULATION.

	1880			1927		
	£	s.	d.	£	s.	d.
Great Britain	5	12	0	12	0	0
France	2	0	0	6	17	6
Germany	1	16	0	6	7	0
U.S.A.	10	0		4	16	0

America has improved her position since 1914 because of her heavy loans to the Allies, which largely took the form of exports of goods. France has improved her exports since the war, partly because the products of Alsace-Lorraine have been added. Germany was obliged to expand her exports as a result of payments for reparations.

Since the war, nations such as Poland and Japan, which used to be negligible as business rivals, have

¹ In all the following tables the increase of prices for similar commodities during pre-war and post-war years must not be overlooked.

become formidable competitors, especially in coal and cotton.

Before the war Germany, America and France were obtaining a greater share of the world's markets, and some of this improvement was at our expense. But for a time after the war we seemed to hold our own. In its report on "Overseas Markets" the Balfour Committee supplied the following details:—

EXPORTS OF HOME PRODUCE.

	1913		1923	
	£ Millions	Percentage of total	£ Millions	Percentage of total
United Kingdom ..	525	13·0	744	14·0
British Dominions ..	495	12·5	853	16·1
United States ..	503	12·5	894	16·9
France	273	6·8	402	7·6
Other Countries ..	2,239	55·2	2,406	45·4
	4,035	100 0	5,299	100·0

But world trade was less in 1923 than in 1913. And the rise in the price of manufactures upon which Britain chiefly concentrates was less than that of raw materials, and this gives a false idea of the situation. Actually, if quantities were taken, we had, even in 1923, less exports than in 1913 by 20 to 25 per cent. Before the war nearly one quarter of the British income was derived from exports; by 1924 the proportion was only one-fifth.

After 1923 the position went worse. By 1928 our share of the world trade was only 11·20 per cent. instead of 13 per cent. as in 1913. In a table published in the *Economist Monthly Supplement*, October 25, 1930, Mr. A. Loveday, of the Economic Section of the League of Nations, gives the following information regarding changes in the share of the world's export trade standing to the credit of various nations.

WORLD'S EXPORT TRADE.

	1913		1928	
	Percentage	Percentage	Percentage	Percentage
United Kingdom	13·94	11·20	8·8	6·40
Germany	13·11	2·43	1·34	1·31
France	7·24	0·93		
Italy	2·60			
Sweden	1·19			
Denmark	0·93			

Europe, as a whole, decreased its exports from 55·20 to 46 per cent. Other countries, the United States being the chief one to benefit, increased their share from 44·80 to 54 per cent.

Since 1928 the amount of British exports has fallen considerably. Omitting re-exports of foreign and colonial merchandise, the total exports in 1927 of the United Kingdom were £709,081,263, which by 1930 had fallen to £570,755,416. By 1931 our exports had dwindled still further until we were faced with an unfavourable balance of trade showing that we imported £104,000,000 more than we exported, even when our shipping and other services had been calculated. When we remember that the year before the war we had a favourable trade balance of £181,000,000, these figures become menacing. As late as 1925 we exported £95,000,000 more manufactures to foreign countries than we imported from them, but in 1930 we imported from them £23,000,000 more manufactures than they took from us. In the five years, 1925 to 1929, the British export trade was practically stagnant, while the trade of the world increased by one-fourth.

If we take the volume of exports and not values we obtain the following results: The volume of world trade increased 24 per cent. between 1913 and 1928; that of Europe 7 per cent. The differing proportion of some of the leading countries in relation to their pre-war trade, America being unfortunately omitted, is shown by the following table taken from the very valuable booklet, *The Trade Crisis and the Way Out*, written by Sir Arthur Steel-Maitland.

VOLUME OF EXPORTS (1913 = 100).

	1913	1923	1924	1925	1926	1927	1928	1929	1930
U. Kingdom	100	77·0	80·6	80·0	71·7	82·7	84·4	86·7	73·2
France ..	100	—	119·0	124·0	—	146·0	148·0	147·0	131·2
Germany ..	100	52·8	50·8	65·3	72·7	73·5	85·9	94·9	91·7
Italy ..	100	89·5	119·0	136·4	135·0	134·6	131·9	—	—
Czecho-									
Slovakia	100	81·6	79·3	106·4	117·4	117·8	128·5	—	—
Sweden ..	100	80·9	93·3	99·6	100·8	117·8	108·8	—	—
Denmark ..	100	131·0	134·2	132·5	141·4	166·9	173·9	—	—
Norway ..	100	98·0	107·0	112·0	118·0	121·0	124·0	—	—
Switzerland	100	74·5	87·7	91·3	87·5	99·4	—	—	—
Japan ..	100	109·9	140·1	175·5	—	—	—	—	—

The volume of exports of the world was less up to 1923 than in 1913, after which there was a great acceleration, in which Great Britain alone failed to share. Our nineteenth century dominance has passed. This fact calls for a serious examination of the whole question of population, especially in England.

It is extremely unlikely that British exports will ever again occupy the relatively favourable position to other countries we enjoyed before the war. Several countries which once were good customers of Britain became industrially better organized during the war for producing commodities they once bought from this country. Finding Britain unable to supply their needs, they either transferred their orders elsewhere or, thrown upon their own resources, made a virtue of necessity by establishing plant capable of satisfying their needs within their own national boundaries. After the war, in the political reshuffles of Europe, new national zones were established, each of which, having to fight desperately to retain a commercial foothold in competition with older national entities, became almost aggressively patriotic, and tariff walls were built with the object of drastically limiting the imports of other nations. We, in the meantime, increased our imports, to pay for which past savings invested abroad have had to be reduced. We have been feeding our increasing population by exhausting our reserves of foreign investments as well as our home capital.

Not only did the war reduce the purchasing power of many nations which otherwise would have remained better customers of Britain, but our exceptionally high prices placed British goods beyond their reach. Our rivals were able to undercut us frequently by placing goods on the market which, although inferior to our own, made a stronger appeal to those customers whose poverty made cheapness more attractive than quality at higher prices.

In addition to the large sums which this country has already raised in taxation by draining the reserves of the more prosperous classes, the war has left a debt of colossal dimensions and altogether must have reduced the wealth of Great Britain by nearly half. One not too

pleasant aspect of our embarrassments is the recognition that a considerable proportion of our indebtedness arises in consequence of the vast sums we lent to our Allies, who so far having contributed but a trifle in repayment, have left us burdened with immense charges for interest for sums they borrowed, which charges placed upon industry help to raise the price of our exports to such a pitch that they have little difficulty in undercutting us in the markets of the world.

America, Russia, Italy, France and Japan, moreover, by spending huge sums upon armaments and refusing to follow the lead set by Great Britain, which alone of the Great Powers outside Germany has made any considerable reductions, add to the financial and industrial troubles of the world. France has had by far the lion's share of the reparations received from Germany. With them she has equipped a good portion of her territory with the most up-to-date plant. This gives her a considerable advantage over our own industrialists who, in many cases, are so overburdened with taxation that they have not the capital available for replacement of obsolete machinery. Germany practically wiped out her own internal debt with the collapse of her currency. By borrowing immense sums with which she has paid her reparations and upon the most lavish scale installed up-to-date plant capable of most successfully out-competing the more antiquated methods of her British competitors, in 1932 then calmly announced she could neither repay these commercial debts nor continue with reparation payments. England was thus left to face her own crisis handicapped with an immense load of taxation and a gigantic army of unemployed, both largely due to over-generous treatment of commercial rivals and an attempt to provide an unduly high standard of living for her manual workers while the other nations spend on armaments the millions of pounds which would be better employed in elevating the economic status of their people, large numbers of whom are paid on a basis no more adequate than we offer to our unemployed.

Faced with world competition of this character and with a diminishing export trade which cannot pay for imports of materials needed for our congested island, it

is folly to add continually to our population, especially if the workers insist upon the present high standard of living in the face of dwindling markets.

Critics will doubtless regard the idea as absurd that any part of the world can be said to suffer from over-population when accounts are published of coffee being destroyed, of output being restricted and of huge supplies of wheat constituting a drug upon the market. There is an abundance for all, urges the Socialist, providing it is fairly distributed.

It is over-looked that a demand is useless unless it is economically effective. From the standpoint of the producers, if those in need of goods have no means of purchasing them, distribution cannot be permitted without a loss. And the present trouble is that although there is no particular shortage of actual necessities among the majority of the people in Europe, America and the British colonies, the other two-thirds of the world are underfed. Russia is restricted very considerably by her efforts to export foodstuffs, actually needed by her own people, in order to obtain in exchange mechanical equipment from the other nations, while scores of millions of people of India and China and other parts of Asia and Africa are not far from actual starvation. Indeed, every decade or so millions perish of famine in India during the periodical failure of the crops, and during the last three years the press has reported the death by actual starvation of two million people in China. The *London Star*, on November 30, 1931, referred to efforts being then made by Sir John Hope Simpson, head of the Chinese Food Relief Commission, to end what was described as the "world's worst famine." Sir John stated that, in all his experience of famine work in India, he had never conceived of anything so vast and terrible as the then situation in China, which, however, he expected would go worse in 1932 when ten million persons would depend upon the efforts of the relief commission.

In 1931 it was computed that what seems the prodigious total of 670,000,000 bushels of wheat were stored in the granaries of the world. Yet when we learn that one vegetarian (the Asiatics are largely

vegetarians of necessity) needs 15 bushels of wheat per annum to keep him alive, we see that in a period of so-called glut the reserves were none too plentiful. Had they been permitted the 1,000 millions who are now definitely underfed could have disposed of the whole wheat reserves of 1931 in sixteen days. According to *The Times Annual Financial Review* for 1932: "In the early summer (1931) unprecedented floods overwhelmed the Yangtze Valley and other Central China riverine areas, destroying standing crops, rendering 50,000,000 people practically foodless."

The so-called glut of wheat held by the Canadian Wheat Pool in 1931 was due to two exceptionally bountiful harvests, added to the fact that, as the above authority informs us, "the Continent [of Europe] bought much less freely than had been expected," partly through poverty and partly as a result of good European crops which, outside of Russia, in 1931, turned out 8 million quarters more than the previous year, while Russia shipped 11 million quarters to Southern and Western Europe, in addition to shipments to Central Europe. The wheat area of the world has been increased by 100 million acres during the last thirty years, but for the year 1931-32 the world production was smaller and was considered insufficient to cover requirements.¹ Poor rye crops in Europe are one factor which forced the stocks of wheat to be drawn upon by 180 million bushels. It is a serious mistake to assume prodigious supplies of food more than the world needs. A bad harvest places millions on the starvation line. On pp. 329-30 of Professor Hoover's work on *Economic Life of Soviet Russia*, published in 1931, and based throughout on data supplied by the Soviet authorities, appears the following: "Living conditions in Russia have been worse during the present year than at any time since the Great Famine and the inauguration of the New Economic Policy. Millions of the population are seriously under-

¹ On May 12, 1932, the United States Bureau reported that the American wheat crop for the year ending May 1, 1932, was only 440,781,000 bushels as against 787,465,000 bushels for the previous year. Since then the total U.S.A. winter crop of 1932-33 has fallen to 375 million bushels.

nourished, and in some parts of the Soviet Union actual famine has been approximated. . . This severe shortage of food is responsible for the discouraging reports of conditions which are sometimes brought out of Russia. . . There is a shortage everywhere of fats, of meats, in fact of almost everything except bread." Russia a decade ago was so reduced that millions actually perished or were reported to have done so during the famine of 1920-21 ; and to-day bread queues are still in existence. In May, 1932, Russia was importing wheat from Canada,¹ and in 1933 Russia was endeavouring to exchange oil for 32 million bushels of Canadian wheat.

In India, in 1932, there was completed the Lloyd Barrage, an irrigation scheme which is to utilize the River Indus to fertilize the Sind desert. The scheme, in the words of a writer in the *Daily Mail*, will usher in "an era of prosperity for millions of people who through centuries have lived on the verge of hunger and want." Estimates of the crops were provided which, if realized, will enable a few more millions of Hindoos to be recklessly bred from devitalized parents who themselves are little more than children, thus adding to the numbers on the "verge of hunger and want." An article in *Commerce*, published in Calcutta in 1931, shows that the population of India was then 352,986,876, *an increase of 10.6 per cent. since 1921.* The article goes on to say that the birth-rate of India is not determined by the marriage-rate but by the food supply, the natives always breeding up to the limits set by starvation. "With a normal year the birth-rate is generally high. But when a scarcity or prolonged distress occurs it suddenly drops down, only to rise again with the return of better seasons. Indeed, the movement of the birth-rate since the eighties of last century is one long and tedious history of the check administered to it by recurring famines and

¹ In May, 1932, the Russian Department of Birmingham University issued their fifth memorandum on Russian Economic Conditions, based on data compiled from Soviet newspapers. Of the grain supplies of Soviet Russia the memorandum states: "Soviet collectivization of peasant households in the chief grain-growing regions has failed so far to solve the grain problem. . . . A crisis is reflected in the decrease of the area under winter cereals ; this area was 37.4 million hectares in 1931 compared with 40.5 million hectares in 1930."

epidemics. The result is that instead of the orderly movement that obtains in western countries, in India we get sudden ups and downs produced by natural calamities. . . Misery and poverty, the two hall-marks of an overcrowded country, are present here in all their nakedness, and to judge from the effects of the positive checks, they seem to be on the increase. . . We seem to have multiplied to the lowest limit set by subsistence, whereas the ideal that every self-respecting nation should keep in view should be to arrest the growth of numbers at a point consistent with a high standard of life."

The firm hand of the British Government in India will not allay unrest while the basic problem of population, always pressing on the limits set by subsistence and relieved temporarily every now and then by a famine, is ignored by the native population and their advisers. Neither will irrigation schemes costing millions of pounds do much permanent good if the increased productivity is followed by an immediate increase of population as is anticipated.

It is useless also to speak of better distribution in order to absorb the stocks of wheat. What practicable means has the European reformer for placing sufficient purchasing power in the hands of 500,000,000 Chinese, most of whom are not far above the starvation level, especially when Japan is forced by her own problem of over-population to seek outlets in territory adjacent to China? Is Europe, heavily crippled by its own economic troubles, to grant hundreds of millions of pounds by way of charity to China?

We have no means of enabling the Chinese and other eastern nations to equip themselves with the purchasing power which would enable them to absorb the reserves and remove the spectre of want, without reducing our own standard. If we had some method of enabling all the inhabitants of the world to be equipped with power to purchase satisfaction there would be a world shortage of food and the western nations would have to lower their standards because of the absorption by others of the reserves now available for those with cash.

In the World Population Conference of 1927, Professor East computed that $2\frac{1}{2}$ acres of land are needed

to supply the requirements of one person in nations living on the level of England and America. As the white races of the world have an annual increase of population averaging 5 millions,¹ over 12 million acres of additional land should be placed under cultivation. Nothing like this amount is added annually to the area devoted to the production of food. Therefore, even if 420 persons may be fed on 100 acres, providing they would substitute potatoes for beef, as the Second Birth-Rate Commission reported, while the advanced nations retain their present diet, there is no provision being made for an addition to the world's coloured population of 10 millions per annum. Even if a native is content to live by eating rice, as is the case in Java, where one-fifth of an acre suffices for the elementary needs of a man, the world's cultivatable area is not adequate to provide for a rapidly expanding population. And meanwhile the white world is demanding a higher standard, and even the coloured races, as in India, are no longer satisfied to live on the borderline of hunger.

It is possible, of course, to increase the yield from land under cultivation, and doubtless more schemes like that of the Lloyd Barrage will be established in order to transform desert into fertile land. But these schemes take time and there are limits, the world's population in the meantime being rapidly extended so as to more than absorb the increases of food.

Although in 1929 the world's production of foodstuffs was calculated to have increased since 1914 by 16 per cent., and raw materials by 40 per cent. against an increase of population of only 10 per cent., by 1932 this increase of productivity had been lost. The increase had been largely artificial as a result of undue stimulus to make up the leeway lost in the war and was only possible by exhausting the previous reserves of capital held by the wealthier classes. Also it must not be forgotten that against the possibilities of increased production must be set the obligations needed to pay interest and sinking funds upon war debts which total many

This is now an under-estimate, as in 1931 the European population alone increased by 8,000,000. And in 1931 Asia and Africa alone added 9,000,000 to the coloured populations.

thousands of millions of pounds. And the peoples of the world are now demanding higher, not lower, standards of life for all.

In our own country, land for many years has been going out of cultivation, and we now produce less than 40 per cent. of the food we consume. The plough land of Great Britain has diminished by nearly 5,000,000 acres during the last fifty years, and since the war the corn lands of the country have gone out of cultivation at an average rate of over a quarter of a million acres per annum. The National Farmers' Union reported, in January, 1932, that there was an "acceleration in the decline of the arable acreage, especially of wheat, barley and oats, which on June 4, 1931, was 267,000 acres less than in 1930, making a total decrease since 1918 of 2,960,000 acres."

A high yield upon limited acreage is only possible by high costs, and of necessity British farming must suffer in competition with nations having ampler acreage devoted to the growing of food. We pay a heavy price for our present population congestion. Farmers have been ruined and labourers unemployed, while our increasing dependence upon foreign supplies jeopardises our security in times of war, and leaves us unable to pay for imports without drawing upon our reserves in times of peace, through our inability to dispose of sufficient exports.

Great hopes used to be entertained of producing home-grown food for twice our population by intensive cultivation, but in spite of the application of phosphate manures some years ago these hopes have been shattered. Land in some respect is like a man. A certain amount of energy exhausted by labour can be replaced by food and rest. But intensify a man's labour unduly, and food and rest become insufficient as agents of recuperation. More energy is being exhausted than can be replaced, until in time even the usual output is lessened by the processes of devitalization. Even when only a normal amount of energy has been expended, as a man ages a period arrives when the vitality is sapped faster than it can be restored, and the reserves are slowly exhausted until death makes the final cessation. Land devoted to

food will restore its vitality indefinitely if permitted to rest or the crops are appropriately varied, and it is not exhausted by too intensive cultivation. It will increase its normal yield by richer feeding in the form of manures or artificial fertilizers, but the lands yielding minerals, when ransacked of their coal and iron, are like the aged man unable to recuperate however well they are fed or however much they rest. The land of England for scores of years has been rifled of its treasures. Thousands of millions of tons of coal and iron have been taken from this land for our own use and to pay for the raw materials we have imported. Unlike land devoted to agriculture, these minerals cannot be replaced. Every year the land of this country is made poorer by its loss of minerals, while the lands of our food-growing rivals replace their vitality from season to season. We are drawing upon our mineral resources and thus diminishing our reserves of potential wealth.

The Report of the Samuel Coal Commission, published in 1926, seemed to prove that our best coal seams had been exhausted. According to the Report the yearly output of British coal per head of those engaged has been falling for fifty years. Statistics are supplied showing that the output per annum for each coal worker was 319 tons in 1879-83, 282 tons in 1889-93, 257 tons in 1909-1913, 220 tons in 1924 and 217 tons in 1925.¹ This shows a drop of nearly one-third in fifty years in spite of some aid from coal-cutting machinery, but it must not be forgotten that hours of labour have also fallen, although not to the same extent. The Report declares: "The easy coal in Great Britain has long been taken; production is maintained by drawing year after year from greater depths or thinner or more difficult seams." Our output per worker, which fifty years ago

¹ But the human and economic factors must not be overlooked. While wages are high the output is low, as apparently enough can be earned to satisfy requirements without much effort. As wage rates were reduced after 1926 the output per man increased over that of previous post-war years. In 1932 the yearly output per man working a shift of seven and a half hours was 262 tons as against only 259 tons in 1913 when an eight hour shift was worked. But as the *total* output was less by 25 per cent. the inferior mines and miners tended to be eliminated which improved the average of the remainder.

was well ahead of that of Germany, is now behind; while our output per worker is now only two-fifths that of the U.S.A., each American miner producing 655 tons per annum. It would seem, then, as if our reserves of coal were dwindling and Britain is so much the poorer.

But there is another aspect to the coal question especially serious from the point of view of this country. As Jevons pointed out in 1865, British coal is "of almost religious importance," for upon the price of coal depends much of our capacity for industrial prosperity. Sir William Ramsay, the President of the British Association in 1911, said that the last Royal Commission on Coal Supplies had reported that we had only 175 years' supply in proved fields.¹ He commented as follows: "Our commercial supremacy and our power of competing with other European nations are obviously governed, so far as we can see, by the relative price of coal, and when our prices rise, owing to the approaching exhaustion of our supplies, we may look forward to the near approach of famine and misery."

The Royal Commission of 1905 reported that "we may look forward to a time, not far distant, when the rate of increase of output will be slower, to be followed by a period of stationary output, and then a gradual decline." That time has now arrived. The cream of the British coal fields has been skimmed and our costs of production for that reason alone must mount, irrespective of the demands of the miners. Even before the war the average price of a ton of bituminous coal in America was only half of that in England. We may expect our costs of production, as compared with those of our rivals, to increase in the future. And higher costs for practically the only raw material we have, not only hinder sales abroad² but increase the cost of all British industries which depend upon coal, and thus lessen our chances of enough export trade to pay for the increasing

¹ European seams contain supplies calculated to last, at the present rate of consumption, about 500 years; the United States have enough for 2,000 years.

² In 1932 the output of British coal was only 201,500,000 tons which, excluding the years of the General Strike, was the smallest recorded since 1901. Lack of demand was the chief factor responsible.

imports needed by an increasing population. Our land not only grows poorer in its mineral resources, but our ability to sell our diminishing resources has grown less year by year. Coal mines can be overworked, and their stocks cannot be renewed.

But even land supplying crops cannot be overworked without exhaustion and, like a man, will strike if too much labour is demanded for too little food and rest. If only a light yield capable of feeding a sparse population is required, the land complies, and replaces the vitality taken from the soil and transformed into food by its own natural powers of recuperation. A small amount of manure is sufficient to fertilize a lightly cultivated area, the nitrogen of which is replaced by nature if the soil is left under grass or the crops are appropriately varied. This precious nitrogen is exhausted under a heavy cultivation and nitrogenous manure can be substituted only at great expense. Phosphorus also is needed in large quantities when the soil has been devitalized by intensive cultivation, whereas with a light cultivation the phosphates are largely supplied by nature. Besides adding to the cost, heavy cultivation exhausts the available supplies of artificial fertilizer, and a phosphate famine is now one of the dangers of agriculture.

The soils of Western America have been devitalized as have also other parts of the world by over-cultivation of corn and wheat. The forests, particularly on the Mediterranean mountains and in China, have been denuded of trees. In China, trees have given place to food plants, and wood for fuel is in many parts now unknown, straw dung and refuse being substituted. Coal, oil and natural gases, which cannot be replaced, are being recklessly exhausted. Wild animals, once available for food and clothing, are dwindling in number. Less than a century ago, herds composing hundreds of thousands of bison roamed the Great Plains of America; they are now represented by only a few small protected herds. The fur seals on the Pribiloff Islands of Alaska which sixty years ago numbered $2\frac{1}{2}$ millions, in 1924 were calculated to number only 700,000. Whales, elephants and big game in general tend to disappear under the barrage of scientific slaughter. Belated pre-

cautions are now being adopted to preserve fur seals and to replace the elements taken from the devitalized soil. Nitre from Chili, guano from Peru, and crushed phosphate rock from various parts of the world are being used as fertilizers. But these stores in turn are being exhausted by crop depletion and by the amount drained from the land into the sea by rivers. The soil of the U.S.A. loses each year the equivalent of 6 million tons of phosphate, only a quarter of which is being replaced. By emptying our sewage into the sea valuable stores of phosphorus are being wasted. In the lifetime of our children there may be a phosphorus famine and a consequent shortage of food which will force the necessity of population control upon the most thoughtless.

Sir Charles Fielding, in his work on *Food*, says: "Within the next three or four decades the scramble for phosphate rock will be so severe that those countries not obtaining it will be compelled to keep down their population. No substance can take the place of phosphoric acid in food production."

Sir John Russell, in his *Fertility of the Soil*, adds his testimony: "There is no way of adding a single ounce to the world's stock of phosphoric compounds, and this is being drawn upon even now to the extent of some millions of tons each year, while the demand increases steadily as time goes on. If some day the supply gives out, and at present it seems inevitable that it must, mankind will be faced with perhaps the most serious of all catastrophes, a phosphoric famine."

Nitrogen is now being taken from the air to obtain artificial fertilizers and this has hastened rather than hindered what may become a world catastrophe. Mr. H. G. Wells quotes Professor Armstrong, who says, "The solution of the nitrogen problem by Crookes has brought us nearer to destruction rather than saved us, by hastening the depletion of irreplaceable phosphate stores. We can clearly foresee in phosphorus a limiting factor to the world's progress."

It is no answer to hope vaguely that science in some miraculous way will come to the rescue. Until the miracle is achieved it is as well to face probable facts and to modify our habits accordingly.

Neither does it help England's problem to remind us that oil or the harnessing of great waterfalls and tidal rivers to produce electricity will eventually make coal unnecessary.¹ We have not great oil springs available in England, and if coal cannot be used to pay for imported food either because British coal is exhausted or expensive, or it has been displaced by oil and water power, our position goes from bad to worse. We cannot export oil and water power in exchange for increasing loads of food we are unable to produce at competitive prices or even in sufficient quantities to feed all our population at any price whatever.

Less than 40 per cent. of the food eaten in Great Britain is grown in this country, and year by year the proportion dwindles. We now import 80 per cent. of our wheat, the amount supplied by the Empire dropping from the 48 per cent. average of the previous five years to 41 per cent. in 1930. Since the war 1,400,000 acres under wheat have gone out of cultivation in Great Britain. Of course, if we would be content to work far harder and to accept much plainer fare, a greater proportion could be fed by home grown products. But, says Sir Thomas Middleton, who is an expert on the subject: "The suggestion that we might furnish our people with their normal food supply may be dismissed as absurd."² Although our technical methods have greatly improved since 1830-40, when from foods grown in the whole of the United Kingdom we fed 23,814,000 mouths, as Sir Thomas reminds us, the improvements in technique have not kept pace with those in our palates, and thus, says our authority, "it would be unsafe to assume that we could in future support many more reasonably contented persons on our soils than we did."

It is desirable that much of England should be restored to cultivation in order to feed half instead of

¹ A report on *Power Resources of the World*, issued by the World Power Conference, representing forty-eight countries, says that the use of coal for power purposes in 1927 was nearly 400 million tons less than in 1913, the development of oil out of waste products and the scientific combustion of low-grade fuels being given as reasons for the decline.

² *Food Production in War*, p. 324.

only 40 per cent. of our people, but unfortunately the question of costs and foreign competition presents many handicaps. How far protective tariffs and the Wheat Quota will be able to overcome these difficulties remains to be seen. In the meantime official figures, published in January, 1932, are ominous reminders of the straits to which our farmers have been reduced. With a wage bill over 100 per cent. higher than in 1911-13, prices realized for English farmers' produce were only 30 per cent. higher at the beginning of 1931. Steadily falling all the year, they stood at only 12 per cent. above the pre-war prices in November, and through an increase in the price of eggs and potatoes finished the year at 17 per cent. It may be remarked that the consumer is not obtaining the full benefits of the fall in prices received by the grower. A leading Norfolk farmer, Mr. J. T. Thistleton Smith, on January 13, 1932, sent some information to the press on this head. He received £4 7s. 6d. for 13,000 cabbages sold without any charge being made for commission; these cabbages being retailed at 4d. each yielded £216 13s. 4d. to the greengrocer. In another instance he sold 9,000 cabbages which left him 8s. 6d. after he had paid commission and railway charges. No wonder British land is going out of cultivation.

While prices for farmers' produce in January, 1932 realized only 17 per cent. more than in 1914, the general cost of living paid by the consumer had increased to 45 per cent.¹ The distributor pockets too great a share at the expense of consumer and producer.²

Even if the losses on British farming could be obviated, it is extremely unlikely that a movement from the town

¹ But retail food prices have increased less than the average retail prices; in May 1933, while the retail cost of living in general was 36 per cent. above 1914, food prices had increased by only 14 per cent. But by December, 1932, the wholesale prices of primary agricultural products were down to only 3 per cent. ahead of 1913 prices. And by April 29, 1933 *The Times* Index showed the wholesale prices of foodstuffs were 5 per cent. *less* than in 1913.

² A work published in 1932 entitled *The Distribution of Consumable Goods*, written by D. Braithwaite and S. P. Dobbs, goes a long way towards justifying the increasing hiatus between the costs of production and prices of distribution. Some details are given in Chapter XX.

to the country on the part of workers will seriously undermine the evil of unemployment. Men would far rather draw 30s. per week dole for themselves and family than work on a farm for about 2s. a week more. And even paying such small wages the British farmer is still unable to compete with the mammoth cultivation abroad. Countries, like districts and individuals, owing to natural advantages are specialized for producing this or that. On the whole the international exchange of their respective commodities has definite advantages which outweigh the drawbacks to particular classes of producers.

English food production should be encouraged, for over-reliance upon foreign supplies leaves us vulnerable in war in addition to ruining many of our nationals in times of peace. As Robert Blatchford used to argue years ago, even if we had to pay a few million pounds per annum extra for the privilege of growing more of our own food, the security given in times of war would be greater than that provided by several additional battleships.

A large Navy is obligatory if the seaways have to be kept open to prevent starvation. With more reserves of food at home it would be practicable to reduce the Navy without adding to insecurity. The 10 million pounds or so saved on the cost of a couple of battleships would subsidize the wheat needed for hundreds of millions of loaves of bread. Of course a very high proportion of the cost of bread is due to factors other than the price of wheat. For example, during 1871 wheat was selling at from 56s. to 64s. per quarter with the 4 lb. loaf retailing at 6½d. to 7d. During 1931 wheat had dropped to between 18s. and 35s., but the 4 lb. loaf was still being retailed at 6d. to 7½d. Leaving aside the problems associated with the cost of milling, baking, &c., we may say that as one quarter of wheat produces enough flour for 160 loaves, what we saved on two battleships rendered redundant by less reliance on foreign food, if used to help the farmer to the extent of 6s. 8d. a quarter, equalling one halfpenny upon the cost of each loaf, would provide home-grown material for an extra 1,800 million loaves. These would prove a formidable barrier to the hunger wolf in the event of a war which threatened to cut off foreign food.

The Wheat Quota Bill of 1932, designed to assist arable farming, brought into force a scheme whereby a maximum of 6 million quarters of home grown wheat was to be used by our millers in the preparation of their flour. A guaranteed price of 45s. per quarter to be paid to the British farmer was instituted, the necessary cash to be collected from "quota payment" to be supplied by millers and flour importers in respect to flour delivered in the United Kingdom. The British farmer has to sell his wheat in the open market and the difference between the market price and that guaranteed by the Government will be met by the "deficiency payment." On the day the Bill was published, February 24, 1932, imported wheat on the Liverpool market was 28s. 4d. a quarter, or 16s. 8d. less than the guaranteed price.

The 1932 edition of that standard work, Brassey's *Naval and Shipping Annual*, lends considerable point to the above observations. Every year we depend more upon the foreigner for our supplies of food and other essentials, and every year since the war our defence forces have been allowed to weaken. In spite of unemployment, the Army in 1932 was 10,000 below its modest peace time strength. Our Air Force is insignificant compared with that of France, America or Japan. While as for the British Navy, one of the editors of Brassey's *Annual* reminds us: "It is not only that in numbers and personnel the British Navy is being reduced while the Powers are completing new ships and increasing the number of their officers and men. For years to come also this country must rely upon a growing proportion of obsolete tonnage since new construction lags behind the rate of wastage." We are the only country which has reduced its expenditure upon its Navy and the man power of that of America is now 25 per cent. greater than ours. And the editor (Commander Robinson) is afraid that the general morale of the Service has been somewhat shaken, "the buoyant tone of confidence had been sapped."

Bankrupt Germany, we learn, is preparing four ships of the pocket battle cruiser *Deutschland* class, all of which are to be well in hand before 1936. Other Continental Powers have nothing which can "both overtake and stand up to the *Deutschland*. The German

ships will completely outmatch the 10,000 ton cruisers, while their speed will be such that they will easily be able to avoid action with the present types of French and Italian battleships."

With an Army under strength, an Air Force less than those of five other nations, a weakened Navy, a country much too heavily taxed to be willing to increase its defence equipment, and with nearly three millions of unemployed, this is no time to increase our population or our growing reliance upon foreign food which may not be available in times of war. Mere numbers in the battlefield are not necessarily effective, as both Russia and China found in their wars with Japan. And an increase of civilians in a blockaded country where two in three depend upon foreign food, is an actual menace.

We therefore come to this. The world is getting industrialized. It has less need of British goods; but we have more need of foreign food. We lose exports and increase imports until we have to pay the balance by the sale of our securities. Our reserves dwindle, our population increases, our unemployed become a permanent army millions strong. The pre-war advantages have been lost. To-day we must face the fact that only self-contained countries like America (and not these indefinitely) can afford to increase their populations faster than other nations will buy their manufactured goods. And when through increasing numbers the exporting nations are reluctant to tranship their food, those nations which have produced faster than their own food resources justify will follow the example of Rome and become a memory of yesterday.

Some hope may be derived from previous recoveries from apparent industrial disaster, but the reader need not again be reminded that the advantages which enabled Britain to advance in pre-war times have departed, some of them for ever. Even before the war some check upon the colossal birth-rate was deemed necessary. After 1870 it commenced to fall very perceptibly with advantages to all concerned.

It is suggested by many that we have some post-war compensations rendering restriction of population unnecessary. We hear a deal from Socialists of the increase of productivity due to the improved methods in

industry. True, there has been a great increase. The Macmillan Report shows that since the war the increased potential output in this country per head of each worker engaged has been about 10 per cent. But, on the other hand, as the standard of living of manual labour has increased at least 30 per cent., thrice the increase of productivity has been absorbed, the difference being at the expense of the more prosperous classes.

Professor Bowley, with the help of numerous assistants, in 1924 investigated conditions in six typical industrial towns and found very definite improvements upon the standard of living prevailing when the same towns were investigated before the war. And some of these improvements, it is interesting to note, were in addition to the increase of real wages, being due to the smaller families which are becoming the rule among artisans and the more intelligent section of unskilled labour.

Children to-day are expensive responsibilities. Like their parents they demand toys and amusements more costly than of yore.¹ The mere elementary education of a school child costs 5s. per week, and averages a total of £117 by the time he arrives at the age of 14. And he no longer starts work at the age of 7, nor can he be exploited by his parents by working half-time in a mill at the age of 10.

The big birth-rates of the past are obsolete. As masses of children can no longer be employed in the factory, so is the need for unskilled labour in England growing less. The heavy muscular work associated with the cutting of the canals and the laying of the railroads during the last century has been done. It is no longer feasible to order a battleship or so to be built to tide over an unemployed slump as was the custom in pre-war days. And there are no countries anxious to act as a safety valve to prevent a social explosion in over-populated Britain. Which brings us to the question of emigration.

¹ In the press before Christmas, 1932, were references to the exceptionally elaborate toys now provided for children. And letters to Father Christmas written by children were quoted illustrating the demands and expectations of the modern youngsters, "real wrist watches" being one item which should be compared with toys costing a few pence with which pre-war children were contented.

CHAPTER VII

EMIGRATION

So far I have only hinted at emigration, which is an important aspect of the population question, especially as it affects this country. During Britain's high birth-rate period, in addition to the advantages to which reference has been made, both America and the Colonies were willing and even eager to have supplies of British emigrants. Some of the serious drawbacks associated with a birth-rate which in 1870 stood as high as 35·5 for England and Wales, as against 15·8 for 1931, were obviated not only by the advantages which have now so seriously diminished, but by the lessening of the pressure upon British resources through emigration. Ireland was especially favoured, for the large proportion of its population that went to America relieved a position produced by reckless breeding which otherwise would have become untenable. This country also provided many millions of emigrants for the world in general. During the ten years 1861-71 there were 1,138,000 emigrants from the United Kingdom; from 1871-81, 918,000; from 1881-91, 1,556,000; and from 1891-1900, 576,000. In addition, for the ten years ending in 1913, another 1,775,000 left these shores. Altogether in the fifty-three years before the war over 6 millions left the United Kingdom.

Since 1914 the number of British emigrants has been only about one-third of that which prevailed in the previous decade. The net number of emigrants from the United Kingdom for the decade before the war was as follows:—

1904	..	..	127,592
1905	..	..	146,736
1906	..	..	193,373
1907	..	..	226,931
1908	..	..	67,756
1909	..	..	118,790
1910	..	..	207,416
1911	..	..	241,151
1912	..	..	241,734
1913	..	..	203,611
Total			1,775,090

The average per annum for the decade before the war was 177,509.

The net balance of passengers of British nationality between the United Kingdom and non-European countries was as follows for the period since the war:—

1918	..	..	14,850	
1919	..	..	152,642	
1920	..	..	167,781	
1921	..	..	125,135	
1922	..	..	100,946	
1923	..	..	187,914	
1924	..	..	88,411	
1925	..	..	87,056	
1926	..	..	123,329	
1927	..	..	103,603	
1928	..	..	82,830	
1929	..	..	92,537	
1930	..	..	23,540	
			<hr/>	
			1,345,574	
1931	..	..	85,249	More inward passengers
			<hr/>	
Net total	..		1,310,325	

If the overplus of immigrants in 1931 is deducted from the total of fourteen years' emigration since 1918 inclusive, we get an average of 93,594 per annum as against that of 177,509 for the decade prior to the war, a reduction of 83,418 per annum. If we reckon from 1914 to 1931 this would provide us with 1,501,524 extra persons who have remained at home, most of whom would require situations. It will be noted that in the ten years before the war the average number of emigrants had increased over previous decades, being over 177,000 against the 58,000 averaged in the nineties, the 156,900 in the eighties, the 92,000 in the seventies and the 114,000 in the sixties.

Over one-and-a-half million less persons would have been in the United Kingdom, had emigration continued at the rate prevailing for a decade prior to the war.

But to be deducted is about half that number of men enlisted from the United Kingdom who were killed during the war. And also we must take account of the fact that by remaining at home a demand for supplies was operative which would have been much less had the stay-at-homes gone abroad even to our colonies. Even

when this is done we may conclude that the unemployed figures would have been perceptibly less had emigration continued to relieve the pressure induced by over-population as in pre-war days. But for the diminution in British emigration the very marked fall in the birth-rate of recent times would have given more benefits. Just before the war the excess of births over deaths in England and Wales used to be well over 300,000, and even in the five years 1921-25 the average annual excess was 298,263. But in the five years 1926-30, the average excess was only 183,083. During 1931 the reduction in the birth-rate was still more striking, for that year it was the lowest on record, being only 15·8 or 0·5 per 1,000 below the previous records of 1929 and 1930. The infant mortality, however, was 66 per 1,000, being 6 per 1,000 above that of 1930, when, as in 1928, the lowest point was touched. The general death-rate in 1931 was 12·0 per 1,000, being 0·9 above the low record achieved in 1930. It will be noted that the reduction in the excess of births over deaths for the five years 1926-30, being more than 115,000 per annum, more than offsets the reduction in the number of emigrants. Had emigration continued on the pre-war scale we should by now have had a slightly diminishing population which, in a country so thickly congested as England, would not have been the tragedy usually assumed. The time has passed for increases to the present population of England to produce more benefits than drawbacks. The unemployed figures between 1929 and 1933 should have shown the benefits of the diminished birth-rate which obtained during the period of war. For the past few years the children then born were arriving at the age of 14, and being much fewer in number than those who arrived at the industrial age before 1929, there was a smaller number of young applicants for work. The benefits of the low birth-rate after the immediate post-war stimulus to a high birth-rate has been exhausted should also be felt in the near future.

Since the Armistice we have had to contemplate the spectacle of 700 fresh children on every working day demanding situations. These if obtained jeopardize the chances of adults. Foreign competition, therefore, is

not the only enemy of the British workman. The child competes with his father for a job. And the miner when he fathers six children, especially in those areas like some parts of Wales where scarcely any other occupation is available in the district, helps to bring about his own downfall. Unemployment apart, if the matter is viewed from the personal aspect, poverty is intensified by a large family in the home of a workman. If two workers receiving equal wages live side by side in similar cottages on equal rents the numbers of their children may easily determine the difference between poverty and modest comfort. Assume what is now the average wages of manual labour, about 56s. per week. The man with a wife and six children will have an income of 7s. per head per week. The man on the same wages with a wife and only two children will have 14s. per head per week. And the general public will incidentally save £1 per week for nine years in the costs of elementary education upon the family of two children as against that with six, to say little of the money saved in doles when the children are ready for a situation and find vacancies far too few.

That we need an increase of births among the more desirable members and less among the undesirable section, is a conclusion forced upon us by present tendencies. Unemployment, like many another so-called economic and social problem, has its biological aspects without a consideration of which no real solution can be found. But in this work I must not enter into the general question of eugenics, important as that may be even in relation to unemployment.

We cannot depend upon emigration in the future as we have done in the past to relieve us from the consequences of unrestricted breeding. There are two factors explaining the falling off in the number of British emigrants. At this end the dole provides an inducement to remain at home which was once absent, and which even from 1911 to the end of the war was too trivial in amount to affect the issue. At the other end the countries once in need of immigrants have almost closed their doors. The trade unions in practically all the white Colonies in the British Empire are very definitely opposed

to receiving immigrants who compete with their own members for employment. America has introduced very definite laws, considerably reducing the number of permanent entrants. The latter country, in addition to demanding that the few immigrants allowed to land shall have reserve savings amounting to a minimum of £150 in the case of those from Britain, is now very particular as to the health and character of her would-be guests, while the Colonies for several years have made conditions whereby only the very cream of our population shall take up permanent residence within their borders. Whatever may be the future in Canada and Australia, the U.S.A. will never again become the dumping ground for the surplus population of Europe. The problems associated with racial accumulation are now too great for unrestricted immigration, even if American unemployment could be reduced to normality.

The cold of Canada and the arid deserts of Australia offer obstacles to any congestion of population such as we are familiar with in Europe. The possibilities of settlement are vastly overrated by those who are hypnotized by empty acres which they imagine can be utilized to accommodate hundreds of millions of people. Actually, of course, the average emigrant to Australia is no more desirous of settling on the land than is the unemployed cotton spinner or iron puddler of England; half the inhabitants of Australia being congregated in its six large towns. In Canada, in spite of the large numbers of immigrants it has received, the population increases very slowly because America offers greater inducements and so has drained the Dominion for many years, although modern regulations are making this more difficult.

Although emigration to the Colonies provides some advantages to England, for in the event of war they rally to our aid and in times of peace they purchase a large amount of our exports, we lose perceptibly when we breed here for the purpose of allowing other countries, even the Empire, to skim off our best. If cattle were in question we should scarcely think a stock breeder wise who, at immense expense of labour and capital bred a herd, and then without recompense either for their keep or transit, allowed some rival breeder to select the most

promising of his stock and left him with the consumptive cows, the mad bulls and the calves suffering from foot-and-mouth disease, from which to recruit the next generation. America and our Colonies do not want our paupers, our criminals, our imbeciles, our sick, our idle, our aged people, our young children, but they have had our most industrious and enterprising offspring, those best capable of self-support.

Although our Colonies are good customers, we in turn purchase their raw materials. It is doubtful whether in the event of Canada, Australia, New Zealand and South Africa becoming absolutely independent States, the balance of trade would be much different from now. Whatever benefits we receive certainly do not justify our providing them with the most desirable members of our population, bred at our expense, quite apart from whatever suffering is occasioned in the homes left behind when the mother bids good-bye, perhaps for ever, to her stalwart son.

It must not be forgotten also that the Colonies are developing, and in spite of recent attempts to boost trade within the Empire, they will, like other nations which were once our customers, become increasingly our competitors as they become industrialized. And even imperialistic sentiment tends to surrender to economic facts. We find, as quoted by the *Financial News* of February 19, 1929, that America since the war has captured an increasing proportion of our Empire trade. If the total imports of goods and capital going into the Dominions is taken at 100 we had the following proportions in the years indicated:—

Imports into	1913		1926	
	Britain Percentage	U.S.A. Percentage	Britain Percentage	U.S.A. Percentage
Canada ..	21·3	64·0	15·9	66·7
South Africa	56·8	8·9	48·9	15·9
Australia ..	51·8	13·6	43·4	24·5
New Zealand	59·7	9·4	48·8	19·5

In every case the proportions of British imports have been considerably less and those of the U.S.A. considerably more. Canada especially is becoming more and more Americanized in all respects, but even in 1913 she

bought three times as much from the U.S.A. as she did from the Motherland. The figures for Canada up to date are :—

IMPORTS FROM GREAT BRITAIN.

1913	1926	1930	1931
21·3 per cent.	15·9 per cent.	15·4 per cent.	17·7 per cent.

In 1930 Canada imported 166,450,304 dollars' worth from Britain as against 697,433,195 from America; and 120,447,480 from Britain in 1931 against 424,277,957 from America.

In a recent speech the Chairman of the Union Cold Storage Company, Ltd., referred to "the appalling disproportion between the purchases by the Dominions and foreign countries as compared with Britain's purchases from them," and he added, that "while we are at the present time buying at the rate of £55,000,000 per annum from Australia, that Dominion is only buying £16,000,000 from Britain, while we are buying £46,000,000 from New Zealand, that Dominion is only buying at the rate of £10,000,000 per annum from us, and the £33,000,000 we are buying from Canada, compares with £14,000,000 Canada is buying from us" (*The Times*, July 11, 1932).

We need not become cynical and say that the Navy, maintained at such heavy expense by British taxation, being found useful by Australia and New Zealand against the Yellow Peril is the sole reason for their allegiance to the Motherland, but the fact remains that when America supplies goods cheaper than those of Britain, she gets an increasing proportion of colonial trade at our expense, which relieves us from the charge of being considered mean if we draw attention to the disadvantages of paying heavy costs in the rearing of citizens, the pick of which alone are (sometimes) made welcome in the Dominions. Develop imperial trade. Unite the bonds of Empire by any methods giving mutual advantage. But when all is done and said, empire-building and emigration have ceased to be satisfactory substitutes for a judicious control of the birth-rate of Britain.

A consideration of the probabilities of the future of the population of Great Britain is not uninteresting. Professor Bowley on June 21, 1932, in the *Daily Mail*, after

reminding us that the population of Great Britain was then nearly 45,000,000, and that the number of births (15·3 per thousand) was the lowest ever recorded for the first quarter of the year, said that it is fairly certain that within twenty years our population will reach its maximum of less than 46,000,000, after which date the population will very slowly diminish, taking some decades to arrive at the level of 1932, unless in the meantime we experience reversals of present tendencies. Some reduction of our population, if not too marked, would certainly not be the calamity that leader writers in the press usually contend. Certainly emigration can no longer be depended upon to skim off our redundant people. The average of 300,000 a year who emigrated in the decade prior to the war was reduced to 105,000 in the decade 1921-1930. And in the first nine months of 1932 only 8,726 emigrated; a much greater number of immigrants arrived in the country.

CHAPTER VIII

THE THEORY OF UNDER-CONSUMPTION

THE Socialist assumes that under-consumption is the chief cause of unemployment, although over-production is sometimes given as a reason.

The Socialist stresses the paradox of warehouses glutted with boots while people walk about inadequately shod; of granaries bulging with wheat while people starve; of shops stocked with clothing while people are ill clad. The workers who produce these goods receive wages sufficient to purchase only a portion of their products. The idlers who receive the bulk of the national income are too few in number to be able to consume readily what is left. Thus we have gluts and unemployed crises until the goods are absorbed during the period when production is compulsorily slackened. Give the workers the value of the whole of their product and goods would be consumed almost as fast as produced. Unemployment is a disease of maldistribution.

As a variant it is said that owing to the introduction of labour-saving machinery and rationalization in general workmen are displaced. Rationalization under capitalism is an enemy of labour. It increases productivity beyond the point of consumption possible to the inadequately paid workers, and so leads to increasing unemployment. Higher wages and lessened profits are demanded pending the abolition of the whole wages system and the adoption of Socialism as the real solution.

The Socialist tends to forget that in England we depend largely upon our ability to sell our exports abroad. Any increase in British costs of production by excessive taxation of the wealthy, higher wages, shorter hours or the abandonment of rationalization, of necessity leads to unemployment here unless the costs of our competitors in the world market are also increased.

But we will not exhaust space in discussing the socialistic view that the exploitation of the workers by idle capitalists, who utilize all the improvements of rationalization in their own interests, is responsible for unemployment. Apart from the falsity of the contention, the exaggerations of the socialistic presentation of the case are too numerous to be corrected in the space available. It will be more profitable to consider the theory that under-consumption and rationalization are the twin causes of unemployment as elaborated by a competent economist who, without fully subscribing to the socialistic solution, is sufficiently in harmony as to win the commendation of the comrades.

Mr. J. A. Hobson has, in various writings, notably in *The Economics of Unemployment and Rationalization and Unemployment*, argued that under-consumption is responsible for unemployment, and that only by giving to the workers a larger share of the product can we remove that evil. His contentions are sufficiently thoroughgoing to encourage a Socialist reviewer in *Forward*, August 16, 1930, to affirm: "Mr. Hobson's analysis of the existing Capitalist economy is familiar and acceptable to the Socialist."

Mr. Hobson's case is summarized by himself as follows:—

"A rapidly rising technique and improved organization have undoubtedly led to a rapid increase of the productive power of industry. But the inability to make full profitable use of this increased power must be imputed to a failure to make a full, continuous use of the purchasing power created and distributed simultaneously with every act of production. This failure, again, can only be imputed to a maldistribution of income of such a kind as to place too much purchasing power in the hands of the richer classes, who allow it to accumulate for investment, too little in the hands of those who desire to raise their standard of living. The necessary effect is to evoke a monetary saving which is found to be excessive, in that the increased goods it is intended to produce cannot actually get produced, because there is an insufficient market for them. A better and

more equal distribution of 'surplus' income is thus seen to be necessary to give full continuous employment to capital and labour in an economic system whose productive technique is constantly enlarging the productive powers of the community."¹

Rationalization only makes things worse, for according to Mr. Hobson:—

"Rationalization is driving home the truth that our malady is one of distribution of income. For it is clear that rationalization itself is an aggravation of that malady. The increased productivity it exhibits is not merely a 'saving of labour' in the several industries, it is a reduction of the part which labour plays as a productive agent in respect of the output and an increase of the parts played by capital and organizing ability. *This means that the distribution of the product tends to give a larger share as payment to capital and ability, a smaller to labour.*"² (Italics mine.)

Although Mr. Hobson avoids many of the crudities of his Socialist supporters it must be said that his own case lacks statistical confirmation at crucial points in the argument and it fairly bristles with contradictions which invalidate the thesis.

We are reminded that in the U.S.A. "the rationalizing process has gone farthest and fastest,"³ and that it is in America where they pursue "a more enlightened scrapping policy,"⁴ in respect to obsolete machinery.

We should expect then that America would show the baleful effects of rationalization, which according to Mr. Hobson, aggravates the malady of wrong distribution of income, by giving a larger proportion to capital and ability and a smaller to labour, and as the result of "wage cuts pressed on Trade Unions when weakened by unemployment."⁵ Apart from the fact that the workers of Great Britain have enjoyed a marked improvement in their real wages during the period when rationalization in industry has been most noticeable, from 1919 to 1933 ;

¹ *Rationalization and Unemployment*, p. 55.

² *Ibid.*, p. 73.

³ *Ibid.*, p. 68.

⁴ *Ibid.*, p. 66.

⁵ *Ibid.*, p. 64.

and that during these years there has been in Mr. Hobson's sense a much better division of the national income, his admissions about America falsify his own assumptions of the drawbacks of rationalization.

America, the home of rationalization—which we are told reduces wages, increases unemployment, and lessens the share taken by labour—should have suffered, yet: "The rapid advance of the United States is manifestly due to the larger share of the surplus which, through higher wages, private benefactions or public expenditure, has gone into improved human equipment for industry."¹ Statistics are supplied by Mr. Hobson, showing that the average earnings of the factory workers in America increased at a rate of 2.4 per cent. a year between 1922 and 1927.² Elsewhere he admits that wage-rates in America were rising for both skilled and unskilled labour, and that the high wages are both an effect and a cause of rationalization. Why contend, then, that the worker loses by rationalization, especially if the worker obtains a greater proportion of the surplus in America which has advanced from this cause? Even on the same page that Mr. Hobson speaks of "statistical evidence showing the diminishing part played by labour in production, and the diminishing share of the total product going to labour in the rationalized industries" *are given figures for America proving the direct opposite.*

He cites Mr. A. Loveday, who says:—

"Thus in the United States it is estimated that, despite the decrease in the total number of wage-earners, the proportion of national income earned by them rose from 37 per cent. in 1913 to 38 per cent. in 1925; the proportion distributed in salaries from 15 per cent. to 18 per cent. The share of rents and royalties fell from 15 to 13 per cent., and of profits from 22 to 20 per cent."³

What becomes of the statement that Labour obtains a diminishing share? And what value is there in Mr. Hobson's continual insistence that "Most of the improvements in capital, or technique and power, 'save' labour and *pro tanto* reduce its consuming power"? In

¹ *Ibid.*, p. 28.

² *Ibid.*, p. 68.

³ *Ibid.*, pp. 78-79.

America, on the contrary, real wages are increased and its power of consumption are enlarged at the expense of capital if Mr. Loveday's figures are reliable.

As rationalization has proceeded since the Armistice, not only in America is it admitted that the workers' position has improved actually and relative to that of the capitalist, but in other parts of the world, including England, in spite of what, according to Mr. Hobson, should be opposite effects. Our author says: "In many countries real wages have not only risen, but form a larger part of the total income."

He then quotes Mr. A. Loveday in respect to our own country. "In the United Kingdom the proportion of home-produced social income going in wages (after allowing for employers' contributions to insurance funds, but not for help and relief from taxation) is estimated to have risen between 1911 and 1924 from 43 per cent. to 45 per cent., and the proportion of earned income to have increased from 75.5 per cent. to 78 per cent."

Mr. Hobson's only comment is to say that it is admitted that the fall in prices since 1924 has somewhat reduced the proportion of real wages. It certainly cannot be admitted. The fall in prices would have no effect on the proportions unless the workers' money wages fell at a greater rate than prices or their share of national taxation had been increased more than that of the rest of society. Actually, since 1914, direct taxation paid by the rich has increased more than indirect taxation paid by the rest; while between 1925 and 1932 money wages dropped only about 10 points, and the cost of living fell by 34 points. The average increase in the cost of living in 1924 above that in July, 1914, was 74.75 per cent.; in the last three months of 1931 the cost of living was up only 45 per cent., and in December, 1932, it had fallen to 41 per cent. But in 1932 money wages had advanced by 65 per cent. for weekly rates; and as the hours had also been reduced, the advance per hour was 85 per cent. over 1914, a net increase of real wages of at least 25 per cent. since 1914, the main advances in real wages having been made since 1924.¹

¹ As will be seen in a later chapter, other improvements bring the increase in real wages up to 40 per cent.

Thus perceptible improvements in the actual and relative status of the workers have been made during the period of rationalization, when on Mr. Hobson's argument their position should have been made considerably worse in relation to that of the non-manual factors in production.

It is no reply to say there has been a great increase of productivity since the war which has benefited the capitalist; Mr. Loveday's statement and those of all other competent statisticians show that the workers' *proportion* of the increased output has been greater in spite of a lessened ratio of workers to share it, in addition to an improvement in the workers' standard of living.

The Macmillan Report also gives details showing that between 1925 and the second quarter of 1930 the output in British manufacture and mining per head of those engaged had increased by 10·4 per cent., while real wages had advanced by 10 per cent. As between the second quarter of 1930 and March, 1933, the output per head was reduced rather than increased, and money wages did not drop more than four per cent., while the cost of living fell from 57 per cent. above 1914 to only 36 per cent. in May, 1933; a substantial addition was made to the advances in real wages previously made, giving an improvement considerably more than the increase in output. And this increase of output, as Mr. Hobson admits, was due to the greater efficiency of capital rather than to that of labour. The Macmillan Report shows that the chief improvements in the British output occurred between 1925 and 1930. Very little improvement, if any, took place in the volume of productivity per head over 1914 standards between 1918 and 1923. In Table V dealing with the physical volume of output per head between 1907 and 1924 there are tabulated details showing that there was a rise of output of 21½ per cent. as against a rise of 10½ per cent. in the number of workers, a net increase of output per head of about 11 per cent. If this is added to the increase noted between 1924 and 1931 we get 21 per cent. Assuming 1907 real wages were equal in value to those of 1913-14 (and they were not more as 1913 was a good year) we get an advance in real wages between 1907 and 1933 of

at least 25 per cent., while the output increased only 21 per cent., a 4 per cent. improvement in the proportion taken by labour. Further should be added the value of the social services which, as Mr. Hobson admits, "so far as these services are supported in whole or part by rates or taxes they must be reckoned as additions to the real incomes of the workers (due allowance being made for taxation borne by workers), an equalization tendency in distribution of income. This growth of social services mainly for the benefit of the workers was estimated by Professor Clay in 1925 as 'equivalent to 12·5 per cent. on the total wages paid, or including employers' contributions under Insurance Acts 14·7 per cent.'"

Since 1925 still further increases have been registered in payments made for social services which now amount to £463,000,000 as against only £61,000,000 in 1911 and £22,600,000 in 1891.

If, therefore, is added to the 25 per cent. advance in real wages from 1907-14 to 1933 an increase in the cost of social services of at least 13 per cent. of the wages (or when deductions have been made for the increased cost of living, about 9 per cent.), we may say that a net increase of real wages and perquisites amounting to at least 34 per cent. took place as against an increase of output per head of 21 per cent. Real wages under rationalization have increased faster than output, while the proportion taken by the workers, even without the addition of the cost of social services borne by the rich for the benefit of the workers, has increased, as even Mr. Hobson is obliged to admit.

In another work, *The Economics of Unemployment*, after reference to the expansion of output during the war due to speeding up and the transference of persons unoccupied or engaged in distributive trades to those of production, Mr. Hobson says that "the general body of the population" was maintained "on a distinctly higher level of consumption than before the war. . . . A better, i.e., more equal, class distribution of income and consumption during these years, the rich consuming less (in spite of profiteering), the worker more, together with some letting down of capital, contributed to the result."¹

¹ *The Economics of Unemployment*, p. 27.

In this work, as in the other, we have the usual contradictions. Without considering in detail the amazing statement that in Britain, "The hard times in recent years again have reduced the amount held by small investors," although official figures show there are 15,000,000 small investors, a tremendous increase since 1914, and their total savings have multiplied by four times (from under £700 millions in 1913 to £2,625 millions in 1932), we can respectfully wonder why the small investor class should have dwindled after living on a higher standard and receiving more wages with a greater share of the national income than ever before.

Mr. Hobson goes on :—

"At the end of the depression virtually the whole of the debt will be held by the well-to-do classes, forming a considerable reduction in the proportion of the current income of the nation available as purchasing power for the working classes. . . . War finance, in a word, it would thus appear, has considerably aggravated the maldistribution of income which is the source of trade fluctuations, unemployment, and the political and economic maladies which flow from these conditions."¹

Yet immediately following this we learn that "the increasing proportion of tax revenue, taken from the higher unearned incomes and the larger estates for the service of war debts, pensions and other obligations, has probably absorbed in this country, as in Germany, Italy and the United States, most of the contribution which interest on war loans makes to the incomes of the well-to-do. Only in countries such as France, where direct progressive taxation is notably inadequate and where the indirect taxes are largely borne by working-class consumers, *is there reason to conclude that the net result of war finance has been a worsening of the relative condition of the workers.*"

One would have expected a different result of war finance which, like rationalization, is supposed to aggravate maldistribution. We are also told that "a shortage of gold and of money based on gold only aggravates a depression by worsening the maldistribution of incomes

¹ *Ibid.*, p. 110.

which is the general cause of the attempt at aggregate oversaving that results in cyclical depressions."¹

So also, "a fall of prices worsens the distribution of the product, the real income, increasing the share that goes to the owners of fixed interest bonds, landlord pensioners, mortgagers, and other passive claimants upon income, diminishing the share left for salaries, wages and profits to the active agents of industry."²

Having experienced both a shortage of gold and a decided fall in prices during the last three years, and to a less extent since 1920, the workers should be suffering reductions, but on page 142 we learn how "the surplus element in large incomes" is being reduced to the advantage of the workers: "The absorption of the unearned and unneeded incomes of the rich, partly by rising wages and standards of living of the workers, partly by the needs of a modern State, tends to bring about that equalization of incomes which is essential to a natural and right adjustment between the proportions of spending and saving in the aggregate income. This absorption of surplus and the high rate of consumption it secures do not involve a deficiency of saving or a lack of capital for the enlarged needs of future consumption."

As Mr. H. G. Wells once suggested of Karl Marx, Mr. Hobson's facts continually pulverise his theories.

Why has there been no worsening of the relative position of the world's workers and a very perceptible improvement in their standard in Britain and America if, as Mr. Hobson says, rationalization carries with it "a distribution of the product which increases the proportionate share of Capital and reduces that of Labour"?³ Why have there been such improvements for Labour if rationalization "enhances the proportion of the price which goes in profits, and reduces that which goes in wages"?⁴

Why has France had a smaller proportion of unemployed from 1918 to 1931 than any other nation, if she

¹ *The Economics of Unemployment*, p. 129.

² *Ibid.*, p. 127.

³ *Rationalization and Unemployment*, p. 90.

⁴ *Ibid.*, p. 91.

is the chief country where the working classes have failed to get a relative advance of remuneration when this is the indispensable cure for unemployment? And why in Great Britain, which has not only maintained an admitted higher standard of living for the workers while the rich have suffered a reduction (which implies of necessity an improvement in the relative position occupied by the poor), has unemployment been more persistent here than anywhere on the globe when, on Mr. Hobson's argument, we should have suffered less and France should have been the chief victim?

And how can America have advantages over the rest of the world conferred by an enlightened policy of rationalization if the latter merely aggravates the evil of maldistribution underlying all our economic woes?

Mr. Hobson refers to the falling off in the savings of the British nation, which show a deficiency of £150 millions a year as compared with the period before the war. He admits that some of this reduction in the savings of the capitalist "has been transformed into improved efficiency of working class life." Thus we have had, side by side with rationalization, the savings of the rich lessened and the status of the poor improved in spite of his whole assumption that the contrary must prevail. And with a better distribution we have had unemployment on a scale unparalleled in British history, although better distribution is supposed to be the solution of the evil.

"Again," says Mr. Hobson, "1913 was a year of high industrial prosperity, when profits were large and opportunities for further lucrative investments were afforded both in this country and abroad to the well-to-do classes." And yet, we may add, wages were also high and unemployment was low when the argument requires they should be otherwise. "The period from 1924 onwards," continues our author, "has offered few such opportunities, either for attaining high profits, or for the lucrative employment of invested savings."

And it was just this period when high profits had vanished and capital investments were small and the workers' powers of consumption were highest that unemployment was at its worst.

If placing of excessive amounts into new plant and extensions of the business and too little into the improvement of the brain and physique of the labourer is the cause of our trouble, why, in this period of diminished capital investment and extension of plant, with a vast extension of social services to improve the human factor, should unemployment have been so rife in England?

After a colossal war which destroyed half the wealth of Britain, piling up a gigantic debt, to pay the interest of which has reduced capital savings by £150 millions a year, even after the benefits of an increased output have been absorbed, and which enabled £400 millions a year to be transferred from the rich to the poor, surely it is remarkable that we should be afflicted by a record rate of unemployment when its cure is supposed to lie in the reduction of the savings of the rich and an increase of the receipts of the poor. There is reason to believe that the reduction in the savings of the rich is far greater than the £150 millions mentioned by Mr. Hobson. There has been an increase of savings of nearly that amount in recent years among the poor, which means that the savings of the rich have dwindled by nearly £300 millions a year. On page 37 of *The Economics of Unemployment*, Mr. Hobson provides a table showing that in 1910, whereas a family receiving £12,100 per annum saved £4,500, a family receiving £142 per annum saved only £4 a year. The average was £15 a year per head of the occupied population, the richer classes saving £170 per head, the poorer majority averaging about £4. Three-quarters of the national savings were before the war the contribution of the wealthier classes. Other authorities calculate the total savings of the manual workers before the war to have been less than £300 millions, or if all small investors are included just over twice that sum.

Compare these figures with those analysed from Government returns by Mr. Walter Runciman, M.P., in 1929. These returns showed there were then over 15,000,000 small investors, mainly members of wage-earning households, in addition to others not included in these returns with small investments in bank shares, railway stock, unencumbered house property, &c. Mr.

Runciman's table, accounting for a grand total of £2,158,900,000, was as follows:—

Post Office Savings Bank	£284,600,000
Trustee Savings Bank	81,400,000
Railway Savings Bank	18,400,000
National Savings Certificates (small investors) ..	245,700,000
Small Government Holdings	188,600,000
Share of Ordinary Life Assurance Funds ..	400,000,000
Industrial Life Assurance Funds	173,000,000
Building Societies' Share Capital	172,800,000
Borrowers' interest in houses mortgaged to Building Societies	197,700,000
Industrial and Provident Societies	189,300,000
Friendly Societies	91,300,000
Co-operative Societies	116,100,000

Making a grand total of .. £2,158,900,000

Further savings brought this total up to £2,625 millions in 1932, being over four times the £639 millions held by the same type of investor in 1906, or, making allowance for the fall in money value, nearly three times the pre-war amount.

In addition figures presented to the Balfour Committee on Industry and Trade showed that the average amount of capital held by each shareholder in the five large joint stock banks is only about £219, and in eighteen well-known companies, including the Imperial Tobacco Co., Courtaulds, Vickers, Cunard Steamship, &c., £301.

In the four large railway companies 56 per cent., or more than half of the holdings of loans and debenture stock and share capital and stock are of £500 or less, and in the eighteen companies mentioned above 85·7 per cent. of the holdings are of £500 or less. In 1932 Mr. Runciman announced the total standing to the credit of small investors as £2,625 millions, which shows an increase on the past three years averaging over £156 millions a year, and since 1913, war years included, an annual increase averaging £111 millions. During the years of unemployment the workers' savings have mounted up by leaps and bounds, but those of the wealthier classes have dwindled.

The Economist, in its issue of January 30, 1932, refers to Mr. Hargreaves Parkinson's work on *The Small Investor*. This writer had calculated that in 1929 or

1930 the small investor had £1,700 millions in various "thrift" institutions. *The Economist* points out that this total omits the holdings in Stock Exchange securities. Reference is then made to an investigation conducted by the *Financial News* into some 42,276 separate holdings of ten of the best known British industrial companies, every tenth holding being taken as a sample. The duplication of holdings was almost negligible. On the average, ownership was so diffused that 40 per cent. of the total proprietors each held less than £100 of normal capital, 67½ per cent. held less than £200, while nearly 90 per cent. held less than £500 each. Holders of £5,000 held less than 1 per cent. of the total. Only in one of the ten companies was a majority of votes controlled by those holding £50,000. The proportion held by large investors for the ten companies was under 24 per cent.

The following table taken from the *Economist* shows how foolish is the contention of the Socialist that wealth is concentrated into the hands of a few rich men. It may be added, although not dealt with in the *Economist* article, that the British railways have considerably more shareholders than workers, the former numbering 830,000; the latter about 650,000.

On March 8, 1932, the Inland Revenue Commission issued their Report for the year ending March 31, 1931. It appears there were then 540 persons whose incomes before taxation exceeded £50,000 per annum, including 157 whose income exceeded £100,000. The total number liable to surtax on incomes of £2,000 or more was 103,027. The total amount received in incomes by those on the £2,000 a year or over basis was about £500 millions, the average being something less than £5,000 a year. There were 4,950,000 persons nominally liable to income-tax, but as most were relieved by the operation of allowances, the total taxation was paid by 2,200,000 persons. The total income subject to taxation was £3,160 millions, but allowances and deductions brought this down to £1,300 millions, on which actual taxation was levied. The sur-tax payers therefore received as their total income, less than one-sixth of the total nominally taxable. But as many of the manual workers are below the income-

SHAREHOLDINGS IN TEN BRITISH COMPANIES

Company	Amount of paid-up capital	Approx. number of shareholders	Proportion of total shareholders with							Large holdings (50,000 shares or over)		
			1 to 9 shares	10 to 99 shares	100 to 199 shares	200 to 499 shares	500 to 999 shares	1,000 to 4,999 shares	5,000 shares or over	Number of holders	Total held	Percentage of total capital in hands of large holders
Imperial Chemical ..	£ 43,589,538	124,690	% 5.5	% 34.9	% 24.1	% 22.1	% 8.4	% 4.5	% 0.5	17	4,326,273	% 9.9
Imperial Tobacco ..	37,492,625	94,690	1.1	46.3	26.4	16.4	5.8	3.4	0.6	70	11,754,171	31.3
Courtaulds	24,000,000	59,940	0.9	42.3	25.8	19.9	5.5	5.0	0.6	42	7,321,433	30.5
Dunlop Rubber ..	*7,851,046	52,620	1.2	27.2	27.5	25.7	9.7	7.7	1.0	21	2,694,954	12.0
J. & P. Coats.. ..	14,750,000	49,570	1.1	47.2	27.2	16.1	4.9	3.0	0.5	17	2,417,789	16.4
Unilever, Ltd. ..	11,318,750	19,420	1.3	46.8	27.3	16.4	4.7	3.0	0.5	8	6,472,041	57.2
Fine Spinners ..	4,410,000	17,160	5.1	37.4	27.7	19.5	5.9	4.0	0.4	2	198,000	4.5
Cunard	5,570,241	13,860	0.4	27.3	30.9	25.8	9.4	5.2	1.0	7	516,504	9.3
Staveley Coal.. ..	3,385,356	6,290	0.9	26.9	22.6	26.2	12.9	9.7	0.8	4	355,342	10.5
Watney, Combe, Reid	3,185,410	4,520	0.2	24.8	29.0	26.3	9.3	8.0	2.4	5	722,117	22.7
Total 10 companies	155,552,966	442,760	2.5	38.9	26.1	20.2	7.1	4.6	0.6	193	36,778,624	23.6

* £1 shares reduced to 6s. 8d. in 1924.

tax limit, if we add £500 millions per annum as the amount this class receives we shall have a total national income of £3,600 millions.

But as the super-tax payer sacrifices at least 8s. in the pound of his income (if he had £60,000 a year nominal income, taxation in 1932 was 11s. 8d. in the £) the total left is £300 millions per annum in the hands of the rich out of a total of £3,600 millions national income. In other words, the "bloated capitalist" has at most one-twelfth of the national income, out of which his private expenses must be met and whatever necessary extensions are made by him to industrial plant. The "rich" probably save nowadays a total no greater than that saved by the "poor."

If over-saving is our trouble the rich are far less guilty than of yore, being so drained by taxation, paying interest on war debts, providing doles, pensions, education and other social services for the "poor," that the latter are able to live on a far higher standard than before, and to save huge sums of money annually instead of, as Mr. Hobson advises, spending most of it to provide employment for their brethren. It is high time the income-tax payers were relieved of some of their back-breaking burdens by a drastic reduction in the charges made for social services, which enable what Mr. Hobson considers to be a menace to employment, namely, over-saving, to be indulged in by the class which makes bitter complaints of having millions of its members out of work.

As an interesting aspect of this question of savings in relation to unemployment may be mentioned an article written by the special investigator of the official organ of Labour, *The Daily Herald* (November 18, 1931). Mr. H. V. Morton wrote in connection with his visit to Glasgow: "A paradox of the Clyde to-day is that a city with 130,000 unemployed has never been so rich in capital saved by working-class investors. The Glasgow Savings Bank holds £27½ millions. There are about £20 millions in War Savings Certificates. It is estimated that, with the Post Office, Co-operative Societies and similar organizations, the workers of Glasgow have a total bank balance of £100 millions."

Shortly after this article was written testifying to working class prosperity, came the news that the giant Cunarder was held up through the inability of the company to obtain capital. Thousands of men were thrown out of work and wails of despair rent the air, but no leader of Labour suggested some of these colossal savings of the Glasgow workers should be loaned to find employment for Glasgow men. Mr. Hobson will never solve unemployment if the workers *will* insist upon piling up their savings instead of spending them, or at least placing them at the disposal of the rich capitalists who have fewer riches because of the drain made by excessive taxation to provide benefits for the "poor."

And incidentally, if higher wages and social services improve the efficiency and in consequence the output of the worker, why should the number of workers absent through sickness show such a startling increase on the pre-war figures? During *the whole of* 1930 there were absent from work through alleged sickness an average of over half a million workers, all of them drawing sick pay. This means that one in twenty-one was always on sick leave.

Either social services do not have the desired result and increased wages are spent in such a manner that the recipient's health is undermined, or the payment of sick benefit by the State, beloved of the Hobson school, is encouraging malingering on a large scale. In either case the economic and social improvements have failed to improve the health or the character of the recipients.

From various angles we have seen that the more Mr. Hobson's remedy of improvement of Labour at the expense of Capital has been tried, the worse has become our employed problem. As the surplus of the rich has decreased and the pay and perquisites of the worker have increased, the more has the country's stability been undermined and the more has unemployment increased.

The situation demands a reversal of the process. The capitalists and *entrepreneurs* are receiving too little for their services and the workers are receiving, if not too much, at least far more than industry can stand if employment is to be found for a normal number.

Labour is like a patient who, on the largesse provided

by a foolish uncle, has been indulging in a surfeit of eating and drinking while exercise has been neglected. The health breaks down and a doctor is consulted. The patient wants a remedy pleasing to his palate and love of ease; a trip to the seaside or a patent pill which will give instantaneous relief without any reform of bad habits or sacrifice of ease. The uncle, now almost bankrupt with his own debts and through the generosity provided for Labour, is expected to make all the sacrifice. "Dr." Hobson very obligingly advises that the uncle shall be further beggared by the patient receiving still huger grants wherewith to indulge his appetite. He is far more popular with the patient than another doctor who says that the uncle's complete ruin, inevitable unless his foolish generosity is terminated, will involve that of the patient also, who needs more exercise and less consumption of luxuries, the amount to be determined by his own exertions rather than by his uncle's bounty. The doctor who advises more work and less food or any abandonment of habits of over-indulgence as the alternative to death is no more popular with the victim of gluttony than is the economic doctor who insists upon a similar reform of the social habits of the victims of glut. Far more to the patient's fancy than even "Dr." Hobson is the Socialist quack who believes in still shorter hours, still higher pay or heavier doles and still more pensions at earlier ages, with an endowment for each child of 10s. a week, with the age of leaving school raised to 18 years.

And even the Socialist quack is surpassed by a specialist in the art like Mr. Bernard Shaw who, before eulogizing Russia where his panacea was attempted and found to be a failure, wrote a large volume devoted to an exposition of the advantages of equal incomes for all, men, women and children included, presumably the black, brown, red, yellow and white races also being invited to participate in these dubious benefits. So convinced is Mr. Shaw of his panacea for the world's troubles that he announces that under Socialism any person who refuses to accept the principle of absolute equality of income for criminals, idiots, children, cinema stars, industrious colliers, Prime Ministers and men of genius will be

“persecuted out of existence,” a doctrine consoling to the inefficient and to the idle, but scarcely making for liberty or progress, or providing incentive for a very elevated standard of social stability.

If the annual income of the world were now divided, while it may be argued that the hoards of the rich would raise the general standard of the poor, it is safe to say that the income of the European worker would be reduced by over half. When we remember the few shillings per week received by the average adult in China, India and other lowly paid parts of the East, it is obvious that even if the incomes of the rich were placed in the pool, the white workers' standard would be 'considerably reduced. If women and children were included in the division, as Mr. Shaw suggests, an unmarried manual worker in England, instead of 55s. per week plus 12s. perquisites provided by social services, would obtain far less than half that sum.

Even if a division of the national income were made in Great Britain, and confined to adults able to work, the increased share received by the worker would not be remarkable. Professor Bowley, in his analysis of *The Division of the Product of Industry*, gives details showing that if all the income of this country for the year 1913-14 had been divided, the average family income ($4\frac{1}{2}$ persons to the family), after rates and taxes had been paid, would have been only £162 even when incomes from abroad and so not earned in this country had been included. The income from home products averaged only £153 per family. If all the incomes then over £160 per annum had been divided among the rest after essential national expenses had been met, the increase in the wages of adult men and women would have been only about 6s. per week, assuming that industry would still have been continued without the incentive provided by the higher rewards of the intellectual sections of the community.

Since then, owing to war changes, the amount of benefits to workers possible after a sharing out of the incomes of the wealthy, have dwindled. Sir Josiah Stamp in 1925 published a careful computation which demonstrated that if the annual income of those then

receiving over £250 per annum were shared out equally among the population the increase would not be more than 5s. per week per family—scarcely enough to justify a revolution! With the present income the amount would be still less, as Sir Leo Chiozza Money has admitted. The last-mentioned authority has frequently insisted to his Socialist colleagues that the equal distribution of the present products of industry would completely fail to realize the dream of universal prosperity they anticipate. In short, the problem of production has not yet been solved in spite of socialistic claims.

Judging by the experience of Russia, the equalization advocated by Mr. Hobson and his Socialist supporters will neither increase the amount produced, nor will it solve unemployment.

In Russia there are no savings of capitalists unduly withheld from the workers or invested in plant; nor is wealth anywhere being piled up awaiting consumption. In addition the internal and external war debts which handicap other nations, in the case of Soviet Russia have been repudiated. Nor have vast sums to be paid in sinking funds or in interest to idle investors. The workers in theory consume all they produce, save what is requisite for the extension of the plant and the taxation of the country. Shop stewards, workshop committees and equality of payment for managers, foremen and operatives were introduced. With what result? Without quoting the miserable wages paid prior to 1920 or stressing the famine of that year when hundreds of thousands perished of hunger, or discussing the reasons why wheat and other foods had to be imported to a nation which before the war was a considerable exporter, let me mention the average wages paid as late as 1925-26 which (according to the *Soviet Union Monthly* for February, 1927) were about £5 6s. per month for the workers in all industries. The *Soviet Year Book* for 1926 gives the sum of 2s. 3d. per day for the workers in Moscow. Four years later Mr. J. Toole, then Socialist M.P. for Salford, reported after a visit to Russia that an unemployed man in England, if he had a family, received more from his dole than the average Russian worker received in wages.

Lenin found that so much friction was caused by the activities of the shop stewards and works committees that he abolished them. The output was so low owing to the lack of incentive that he declared equality of payment had been a failure and attempts must be made in future to pay managers five times and foremen three times as much as the men. He also reversed his policy, and under the new economic *régime* took steps to "modernize" the whole of Russia, the drawbacks of American industrialism with few of its compensations for the worker being introduced to save the country from more complete collapse.

According to the British Trade Union Delegation Report (1924) p. 159, "The optimistic theory of War Communism that a worker would for an equal living wage give his full energy, experience and efficiency to the public good, was not justified by the experience of the years 1918-1921. It has now given place to the plan of paying a living wage and getting the best possible production by further rewards, such as piecework payment, special rates for specialists and prospects of promotion."

It was found also that a percentage of bonus upon sales had to be introduced in order to make the State trader as efficient as the private salesman. "At present in retail trade, the private tradesman, the State and the co-operative salesmen are estimated to compare in efficiency as 118 : 92 : 89."

Lenin's new policy of inequality of payment was evidently adopted, for Bukharin, according to the *Morning Post* of January 28, 1926, made a speech in which he said: "We have at present a whole number of different scales of wages. The specialists receive much more than the qualified workers, and the qualified workers receive considerably more than the unqualified workers. Can we at the moment thoroughly and completely equalize these classes? I do not deny that here and there we should smooth over the difference, here and there correct abuses. But fully to carry out full equalization now is impossible."

The following speech, made five years later, suggests some relapse of inequality had made a reiteration of its

necessity imperative. *The Times* of July 6, 1931, reports Lenin's successor, Stalin, as speaking to the Conference of Industrialists at Moscow as follows :—

“Labourers must be bound to enterprises to which they were indentured and ‘labour flux’ combated by a system of differential wages to increase productivity. Hitherto there had been hardly any difference between the earnings of skilled and unskilled workers, and therefore the unskilled had no incentive to improve their qualifications. That evil could no longer be tolerated, and the obstruction of those economists and trade unionists who pretended to interpret Socialism better than Marx or Lenin must be overcome. The Soviet State required from the workers hard work, discipline and mutual emulation. A system of payment according to the worker's need could not be allowed, and workers must be paid strictly according to the amount and the quality of the work they performed.”

Under the principle of equality enunciated by Mr. Shaw and other Socialists, productivity was lessened and equal payment in Russia roundly declared to be a failure. What is more to the point, the transfer of the property of the wealthy classes of Russia to the workers, so far from raising the standard of the people, seems to have lowered it. According to the Report of the British Trade Union Delegation to Russia, p. 158 : “By 1921, although the urban population only amounted to 12 millions, 22 millions were drawing rations” in consequence of inadequate and irregular rations leading to the falsification of ration cards in an attempt to get more food. And judging by Professor Hoover's book previously cited, the situation regarding shortage of food and other materials was still desperate in 1931.

Complaints were voiced in the Soviet Press, as, for example :—

“From day to day the workers do not receive goods to which they are entitled. The workers were left short of meat and fish. Besides the general shortage of goods, the local Co-operative seems to be incapable of distributing equally the goods it possesses. When the potatoes were being

distributed, half the workers failed to receive any.”
—(Statement of workers in a Moscow wool factory.
Reported in *Trud*, December 22, 1931.)

“What is it, Sabotage or Bureaucracy? Thousands of workers toiling underground under difficult conditions are destined to hunger and heartless treatment, which may almost be called cruelty. It was, indeed, most disturbing to read the declaration made by angry miners to the inspecting brigade: ‘We have no strength left with which to carry on. We are being starved and treated worse than pigs.’”—(Extract from the Report of an Enquiry Brigade investigating conditions in the Moscow coal area. Reported in *Izvestia*, May 10, 1932.)

“Things are not too good in the children’s camp at Malahova. . . . At a visiting day on the 6th of July the parents were greeted with the following appeal from their children—‘Have you any bread? We are hungry. Take us home.’ It appeared that the shortage of food was appalling.”—(*Trud*, July 10, 1932.)

According to the *Daily Telegraph*, November 30, 1932, the Moscow authorities had, on November 29, instituted a new system of ration books among its stricter control, to be valid only for one month instead of three. And the Socialist paper *Forward*, November 26, 1932, printed an article by Dr. H. Dalton, Under-Secretary for Foreign Affairs in the late Labour Government, in which he wrote: “The standard of living to-day in the Soviet Union is very low—lower perhaps, though official statistics fail to answer this question—than when the Five-Year Plan began, and consumption was deliberately sacrificed to construction. Food is scarcer, especially meat. . . . There is still widespread inefficiency, both in industry and elsewhere. . . . As one acute observer said, ‘Inefficiency is by far the heaviest overhead charge on the Soviet system.’”

The Soviet Press is full of complaints of this inefficiency, as for example:—

“If with regard to quantity, in spite of our inability to carry out the programme of production,

we have made considerable progress as compared to last year, we cannot say the same about the quality of our goods. *In that respect the execution of the Plan is frankly unsatisfactory.*" — (*Economicheskaya Jizn*, June, 1932.)

"The majority of agricultural machinery works are operating unsatisfactorily."—(*Pravda*, June 30, 1932.)

"The supply of various metals fell abruptly. The Stalingrad (tractor) plant received during the first half of June only 1,152 tons of steel, instead of the 40,000 tons required.—(*Pravda*, June 23, 1932.)

"We shall not get a sufficient number of engines and railway trucks this year. . . . *The number of accidents on railways continues to remain a disgraceful factor of our Plan.*"—(*Pravda*, May 29, 1932.)

Until the system of conscription of labour, which is virtual slavery, necessary for the success of the Five-Year Plan, unemployment was admitted at the Congress of the Russian Communist Party held in October, 1926, to have increased from under one million in April, 1925, to nearly two millions in April, 1926, and these figures related only to trade unionists. And six years later the problem was once again becoming acute.

In April, 1932, it was reported that many Soviet undertakings had been discontinued owing to the shortage of food, about four million workers having been displaced, so that Moscow and Leningrad were crowded with unemployed. According to *The Times*, December 1, 1932, the Soviet State Planning Commission issued a statement about impending labour difficulties containing the warning that "the struggle to distribute surplus labour" in the various industries in Russia would be one of the most important problems of 1933, the evils of which were already apparent.

In *The Times*, December 19, 1932, it was reported that the Soviet authorities were then dismissing surplus workers in all branches of industry "thereby creating a great new army of unemployed. Already many thousands have been dismissed and if the programme be adhered to the dismissals will exceed 1,000,000 before the end of December."

Besides dismissals, workers absented themselves from work or left the job in protest against the vile conditions, as is admitted in the Soviet Press.

"In the first quarter of 1932 the number of deserters in the textile industry comprised 13.14 per cent. of the total workers in the industry. Absenteeism also reached a figure as high as 14 per cent. in some factories. Job-leaving has reached enormous dimensions and has a tendency to further increase. . . ."—(*Economicheskaya Jizn*, May 26, 1932.)

"Experience has shown that until we improve the housing conditions of transport workers, we shall be unable to either stop job-leaving, or obtain any real improvement in the work on the railways. It is also essential to avoid any lapses in food supplies during the autumn and winter."—(Statement of Andreev, Soviet Commissar for Transport. Reported in *Pravda* of May 29, 1932.)

"The housing conditions of Barracks No. 4 are very bad. Married and single men live in these barracks. The rooms are so cold that the workers have to sleep in their clothes. Some of the windows have no panes. *The barracks are dirty and full of parasites.*"—(Report on Housing in Moscow, *Trud*, December 22, 1931.)

"*The workers' quarters are dirty and full of rubbish.* . . . Abnormal living conditions, bad food, greasy dining-rooms are the provocative causes of job-leaving."—(*Pravda*, May 17, 1932.)

"Comrade Stalin's orders in regard to wages and improved living conditions have not been carried out. . . . It even happens that workers' barracks are not furnished with tables and chairs."—(*Pravda*, June 16, 1932.)

"During the whole of 1931, absenteeing without valid reasons caused a total loss of 28 million days."—(*Pravda*, December 9, 1932.)

Trying to achieve a remedy Molotoff and Stalin issued a decree giving the directors of factories complete

control of food supplies for industrial workers in order that truancy should be penalised by cutting off the culprit's food. The workers had previously managed the distribution.

"Attempts to utilize food cards invalidated by the holder's dismissal for truancy would be punishable by death."—(*The Times*, December 6, 1932.)

The main Republic of the Soviet Union, the R.S.F.R.S., issued a decree requiring not only forfeiture of food cards for unauthorised absence for a single day, but eviction from their dwellings of workers who infringe it, "regardless of the season of the year and without provision for other dwellings or means of transport." The Soviet Press reported in November that hundreds of persons from the Moscow factories and Donetz coal basin had been dismissed and deprived of food cards.—(*The Times*, November 28, 1932.)

Mr. Hobson's remedy, then, will not do. Nor will it help us to supply, at his suggestion, Russia with credits to promote the production of ploughs and steam-engines for Russia, when that country refuses even to acknowledge the hundreds of millions of pounds already loaned during the war.¹

Nor is his alternative plan of reconciling ourselves to the loss of much of our export trade, and by giving a larger proportion of the national income to the British worker to stimulate our home trade, any better. As the British worker has derived an increasing proportion of the national income, the import trade has been stimulated until we import more than we export, while unemployment has increased accordingly.

If giving the workers a bigger proportion increases

¹ As I revise the proofs, details are being reported of the foolish attempt of the Soviet Authorities to camouflage the increasing distress in Russia and the falsification of promises made in connection with the Five-Year Plan, by staging a prosecution for alleged counter-revolution and sabotage, of six British employees of the Metropolitan-Vickers Electrical Company. Unable to obtain satisfaction, the British Government suspended negotiations regarding an Anglo-Russian trade agreement, and afterwards prohibited all imports from Russia. Russian politics, it would seem, are as bungling as Russian industrial organization.

the consumption of foreign tea, tobacco, butter, cosmetics, women's finery and other imported foods and luxuries, and leads to the bankruptcy of firms manufacturing in England expensive motor cars for the rich as well as closing mansions and cutting up estates and discharging servants by the thousand, whatever other beneficial effects the practice may have, it will not alleviate British unemployment.

Nor can one see how giving the workers a still greater share of the national income will reconcile them to purchasing Lancashire cotton goods when they can afford silk goods from France. More purchasing power in the hands of the workers, by depriving capitalists of the power to pay the national taxes, will not employ redundant workers in the cotton, steel, iron, coal and shipping industries, which are those needing orders from abroad. We have already more than we require of the commodities these industries supply, and increase of purchasing power in the hands of the British worker would not lead to any marked increase in England of this class of goods short of some definite improvement in our export trade. That is our paramount need.

Here, then, we come to the crux of British unemployment. Mr. Hobson's recognition of the drawbacks of his own solution may be reserved for a later chapter. This chapter is already overburdened with his contradictions.

CHAPTER IX

FOREIGN TRADE

FOR the reasons given in the chapter on Population, the people of Great Britain are dependent for much of their prosperity upon foreign trade. We need from overseas over 60 per cent. of our food besides other raw materials it is not possible or expedient to produce at home; and in return we supply coal and manufactured goods we are better able to produce. We have been growing more dependent upon the world outside for the goods we consume. Our net imports, which amounted to £659 millions in 1913, had grown to £958 millions in 1930, being then about £20 17s. per head. After allowing for the increase in prices we find the *volume* of imports had increased by 18 per cent. On the other hand our sales abroad, which should have paid for these high importations, have been getting less, being in 1930 about 32 per cent. in volume below 1913, although the price had increased from £525 millions in 1913 to £571 millions in 1930. The increases in imports have kept up our standard of living, but the decreases in exports have been responsible for a deal of our unemployment. Before the war we had an extending export trade, and in consequence were a flourishing nation.

Besides our manufactures helping to pay for imports, we drew in 1929 about £195 millions for shipping, banking, insurance and other services, and in addition as interest on past investments abroad, about £270 millions. These services are known as invisible exports. We had, therefore, especially before the war, what is called a favourable balance of trade. The goods and services we sold more than paid for the materials we bought. The following table gives our favourable balances of trade in millions of pounds for 1920 to 1930. It must be re-

membered that prices of goods have decreased considerably since 1920.

1920	1922	1923	1924	1925	1926	1927	1928	1929	1930
252	155	153	86	54	9	114	140	100	39

Since the war, while the tendency has been to import more goods, not only have we sold less exports but we received less in interest upon foreign investments and for our shipping and transport services. By 1930 our income from overseas investments had shrunk to £235 millions, and only £160 millions were received for commissions, shipping and other services. The result is that even as late as 1929 we had a favourable balance of trade of £100 millions, which had been reduced to £39 millions in 1930. But in 1931 we had an *adverse* balance of £104 millions. Thus, in two years the balance had gone against us to the extent of over £200 millions.

In addition, we must remember that as prices of imports had fallen far more than prices of exports, the actual position is that while imports remained almost stationary the value of exports fell in two years by nearly 38 per cent. This, added to the decrease between 1913 and 1929, gives a total loss which has undermined the whole economic structure of the nation. There was a shrinkage in invisible exports of £186 millions alone between 1929 and 1931, and, as Mr. Chamberlain has reminded us, this particular loss is difficult to rectify as it depends more upon world trade than upon that of Great Britain alone.

The following details relating to 1930 and 1931 are instructive :—

IMPORTS.		
1931	Decrease on 1930	Decrease
£	£	per cent.
862,174,709	181,800,000	17·4
EXPORTS.		
1931	Decrease on 1930	Decrease
£	£	per cent.
389,163,817	181,591,599	31·8
RE-EXPORTS.		
1931	Decrease on 1930	Decrease
£	£	per cent.
64,035,347	22,800,062	26·2

Omitting movements of bullion and prices, the excess of imports over exports was £409,000,000 compared with £386,300,000 in 1931, a difference of £22,500,000. The £800 millions' worth of commodities we retained for our own use in 1931 were paid for by nearly £390 millions' worth of exports plus services amounting to about £300 millions, leaving us £104 millions to the bad on the year's trade.

Many countries from which we made large purchases have failed to reciprocate. The following list for 1931 shows how Great Britain suffers:—

Country	Imports from £	Total Exports to £
Russia	32,178,868	8,544,350
Germany	64,150,058	32,021,918
Netherlands	35,208,698	16,687,566
Belgium	33,231,022	14,566,608
France	40,982,808	32,015,662
U.S.A.	104,171,028	25,112,212
Sweden	17,346,988	8,465,082
Denmark	46,697,188	9,190,215
Argentina	52,763,706	15,060,161

The year 1932, which registered a decline in exports of from 33·3 per cent. to 41·1 per cent. in the case of Italy, France, Germany and the U.S.A., saw those of Britain down by only 8·9 per cent. As imports into this country were reduced by a greater proportion, our adverse balance of trade was not so great in 1932 as in the previous year.

The preliminary figures issued by the Board of Trade on January 11, 1933, showed the following:—

	Imports £	Total Exports £
1931	862,175,000	453,199,000
1932	703,133,000	416,052,000

Our adverse balance of trade, which was £408,975,545 in 1931, was reduced by £121,894,545 to £287,081,000. This was affected by the reduction of imports amounting to £159,042,000 as a result of the tariff policy. Unfortunately our invisible exports fell heavily during 1932, owing to a decline in shipping services and numerous defaults which cut down the interests on overseas in-

vestments. We therefore had a net adverse balance for 1932 of £59 millions.

Before the world slump, while British trade had been decreasing, that of other nations had forged ahead. The population of the world increased by 10 per cent. between 1913 and 1928, but the volume of international trade increased by 24 per cent. The population of Europe during these years increased by 8 per cent., while its trade increased by 7 per cent. The world production of raw materials, including food, increased by 24 per cent. (food by 16 per cent. and raw materials by 40 per cent.).

European production did not increase as fast as that of the rest of the world, being held back by Russia. Up to 1923 Europe was 15 per cent. behind the 1913 level, but by 1925 Europe had increased its production by 3 per cent. over that of 1913. Between 1925 and 1929 Europe caught up with the rest of the world. Since that year the production has diminished in all countries, in some of them very considerably.

It would seem, therefore, that although the people of Europe, with the exception of the United Kingdom and one or two others, suffered a serious reduction in their standard of living up to 1923, and barely maintained the pre-war level of consumption for a year or two after, the world outside produced foodstuffs and raw materials in greater abundance than before the war. Trade in general was 24 per cent. in advance of 1913, while population had increased by 10 per cent. Since 1929 world production and trade have collapsed and both are now, taking increase of population into account, below the pre-war standard. Although production of raw materials increased between 1913 and 1929, this does not imply that the wealth of the world increased in the same proportion or even at all. Most of the nations have colossal debts which must be put against the productive possibilities; and the capital reserves of the wealthier classes in Britain, Germany, Russia, France, America, the British Dominions and elsewhere have seriously diminished as a result of the war. As we have seen, the world slump, which is a reflex of war debts and financial dislocation, called a halt to the progress in productivity, so that those

who hold that increase of population is in no need of control must not draw favourable deductions from the increased productivity previous to 1929. Increasing population demands still greater productivity if the standard of living is to be improved; and still more so if the debts due to war are to be paid.¹

And behind modern wars is the question of trade which is a reflex of increasing population. Either raw materials are needed to feed the increasing population as in England; or raw materials must be sold to obtain mechanical and other equipment, as in Russia and the agricultural nations in general. Having more people to feed and to employ, more trade is needed by the industrialized populations. In the struggle for trade all kinds of rivalries are fostered, some of which, alas, are not settled by the mere imposition of a tariff.

It is not enough for a citizen of England to say the earth is stored with an abundance for thrice its population, therefore be fruitful and multiply. Just as a man who owned merely £100 would be foolish to order £10,000 worth of luxuries because at the corner of his street is a bank containing a million pounds; so is a nation unwise which orders imports to feed a population in excess of its means of payment on the grounds that the earth is an inexhaustible storehouse. The natural resources of coal and iron in England are certainly not inexhaustible. In any case, if the world will not take them in exchange for the food we want it is of no avail to the people of England that the external world owned by others contains more than enough for our needs. To utilize our reserves of capital by the purchase of imports while British men are unemployed who should be producing other goods for payment is the road to ruin.

The following table gives our monthly percentages of insured persons between 16 and 64 who have been unemployed since 1922:—

¹ In a lecture delivered in Oxford by Professor Gustav Cassel and reported in the *Manchester Guardian*, May 16, 1932, the speaker said it was a mistake to assume that production in the years 1925-29 showed an abnormal rate of progress. "Investigations showed that the rate of progress in these years corresponded approximately to the average pre-war rate of 3 per cent. per year."

	1922	..	..	..	14.1
	1923	..	..	..	11.6
	1924	..	..	..	10.2
	1925	..	..	..	11.0
	1926	..	..	..	12.3
	1927	..	..	..	9.6
	1928	..	..	..	10.7
	1929	..	..	..	10.3
	1930	..	..	..	15.9
Sept. 28,	1931	..	..	..	23.0
	1932	..	..	..	22.0

Although such a large proportion has been unemployed, in consequence of the new entrants the number of employed has not decreased. Whilst between June, 1924, and August, 1930, the number of unemployed in all insured industries rose from 1,085,000 to 2,119,000 there were actually at the later date 600,000 more in employment than in 1924. And even in April, 1933, when unemployed figures had mounted to 2,697,634, the number employed was perceptibly higher than in 1922.

Testifying to the improved standard of living we find that although those engaged in the distributive trades increased 43 per cent. between 1923 and 1930, unemployment among them had not been great, nor had those employed in electrical engineering, printing, banking or finance suffered very much. It was the basic export industries devoted to general engineering, ship-building, steel smelting, iron and steel rolling, coal mining and the textile trades which bore the brunt of unemployment, although there was a reduction of their numbers to normal after 1923 in some of these trades which had expanded during the war.

Although twelve out of twenty groups of our exports improved between 1913 and 1929, the total volume of British exports dwindled from a proportion of 100 in 1913 to 86.1 in 1929. Since then the situation has gone much worse.

The following table shows how our vanishing export trade has affected unemployment:—

	Workers manufacturing for export as a percentage of all manufacturing workers	Workers for export as a percentage of the whole occupied population
1907	44.5	—
1924	39.4	29.6
1929	38.4	27.4
1930 (2nd quarter) ..	33.8	23.5

The real problem of unemployment in England has been associated with a depression concentrated in certain areas and districts upon which, as the Macmillan Report points out, the economic development of the country in the past has depended. Nearly three-quarters of the insured population were regularly employed between 1921 and 1930; but the other quarter, largely concerned with the export trade, has suffered to an appalling degree.

The Census of Production in 1924 showed that the coal industry depends upon foreign markets for the disposal of one-fifth of its product, engineering one-quarter, iron and steel one-third, shipbuilding one-half, woollen and worsted over one-half, and cotton about four-fifths.

Reference has been made in previous chapters to some of the reasons for British unemployment in general. A brief epitome especially relating to the export trades will help to focus the factors.

British coal production had reached its zenith in 1913. Owing to the war the opening-up of new pits was neglected, and obsolete and uneconomic mines came once more into use. The demand was so great during the war, and for a period between 1922 and 1924 when German competition was lessened owing to her own difficulties, that very high prices were realized and new entrants flooded the industry attracted by high wages and shortened hours. In the meantime the high costs of coal and the difficulty of satisfying the demand had encouraged economies in its use in the form of brown coal, oil and hydro-electricity, which seriously threatened the industry. Continental nations have gone ahead with schemes for generating electricity by water power. The Irish Free State has utilized the river Shannon to this end. Two disastrous disputes helped to cripple the industry, and Poland and other nations obtained some of the British market, especially in Scandinavia. But the coal trade of the whole world has been affected by substitutes, and apart from high costs which have handicapped British mining, it is doubtful if the consumption of coal will ever again expand with the general growth of industry. The coal export figures for 1932 showed, however,

that markets lost in the 1926 disputes were being slowly regained, Holland, Denmark and Sweden making increased purchases in 1932.

The world consumption of cotton goods has not advanced since 1926, the British share in its productivity having also seriously declined. Before the war we supplied 70 per cent. of the export trade in cotton goods. This by 1929 had dwindled to 50 per cent. Further losses have since been registered. But 1932 saw an improvement of 9 per cent. over the previous year. Before the war, although faced by competition in coal and cotton, the British market continued to expand. Improvements and economies were incorporated in the industries and these enabled us to hold our own. During the years of the war and the boom-period after, as demand was brisk at high prices, no attempt was made in the direction of economies or improvements. Industry found itself with the necessity for crowding in a brief space the improvements which normally would have been incorporated without much dislocation. The Japanese in the meantime had installed up-to-date plant and were producing at rates which Lancashire under the most favourable circumstances would have found it difficult to emulate. Encumbered with old-fashioned technique and obsolete ideas, the Lancashire cotton trade has been badly beaten.

Mr. T. D. Barlow, in an interesting article on "Cotton Weaving" in *The Times Supplement on Industry*, published on November 1, 1932, informs us that whereas this country has less than 5 per cent. of automatic looms, Germany has 10 per cent., Italy over 15 per cent., and the United States more than 70 per cent. He argues that the reasons for American success in respect to the automatic loom are that it can be operated with a minimum of skilled labour, and can be worked night and day, and that the requirements of the American market are less exacting than ours, being more favourable to the production of highly standardized cloths. Automatic looms require a better quality of yarn together with a rewind weft, have a lower running speed, and are less versatile than the ordinary Lancashire looms, so that as Lancashire has an adequate supply of

skilled labour at high wages, the economies of the automatic loom, if its use were extended in Lancashire, would be considerably diminished by the high cost of purchase plus the higher maintenance charges of this country as compared with the less skilled labour abroad. He thinks a modification of Lancashire wage-rates is more necessary than an increase of automatic looms. But Mr. Barlow favours an increase in the number of ordinary looms to be worked per operative. With the use of a slightly stronger yarn or a lower running speed one operative can easily manage six or eight looms instead of the usual four. This method has been successfully employed abroad, and it reduces costs on certain classes of work. Our failure to emulate our competitors in this and other matters was largely responsible for loss of trade. Attempts were made by cotton employers to persuade their operatives to work more looms. Extra wages and the elimination of certain ancillary tasks were offered. Experiments proved the idea was good, but the operatives' unions consistently fought against its adoption largely on the plea that it would displace labour, until in December, 1932, an agreement was at last achieved. This settlement will beneficially affect the cotton trade in the future. Let us now continue our consideration of the factors which have crippled the foreign trade of the United Kingdom.

In the boom years of 1919 and 1920, when prices were soaring, firms were willing to obtain loans at very high rates of interest. When the boom passed and prices fell, they were left to pay interest on money which was nearly double its former value. Some £30 millions of debt incurred by the Lancashire American Cotton Spinning industry at a time when the pound was worth only eight shillings by 1914 standards, eventually had to face interest charges to be paid when the pound was worth fourteen shillings or more. This placed an immense burden upon any industry which had to compete with the foreigner who had not been subject to such charges. Wages also were maintained at a high level after prices had fallen considerably.

Germany and Austria, as a result of inflation, had

practically abolished their internal debts before they stabilized their currency. France had stabilized the franc at a rate which it is calculated gave her a 40 per cent. advantage in competition with England, which by returning to the gold standard in 1925, also lost a 10 per cent. advantage in comparison with American exports. The taxation of all these countries accordingly was less than British industry had to bear, while their other costs were considerably smaller as a result of variations in the stabilizations of currency and the differences in rates of wages.

Moreover, the payments for reparations had enabled Belgium and France to instal up-to-date plant. The German industrialists, during their period of inflation, made enormous profits which were used to reorganize their plant before a further rise in prices reduced the value of the money they had made. Thus Japan, Belgium, France and Germany, had more up-to-date equipment than Britain, while America, always in the van of industrial efficiency, had assimilated new methods as these were available.

Other nations, unable during the war and immediately after to obtain the goods they had previously bought from Britain, had either transferred some of their custom elsewhere as in the case of cotton, or had installed plant of their own, which of course they retained after conditions became more normal. As it was difficult to obtain Chilean nitrates (previously used as fertilizer) during the war, both Britain and Germany produced synthetic nitrates, the raw material of high explosives. Since the war the production of synthetic nitrates has been placed upon a commercial basis, and Chile has lost much of her trade, and in consequence offers less scope for European imports.

For years also several of the nations which had been impoverished by war and their depreciated currencies, were unable to make the usual purchases from Britain, while at the same time their depreciated currencies enabled them to dump their own goods in the world market at prices we could not hope to emulate. The reduced incomes of some of the residents of nations which had been involved in the war affected trade as a

whole. In Vienna a fully qualified secondary schoolmaster was receiving only about fifty shillings per week, with the payments of other workers in proportion. Coffee, which on the Continent is as popular as tea in England, was consequently less in demand. Brazil, the chief coffee-exporting country, lost most of its trade and was thus unable to make its customary purchases of British goods.

For various reasons, one being the fall in the value of silver used as currency in the East, prices have decreased more in the countries devoted to the production of raw materials. Thus the pound in Australia, the dollar in Argentina, the milreis in Brazil, the tael in China, were unable to purchase enough of the goods of the manufacturing nations such as America, Germany and England, the costs of whose commodities were relatively high. England, which has practically no raw materials to export except coal and iron, was badly hit, as fewer of our goods were necessary as equivalents for the tea and jute of India, the tea and rubber of the Malay States and the Dutch East Indies, the wool of Australia or the cotton of Egypt. The cheap prices of imports encouraged their purchase, but unfortunately the importing nations demand cash as they cannot afford our expensive exports in exchange. British imports were stimulated at the expense of exports.

But worse than the impoverishment of our customers by war debts and depreciated currencies, was the dislocation of frontiers which fostered narrow nationalism and encouraged the erection of tariff barriers, weakened or destroyed the credit basis of trade, and by the inflation of currency, undermined the stability of the exchange rates and led to dumping on the grand scale.

When Austria-Hungary was split up after the war, each State discouraged economic exchange. This tendency to isolation has developed even in countries not affected by Peace Treaties. The nations outside England since the war have gone in for the development of home industries, India, for example, by the fabrication of cotton goods at home, having had a serious effect upon our export trade.

Political factors have also left their mark. The Indian

boycott of Britain, the revolutionary war in China and her trouble with Japan, the Soviet *régime* in Russia, and revolutions in South America, have all tended to restrict what were at one time lucrative markets for British goods.

Before the war Britain loaned much of her surplus capital to foreign countries anxious to develop their own resources. This used to stimulate our trade, as the loans used to be largely for credits in order to obtain British materials or services. If we obtained contracts to build bridges or instal railways, or if only to provide the equipment for the same, our export trade got the benefit. The undeveloped countries, being producers of raw materials, the prices of which have slumped, have not been able to continue their schemes of development, and we have not had the same amount of capital available for overseas investments. Some of the previous investments are not yielding prompt payments of interest, and debtor nations to-day find themselves trying to borrow more in order to pay interest charges on past loans rather than to purchase the equipment for future extensions.

A consideration of the factors which have been responsible for British loss of markets reveals very clearly **two facts**. World prices have fallen considerably, especially since 1929, and British costs have not fallen to the same extent. These two facts have made it impossible for customers producing low-priced raw materials to buy in exchange high-priced British goods. Other manufacturing nations have more successfully adapted their costs to the prices available, and as a result have suffered less than Britain in the fight for foreign markets.

According to the British Board of Trade, during the year 1930 wholesale prices fell by 17 per cent. *The Economist* index number showed that in February, 1931, all the main groups of commodities were *below* their pre-war prices. Retail prices did not come down so markedly, the reduction being illustrated by the following table, July 1914 being the basic period. The slight fall in money wages since 1924 is also included :—

Year	Index No. of average weekly wages	Average percentage increase over the level of July, 1914, in the cost of living figure; all items included
1919	..	115
1920	..	149
1921	..	126
1922	..	89
1923	..	74
1924	100.0	75
1925	—	76
1926	—	72
1927	—	67½
1928	99.8	66
1929	99.3	64
1930	98.3	58
1931	97.3	47½

This table shows that while retail prices fell 27.5 points, equal to 16 per cent., money wages were reduced by less than 3 per cent. Between January and December, 1930, wholesale prices fell 20 per cent. in Japan, 19 in Canada, 18 in the Netherlands, 16 in Italy and the U.S.A., 14 in France, and 11 in Germany.

While gradual reduction in prices ought to be a good thing, violent oscillations up or down, in the words of the Macmillan Report, "initiate social as well as economic disturbances which leave no part of the national or international order unaffected." In the opinion of the Macmillan Committee: "It is in the changes in the level of prices, and in the consequential alteration in the position of debtors and creditors, *entrepreneurs* and workers, peasants and the tax gatherers, that the main secret of social trouble is to be found." Thus "a restoration of the international price level should be a prime object of international statesmanship."

Some of the consequences of the fall in prices are tabulated as follows.

All those whose incomes are fixed are able to obtain a larger proportion of the national output. Among the people who benefit are those who hold Government Bonds, debentures and fixed interest securities and rents. Pensioners and those receiving unemployment or sick benefit also share the advantage while their receipts remain at the previous level. This also applies to those who draw salaries and wages until their remunerations are adjusted to the lower prices. Those

whose income is taken after fixed charges have been met, such as employers living upon profits and those holding preferential shares, suffer as the advantages of the others are obtained at their expense.

Falling prices also increase the magnitude of the national debt and the burden of local rates, and in international spheres the debtor nations are severely penalized by falling prices, as the same interest has still to be paid in money which has increased in value. The grave consequences of a severe fall in prices are worked out very effectively in the Macmillan Report.

The first person to suffer is the business man. Except for some slight compensation which accrues in the few cases where wages are regulated by a cost of living or a sliding scale based upon selling prices, he must bear the full brunt of the reduction in prices.

Rates, taxes, and interest charges cannot be reduced. The business must therefore be speeded up, and expenses due to custom, kind-heartedness or a wish to observe amenities between capital and labour, are cut down. The least profitable lines of business are eliminated, and eventually the employer may be obliged to press for an adjustment of wages and salaries to the lower level of prices which he is able to obtain for his wares. The men may resist even to the point of stopping the business and trade may be lost during the dispute, perhaps permanently. Even if wages are reduced, the other charges, remaining fixed, affect profits, and this reduction in turn discourages investments. A feature of the present depression is not only the successful opposition of labour against attempts to reduce money wages to the lower cost of living, but the reluctance of people with savings to risk them in industry, equalled by "the reluctance of the *entrepreneur*, depressed by his heavy losses, to seek new loans for new construction or the extension of his enterprise."

The revenue of the State suffers. Less receipts are available from the Income Taxes and Sur Taxes; there is a fall in the receipts from Estate Duties. The receipts from Stamp Duties are less, for the volume of transactions diminish as Customs and Excise duties as a result of a reduction in the volume of goods and of the fall in

their values. The State is forced to impose additional taxation to make good these losses. Its expenses in the meantime tend to increase because of the greater need of unemployed benefits and grants to the poor. As a large proportion of the expenses of the State are contractual, whether as interest upon loans or as grants to Pensions, Education, Health, Unemployment, it is almost impossible to lower these charges at the time when a lowering of the price level really justifies a reduction. It appears that of "the contractual elements involved in the Budget in the shape of pensions and social services," including debt interest, "some 60 or 70 per cent. of the total ordinary expenditure, excluding self-balancing items, is of this nature."

Undue generosity upon the part of the State during periods of high prices and prosperous trade very drastically cripples the nation which has to meet the heavy costs in money vastly augmented in value and with an income severely diminished in extent.

As previously mentioned, the troubles of the British industrialist were aggravated by a return to the gold standard in 1925 on a basis which increased the costs of production here, while France, Belgium, Germany and other countries made changes in their currency which had the opposite effect. While British sterling was over-valued the currencies of some of our chief industrial rivals were under-valued, which meant our costs increased while their costs were reduced. The heavy fall of world prices which occurred a few years later emphasized the handicap with which British industry was burdened. In addition, while many of our competitors adjusted wages to the lower price levels, since 1924 British labour has successfully resisted any serious movement in that direction.

While some reductions have been made in the industries that have had to face the competitive prices of other nations, the sheltered industries have maintained an unduly high level of wage rates which has penalized their brethren in the export trades. The high wages of public employees have to be paid for in high rates and taxes, which increase the selling price of exported goods, while the high cost of labour in the transport industries

has prevented the charges being reduced and our exports have accordingly suffered. This question of the relation of high wages in the sheltered industries to our loss of export trade will be considered later. Here it is enough to note the differences. Mr. Rowe, in his *Wages in Practice and Theory*, calculates that while money wages advanced, since 1914, 78 per cent. in the unsheltered industries, those in the sheltered trades advanced 107 per cent.

Whatever steps may be deemed necessary in order to meet the difficulty, competent authorities agree that the high costs of production in Britain, by failing to adjust themselves either to the fall in world prices or the reduced prices at which our competitors are offering their wares, are the main factors responsible for the diminution in our export trade and the serious growth of unemployment in England since 1922.

While it is admitted that the wholesale prices in the world market prevailing in 1933 are lower than can be justified and entail losses on producers outside this country, and that there is a need for an advance towards the 1928 level, even when the advance takes place we shall be in the same relative position of disadvantage as before unless our costs are brought down to a more economic basis. In Addendum 1 of the Macmillan Report is a discussion of the necessity or otherwise of reducing wages and salaries.

“Great evils must needs result, and have resulted, from the excessive rigidity of various types of money-income in such circumstances. This is just as true of the rigidity of rentiers’ incomes as it is of the rigidity of wage-earners’ incomes. We think, therefore, that it would be quite wrong to regard the level of money-incomes with which we happen to find ourselves at any time as sacrosanct. For example, the cost of living, as reviewed by the Ministry of Labour index number, has fallen 18 per cent. since 1925 and 12 per cent. since the beginning of 1929.”

On page 51 of the Report the Committee asserts: “The Ministry of Labour statistics show that over the whole period, 1924 to 1929, money wage-rates have remained practically unchanged at 170 to 175 per cent.

of the pre-war level. In the period January 1, 1925, to January 1, 1930, the cost of living index fell from 180 to 166 or 8 per cent., while wholesale prices fell from 100 in 1924 to 82 in 1929, a fall of 18 per cent. Real wages, as measured by the cost of living index, rose by 8½ per cent. Measured over the period 1924 to April 1931, the fall in the cost of living index has been 18 per cent., that in the wholesale nearly 38 per cent., and the rise in real wage rates about 20 per cent. The rates of wages do not, of course, take account of overtime, short time or unemployment; in addition, the wage-earners have throughout this period had the benefit of the increased social services and shortened hours."

The Committee argues that "there is a disparity between prices and costs of production which has the result of diminishing or eliminating profits and damping down all incentive to the expansion of output."

Professor Clay, speaking of our diminishing exports in 1929, before the sensational fall in prices of 1930 and 1931, says: "Their flight can be explained only by a decline in the ability of British industry to compete, or, in other words, by a level of costs that is excessive in relation to world prices. . . . The exporter has been left with his prices reduced 12 per cent. since 1924, and his costs at the old level."¹ This authority is in no doubt that the uneconomic level of wage-rates is helping to make Britain's unemployment insoluble. "Either labour costs must be reduced by lowering wage-rates, or in some other way. In any reorganization of industry an attempt should be made to induce the union leaders, as some of them are anxious to do, to assume responsibility for reducing labour costs; this, not by attempting to instruct the employer in the proper method of equipping and managing his business, necessary as that sometimes may appear, but by dealing faithfully with their own members and eliminating from industry all practices restrictive of output and destructive of reorganization."²

Professor Knoop also recognizes the part played by uneconomic wage-rates in fostering unemployment in

¹ *The Post-war Unemployment Problem*, pp. 95-96.

² *Ibid.*, pp. 157-158.

Britain. He says: "Whether it has been adopted as a deliberate policy or not, high wages would seem to be one important explanation of unemployment, being about 7 or 8 per cent. higher on the average than before the war. Quite roughly, on the average, out of every 100 men, 5 were unemployed in the last decade before the war, and 13 during the past decade since the war. Of the 8 additional men who are now unemployed, it is estimated that high wages, unaccompanied by increased efficiency, account for 5."¹

Sir William Beveridge comes to a similar conclusion. He says: "That putting wages up or keeping them up beyond a certain point may cause unemployment is undeniable." He proves his point, and after citing Mr. Loveday, who says while world trade increased the share of the United Kingdom went down, a phenomenon "due neither to inflation here, nor to deflation there, nor to poverty, nor to tariffs," Sir William adds: "It is due simply to inability of Britain to produce both as well and as cheaply as her rivals, the kind of things that she must produce and sell if she is to prosper."²

Even Mr. J. A. Hobson, the apostle of increased wages and social services as the only means of solving unemployment, is finally forced to admit that the policy breaks down unless the rest of the world is prepared to uphold it. In Great Britain we are obliged to cater for a world-market, as we cannot maintain our economic civilization out of our own natural resources as was possible with Russia, France, and the United States.³

¹ *The Riddle of Unemployment* (1931), p. 134.

² *Causes and Cures of Unemployment* (1931), p. 28.

³ But even the U.S.A. is not self-supporting, as witness the following admission made by one of its citizens: "Italy has no coal or iron; France no oil; Great Britain must import two-thirds of her food supply; the United States is dependent on other countries for tin, silk, nickel, rubber, and many other commodities. The tyres on American automobiles come from the rubber plantations of the Dutch East Indies. American newspapers are made of Canadian wood pulp. We, in the United States, could not manufacture a telephone receiver or an electric light bulb without calling on help from abroad. Take the question of steel, for example. Forty different commodities, assembled from fifty-seven different countries, are necessary to its manufacture. Nickel from Canada, vanadium

"We must continue to work for a world-market and to buy and sell in that market more largely than ever as a condition of economic survival and progress. Now, in this world-market at any given time there can only be one price for any supply of goods or services." As our goods have to compete with similar goods "we are liable to be ousted from these markets by manufacturers in other countries whose lower costs of production enable them to quote lower prices. This displacement will occur chiefly at periods of trade depression when restricted markets favour buyers. So far, therefore, as lower wages are consistent with efficient or genuinely cheap production, each recurring period of depression must be reflected in a higher rate of unemployment in the high-waged countries than in the low-waged. Since England is the high-waged country most dependent upon foreign markets, she is most opposed to this damage." Which is precisely what the opponents of Mr. Hobson are continually pointing out.

Even more definitely is the position admitted that the British wage-rates cannot remain too far ahead of those of our rivals without the price being paid in unemployment, in his other work on *Rationalization and Unemployment* (1930), pp. 121-122. The italics are mine.

"A policy of low wages, long hours and low taxation in other industrial countries competing with us in the world-market might still enable them to secure so large a share of the limited (i.e., limited by the failure of world-markets to keep pace with the rising powers of world-production) world-market as to continue to restrict the output of our export trades. It is essential that labour in this country should recognize the limitations

from the high Andes of Peru, manganese from the Caucasus, chrome from New Caledonia in the Southern Pacific—it is by grace of these materials, and through the sweat of the labourers of these countries, that we have locomotives and turbines and skyscrapers. A country that could not make a locomotive, an automobile or an airplane without materials from abroad can scarcely be called self-contained." (Quoted by the chairman of Lloyds Bank, Mr. J. Beaumont Pease, at the annual meeting, held February 5, 1932.)

¹ *The Economics of Unemployment* (1931), p. 100.

of a high-wage short-hours policy for our workers. In every industry there are obvious limits to 'the economy of high wages' in the promotion of efficiency. Though it is true that in America high wages, established during times when there was a relative shortage of hired labour, have been both cause and effect of efficient machine production, in Germany and other Continental countries high technical equipment is operated on a definitely lower wage and hours standard. *Our recent losses of important foreign markets are undoubtedly attributable in part to the lower costs of labour in nations competing for a limited world-market. Under such conditions it will not be possible for us to maintain a standard of living much higher than that of our trade competitors.*"

As there is this generally admitted necessity of reducing the costs of British industry in order to obtain our share of the world trade, we will in other chapters consider the factors responsible for the high costs. But before dealing in detail with the question of wages, let us see what part rationalization plays in the causation or alleviation of unemployment.

CHAPTER X

RATIONALIZATION

In psychology the word "rationalization" is equivalent to "pseudo reason." A rationalization is an excuse or false reason justifying a point of view or course of action actually dependent upon other sources.

Rationalization in industry from the viewpoint of the Socialist is a false method of dealing with difficulties in production or distribution which can be solved actually only by public ownership and control. To his opponent rationalization may be described as a false reason given by the Socialist for unemployment.

There are a number of processes included under the one term of rationalization, but as Mr. Hobson points out, "improved plant and mechanical power, accelerated labour, better organization of business personnel, and better marketing arrangements are the main factors."¹

The same author quotes a more detailed analysis given by the late Lord Melchett.

"Basically rationalization is simply the rational control of industry to ensure that as far as possible you do not produce more than your market can absorb. . . . It means the closing down of obsolete plant and machinery and of unprofitable mines and factories, and the allocation of production to those mines and factories most favourably situated and equipped. It involves the use of every labour-saving and every fuel and power-saving device which, together with the elimination of every unnecessary link in the chain of distribution, results in a vital saving of costs to output. It means concentration on scientific research, the employment of the latest plant and inventions, and the scrapping of obsolete equipment. In the purchasing of raw materials, in transport, and in the chain of distribution and of merchanting abroad it

¹ *Rationalization and Unemployment*, p. 62.

means unification and centralization, with all the corresponding economies and enhanced efficiency."¹

A good example of the savings that can be effected by rationalization was given by Sir Josiah Stamp, chairman of the L.M.S. Railway, at the annual meeting held on February 26, 1932.

Having to cope with a decline of £5,841,000 in receipts amounting to 7.35 per cent. below the previous year, the expenses had been reduced by £5,070,000, part of which had been due to a saving of £900,000 in wages due to a reduction of 2½ per cent. Among the items mentioned by Sir Josiah Stamp were: coal consumption which had been reduced by 114 pounds for every 100 engine miles, wagon sheet stock which had been reduced by one-sixth, a saving of sheeting which would cover about half the size of Hyde Park. Types of engines had been reduced from 393 to 261, varnishes from 28 to 8, sweeping brushes from 24 to 4, oil lamps from 186 to 52, firing shovels from 9 to 2, pens for office use from 11 to 2, and soap from 25 to 9. One kind of paint at 2s. had successfully replaced another at 10s. per lb. The number of types of paper had been reduced from 50 to 20, and the number of forms by 40 per cent. in four years, the total savings on stationery and printing being £70,000 per annum.

In this chapter I shall include a consideration of the changes wrought not only by the introduction of new machinery and the process of rationalization in general, but also the effect of new fashions, amusements and methods of spending money which are introduced from time to time. Do these modifications intensify unemployment as the Socialist alleges, or are they essential and in the long run beneficial to the economic life of a nation as a non-Socialist believes?

It is fairly obvious that what Lord Melchett defines as rationalization would cheapen the cost of production. General experience has shown that an overwhelming proportion of these economies are passed on to the public in the form of lower prices or improved facilities. Life for the average citizen of the twentieth century is

¹ *Ibid.*, p. 65.

vastly different from that lived by his ancestor of two centuries ago. All of us have facilities in the way of transport, amusements, luxuries and conveniences, that would have seemed utopian even in the contemplation of the wealthy of centuries ago. And on the whole these facilities tend to become cheaper as they are more universally extended.

Even Mr. Hobson, who regards rationalization as one of the main causes of unemployment, admits that the usual effect of mass production is a lowering of prices to the consumer, an extension in the use of the product, and a reduced profit per unit upon a larger scale. "When the elasticity of the demand is great, the whole of the workers who would have been displaced under the former market conditions may be retained, and an addition may be made to the total volume of employment in the trade."

Moreover, Mr. Hobson admits that even where some workers are displaced and some slight reduction in wages is suffered by those retained, compensations may affect other workers. A stimulus is given to employment and wages in those industries concerned with the replacement of obsolete plant, such as those engaged in metals, machine-making, mining and the like. "Further, when rationalization is followed by a planned reduction of selling prices to satisfy an expanding market, the real wage throughout the whole consuming community is raised by the fall in price of an item in its standard of living."

As we have seen, since the war, while the world's population increased by 10 per cent., productivity of food and raw materials increased by 24 per cent. In England output per head increased by 10 per cent. This has made possible a higher standard of living for all. And generally speaking the manual workers of the world have improved their position since the Armistice. This has been due at least partially to the operation of rationalization in spite of the wails of opponents who consider these processes have multiplied unemployment. This higher standard and shortening of hours have not been due to either increased capacity or industry on the part of Labour, for, as Mr. Hobson admits: "In every 'rationalized' plant or industry the advance in pro-

ductivity is due more to improvements in capital than to any efficiency in labour.”¹

The introduction of improved machinery and the elimination of waste and redundant activities, while they may adversely affect the employment of those immediately concerned, in the long run almost inevitably provide general advantages which more than compensate for the losses suffered by those whose labour may be for a time displaced. New machinery and better organization are the only substitutes for long hours, hard work and low pay. Even in Russia, where Capitalism is supposed to be hated, frantic efforts are being made to industrialize the whole country. Machinery and modern equipment are so much in demand that in order to obtain them the food consumption of the Russian people is reduced, and the food is exported at almost any price the other nations care to offer. The Soviet leaders of Russia, lacking mechanical equipment, are feverishly anxious to obtain these essential agents of industrial progress and reasonable standards of living. They know that just as Great Britain led the world in the nineteenth century as a result chiefly of better mechanical equipment and more adequate industrial organization, so American prosperity in the twentieth century rests upon a similar basis, in addition of course to the advantages America has enjoyed as a result of the war.

The advantages of mechanization are as patent in war as in peace. Japan, by utilizing Western methods in regard to industrial and military mechanical equipment, has become so formidable as to be included amongst the greatest of the Great Powers, whereas prior to 1860 she was so mediæval as to be almost completely negligible.

If the Socialist were correct in his contention that new machinery is a chief cause of unemployment, we should expect to see, after over 160 years of incessant improvements and displacements, practically everybody out of work. Instead, even to-day there are more people employed in British industry than ever there were before the war, the increase of population, of course, helping to explain the phenomenon.

¹ *Rationalization and Unemployment*, p. 78.

If we take the year usually given for the beginning of the modern industrial era, 1760, and compare it with the period before 1914, we shall find that although millions of new machines had been introduced, and numerous institutions and old-fashioned methods of transport, amusement, dress, etc., had been superseded, no definite increase in the percentage of unemployed persons was noticed. Upon the assumption of the Socialist the increase should have been terrific. It is true that whole industries were displaced, while many were reduced by changing tastes, but as Professor Clay says: "The average level of unemployment before the war was maintained by the growth of new industries to fill the place of declining industries."

Figures in any way reliable have been compiled only since about 1860. Since that time up to 1914 certainly no increase in the proportion of unemployed to the rest of the population was registered, in spite of the fact that the amount of new capital embodied in plant and machinery increased more than proportionately to the growth of the population.

Said Sir Leo C. Money, writing in 1905: "At the present day the level of unemployment is very much the same as it had been for the past forty years."¹ And between 1905 and 1913 there was no increase greater than that of the growth in population. One may pardon the Luddites who, suffering from the vicissitudes caused by the wars of Napoleon, and observing the introduction of new industrial processes, cursed the machine as the author of all economic evil and tried to smash up the monster which seemed to be stealing their bread. But one cannot so readily excuse those living more than a hundred years after, who, suffering from the dislocation of another great war, again blame the machine as the cause of their economic woes. Karl Marx (in *Capital*, 1867) gives many details of proletarian antagonism to machinery. Even in the sixteenth century the workers were opposing its introduction. In 1530, in Danzig, there was a weaving machine, the inventor of which was executed by order of the Mayor, who feared it might displace a large number of workmen.

¹ *Riches and Poverty*, p. 23.

When this machine was used in 1629, in Layden, the riots of the ribbon weavers against it obliged the Town Council to prohibit its use. It was prohibited in various countries and, when introduced into England about 1676, caused disturbances here. In 1685, by imperial edict, its use was forbidden all over Germany; in 1719 this edict was renewed by Charles VI. Not until 1765 were the embargoes removed in the Electorate of Saxony. It was this machine that was the precursor of the mule and power loom and which helped to inaugurate the industrial revolution.

When a Dutchman erected a wind sawmill near London about 1630 it was destroyed by the public. The opposition to sawmills driven by water persisted until the beginning of the eighteenth century, the objection of the people having to be overcome by the aid of Parliament.

When, in 1785, Everet erected the first wool-shearing machine driven by water-power, it was immediately set on fire by a large mob of people who were unemployed. It is said that 50,000 workers, who had been previously engaged in carding wool, petitioned Parliament to prohibit Arkwright's scribbling mills and carding engines. An immense amount of machinery was destroyed in the opening years of the last century by the supporters of John Ludd, and forcible methods of repression were needed before this foolish practice was stopped. Even in 1932 the Lancashire cotton operatives were on strike fighting mechanical innovations inevitable if the industry is to be saved from ruin. Apparently history has taught little to some sections of humanity, although, had similar conservatism always had its way, Englishmen arrayed only in a coat of blue paint would have been still grubbing for food with their finger-nails.

In April, 1932, a Cotton Mission, with Sir Ernest Thompson as chairman, returned from a six months' visit to Japan and China, where it had been to find out why Great Britain has lost so much of its cotton export trade. It reported: "At every stage, from the purchase of the raw cotton by the spinners up to and including the packing of the finished cloth, Japan has an advantage in costs over Lancashire."

The report said: "Weavers attend to more looms of the ordinary type in Japan than in Lancashire, being given assistance varying with the number of looms they run. In the mills we visited girls were running from four to sixteen looms, and while their looms were run at a somewhat lower speed than in Lancashire, the output per hour per weaver (not per loom) was considerably higher."

On March 8, 1932, a draft of a more looms agreement was issued for the consideration of Lancashire manufacturers and operatives. It was based on the undertaking that no more work was to be involved in running six looms than under the previous system of four looms to a weaver. The speed of the looms was to be reduced by $7\frac{1}{2}$ to 10 per cent. of that previously obtained on the four-loom system. Ancillary labour was to be provided for sweeping, cleaning and oiling, and, in certain cases, for cloth carrying. If the looms are stopped from any cause, providing the weavers are retained in the mill, the employers offered two-thirds of the normal average wage, the operatives demanding four-fifths. On December 7, 1932, the above terms were accepted, a "retention" wage of two-thirds being provided for the weaver who under this system is employed on four or fewer looms.

The above proposals followed months of opposition, involving strikes on the part of the operatives against the increase in the number of looms, in spite of experiments which have shown that higher wages could be paid while still achieving lower costs, and in spite of the fact that Japanese efficiency has made more looms imperative if the Lancashire cotton trade is to survive.

The statement made by J. S. Mill that "It is questionable if all the mechanical inventions yet made have lightened the day's toil of one human being," though difficult to reconcile with the facts even in 1848, becomes nonsensical when repeated as it is to-day.

Karl Marx tried to justify this dictum of Mill's and some amazing statements are made which his own facts refute. Marx indeed was as self-contradictory as is Mr. Hobson. In a footnote to *Capital* Marx quotes Professor Senior to the effect that, with increased use of machinery,

“the motives to long hours of work will become greater as the only means by which a large proportion of fixed capital can be made profitable.”¹ Marx himself says that “machinery is the surest way of lengthening the working day.”²

He says that machinery in the hands of capitalists lengthens the hours of the working day “beyond all bounds set by human nature. It creates on the one hand new conditions by which capital is enabled to give free scope to this its constant tendency.” If lengthening the working day by the aid of machinery is the constant tendency of capital, how is it that for the past hundred years the working hours of labour have been continually reduced, being now little more than half of what they were at the beginning of the last century?

Even Marx himself, after making these absurd statements, describes the reduction of hours in the factories as the use of machinery was extended. After saying that “machinery sweeps away every moral and natural restriction on the length of the working day,”³ Marx tells us how “the reduction of the working day to twelve hours dates in England from 1832”⁴ and how the Ten Hours Act was introduced in 1847 into the English mills. In order to prove that the machine in the hands of the capitalist is a monster of iniquity he then tries to show that the workers suffer in wages, unemployment, and by intenser effort for the benefit of the masters. As the product is increased the shorter hours save expense to the masters, and the worker’s more intense labour receives less reward. That is the theory. Yet authorities are cited by Marx who say, “the same amount of product for the same cost was received, and the workpeople as a whole earned in eleven hours as much wages as they did before in twelve.” In other cases more is received for eleven hours’ work than was previously received for twelve.⁵ And a footnote on the same page supposed to be giving evidence of how the workers suffered by a reduction of hours (previously declared to be practically impossible under capitalism) cites what some of

¹ *Capital*, p. 404 (International Library Edition).

² *Ibid.*, p. 407.

³ *Ibid.*, p. 406.

⁴ *Ibid.*, p. 411.

⁵ *Ibid.*, p. 410.

the workers concerned told a factory inspector. "We work with more spirit, we have the reward ever before us of getting away sooner at night, and one active cheerful spirit pervades the whole mill, from the youngest piecer to the oldest hand, and we can greatly help each other."

This is peculiar evidence of increasing misery!

Then although machinery in the hands of the capitalist is supposed inevitably to depress the standard of the worker, for "capital comes dripping from head to foot, from every pore, with blood and dirt,"¹ Marx informs us that "the English cotton industry, since it was placed under the Factory Act of 1850, with its regulation of labour-time, &c., must be regarded as the model industry of England. The English cotton operative is in every respect better off than his Continental companion in misery." He cites an official report. "The Prussian factory operative labours at least ten hours per week more than his English competitor, and if employed at his own loom in his own house, his labour is not restricted even to those additional hours."²

Thus we see with the introduction of machinery which is supposed inevitably to lengthen hours, hours considerably shortened. That the shortened hours supposed to reduce wages and increase toil have the opposite effect; and that the English cotton operative working complex machinery owned by the employer works far less hours and "is better in every respect" than his Prussian brother employed on his own simpler loom.

We need not cite other facts from *Capital* disproving its author's contention that machinery increases unemployment,³ and that "along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of the process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation."⁴ Marx's own facts

¹ *Capital*, p. 786.

² *Ibid.*, p. 254.

³ See Section on "The Progressive Production of a Relative Surplus Population or Industrial Reserve Army," commencing p. 642.

⁴ *Ibid.*, pp. 788-789.

(which, as H. G. Wells once remarked, "are in chronic conflict with his theories"), to say nothing of the overwhelming testimony of every competent authority, completely refute the statement.

Nor need we do much more than mention the contention in the preface written by Engels, the colleague of Marx, in 1886, that "the number of unemployed keeps swelling year by year," and "The working of the industrial system of this country, impossible without a constant and rapid extension of production, and therefore of markets, is coming to a dead stop." For over twenty-seven years after those words were published, both production and markets extended, and even now are greater in volume than when the statement was penned.

In order to understand why, in spite of decaying industries and displaced machinery and more economical processes, unemployment did not increase in the pre-war industrial era, let us consider briefly the evolution of some of the means of transport.

In the early eighteenth century, if a man wished to travel from one end of the country to the other, he was obliged to walk, or if he were rich he would ride a horse or be conveyed in his carriage. For short journeys the sedan chair carried by four men would be utilized. When the stage-coach arrived, doubtless a number of coachmen hitherto employed by the wealthy were displaced, and they probably grumbled heartily at this new-fangled means of transport. So also when horse-driven vehicles displaced the sedan chairs, the carriers of the chairs would regard the vehicles as bread-stealers because of the unemployment they caused. Perhaps a few hundred men lost their situations as a result of the new methods. But the stage and other coaches provided employment for at least twenty times as many as were displaced. They were used more freely because of the lowered costs. A fairly large number of drivers would be employed, more ostlers were needed at the inns, which increased in number, and thus found work for builders; carriage and coach builders were occupied in greater numbers, and a mild stimulus would be given to the breeding of horses, needing more men, while the roads had to be improved, which again assimilated a number of labourers.

Eventually, the coming of the steam-driven locomotive displaced the stage-coach, many private carriages, and a large amount of carts used for conveying merchandise up and down the country. The thousands who suffered unemployment through the competition of the railways and the canals, which now began to intersect the country, bewailed their fate, but progress went on. At a most moderate estimate we may say that for every one displaced by canals and railways a hundred were employed. Not only do the British railways directly employ over half a million workers, while canal transport finds employment for thousands, but the indirect effects of improved transport are almost incalculable. Hundreds of thousands of men were employed for years on end digging the canals, building the barges, laying the railroads, fabricating the 25,000 miles of steel rails and the thousands of locomotives, wagons, carriages, building the stations, signal boxes, hotels, making the uniforms of railway officials, and in divers other occupations stimulated or brought into being by the coming of the railways and canals. The coal trade also received an impetus which absorbed hundreds of thousands of men. In addition, transport being cheaper, general trade was possible on a scale hitherto not dreamt of. Passengers were enabled to travel so freely that new holiday resorts were established, bringing employment to scores of thousands in addition to those needed to erect the boarding houses, piers, steamers, promenades and other adjuncts of popular resorts.

So when the hansom cab and the horse bus were challenged by the invention of the auto car, some thousands of cabbies and bus drivers who lost their occupations regarded the new invention as a kind of devil car. But the taxicab and general motor traffic of to-day finds employment for a hundred times as many as the number it displaced. Better roads have been laid, petrol stations have been erected, petrol has been consumed, while the direct and indirect labour involved in the building and constant running of two million motor vehicles in the streets of this country, in addition to building and transporting the cars we export, dwarfs the labour which was once engaged in the days

of the hansom cab. The social convenience to the people of this country of railways and motor buses and cars needs only be mentioned. The developments in the air are yet in their infancy, but already thousands are employed in this connection.

One need not work out in detail the effects of the introduction of the screw steamer in place of sailing ships. The story is the same: hundreds displaced, many thousands employed.

Those people who, in the sixteenth century, executed the inventor of the weaving machine and smashed up this and other mechanical innovations, because the employment of a few hundred was threatened, passed away and were succeeded by hundreds of thousands of people placed in employment and enabled to enjoy a far higher standard than was possible with sixteenth century equipment by the machine and its successors. But most of these hundreds of thousands of textile operatives have the same reactionary outlook regarding the modern improvements that their predecessors exhibited centuries ago. Ever the spirit of progress has to fight short-sighted selfishness and entrenched interests.

My father was a silk-hatter. When the old-fashioned top hat, which it had been the custom to wear, was successfully challenged by the felt bowler hat, hundreds of his colleagues including himself were placed on short time. The men complained bitterly at the desertion of the public and themselves resolutely wore the top hat even when going to work. Even now one may occasionally see a member of the diehard school, where the silk hat is still manufactured, going to work in a top hat, the incongruity made worse by the wearing of clogs and a rough scarf! For the rest of their lives my father's colleagues hung on, earning about fifteen shillings per week instead of the £2 which had once represented their wages. My father, however, decided to embrace the enemy rather than half starve himself in attachment to an obsolete industry. He turned his attention to the bowler hat and helped to distribute this cheaper rival. Owing to the greater demand he was able to improve his status, while most of his colleagues, who either could not or would not adapt themselves to the manufacture of the innovation, lived on a pittance.

Apart from the fact that changes in demand and improved methods of production and transport nearly always provide avenues for at least as much labour as they displace, the factor of individual push and initiative comes in. There are numberless men in colliery districts to-day who have been unemployed for years and have made not the slightest attempt to turn their hand to other work in other districts, or to open up some private avenue distinct from the ordinary occupation. In the Press recently, on the other hand, was an account of a Newcastle boy of 14 who, too undersized for work in the mine and being left to his own resources, supported himself by selling coal in the streets, assisted by a little pony and cart. In this case it may be said that he was doing work which another would otherwise have performed. But frequently entirely new avenues may be opened displacing no paid labour.

During the coal dispute of 1912 it occurred to some bright mind that instead of loafing round the corner of the pub waiting for the dispute to end, some people might be willing to be saved the job of cleaning their windows. With a pail and a ladder he sallied forth and found himself inundated with commissions. This started a new and remunerative occupation which to-day employs thousands. During these last few decades numerous occupations once confined to the home were performed by hundreds of thousands of employees in recognized industries. The laundry business is a case in point. Somebody had to start it, but once launched the idea was extended.

Returning to the compensations operative when men are displaced by innovations, we have a good example in connection with amusement. The growth of the theatre, after the opposition of the Puritans in the seventeenth century, undermined the interest in blood sports, and a few persons would lose their jobs. But theatres found employment for thousands. The variety theatre displaced those employed in the old wooden booth and the strolling players, but it found employment for many more. Eventually came the cinema which has competed with the theatre and especially with the variety theatre and public house. A few hundreds of variety artists and others losing their occupation, bemoan the coming of the

films. But the film industry and the amount of building it has stimulated have assimilated many more than they have displaced.

The erection of cafés, of which the Lyons Corner Houses are the best examples, also engage far more persons than did the public houses whose staffs have been reduced through their competition. And if the sale of alcohol has lessened, the sale of tea has increased.

When talkies were introduced many bandsmen were thrown out of work, but far more persons were engaged to cope with the new invention. In the press of October 27, 1931, was an account of ten "magnificent new cinemas" which were being built in London. During 1931 thirty-two new cinemas had been built in London alone, several, such as the Granada at Tooting, having a seating capacity of 4,000. In twelve months before the above date the seating capacity of the 432 London cinemas had been increased from 356,000 to 400,000, and the ten new cinemas announced were to add another 28,000 seats. At the end of 1931 there were over 5,000 cinemas in Great Britain and 21,000 in the U.S.A., those in this country entertaining 17 million patrons a week, while the average attendances in America were 100 millions. In Great Britain during the last seven years more than 1,000 new super cinemas have been erected, each seating between 1,000 and 3,000 people. A report published on February 22, 1932, announced that four new cinemas had been opened in London since the beginning of the month, and there were at that date 445 cinemas in the Metropolis which, with 12 more in the course of erection, were to bring the total of seats in London to 413,650. "Similar building enterprise is evident all over the country. To-day the new Paramount Theatre adds 2,550 seats to the cinema capacity of Leeds."

The talkies, therefore, gave an enormous fillip to the building, upholstery, film and other industries far outweighing the loss of the bandsmen; while the films as a whole employ directly and indirectly at least a hundred times as many as may have been displaced by their activities.

This brings us to a consideration of what, in addition to inventive genius, has permitted the expenditure of

nearly £50 millions a year upon cinemas in this country and a far greater sum in America. What made possible the use of 5,536,000 wireless sets in Great Britain and Northern Ireland in 1933 (an increase of nearly a million on the year before)? Why was it possible for more than a million and a quarter new sets of wireless to be sold by British manufacturers in 1931, so that in October, 1931, more than 200,000 people were employed, an increase of 60,000 on the previous year, some of the firms being at work day and night? On April 19, 1932, a representative of the Radio Manufacturers' Association reported: "The wireless industry has now reached a turnover approaching £30 millions a year, and has taken second place to the motor car industry in enterprise and rapidity of development." Manufacturers were at that date so pressed with orders as to be unable to supply sets ordered months before. This compensates for the few hundred reduction in the makers of musical instruments.

How is it scores of thousands of workers are employed in the new industries in connection with the fabrication of silk and artificial silk stockings and other garments, to wear which was once possible only to the wealthy?

Why are there hundreds of thousands of owners of motor cars, motor cycles and houses, while the women flood the shops for garments and foods once made in the home at cheaper rates, and for cosmetics, hair waving and beauty culture, while the consumption of tobacco, tea, butter, sweets and chocolate increases every year? Why can Woolworth's, which does a heavy trade in beads and women's finery, extend its stores and make a profit of over £4,700,000 in 1932? Why could Selfridge's, in October, 1931, declare a week's record sale of silk stockings, and Harrods in 1931 sell a million pounds' worth of goods in a week and break the sales record on the opening day of their January sale in 1932? Why did the number of Christmas parcels handled by the G.P.O. in 1932 break the records?¹ Why could the

¹ In 1925 the Christmas post of London was 2,100,000 parcels and 40,000,000 letters. In 1931 it had grown to 4,000,000 parcels and 60,000,000 letters. In 1932 *two days before Christmas* the previous years' record was broken. The extra work in 1932 necessitated 50,000 men being added to the normal postal staff of the country.

drink bill of 1930 amount to the stupendous sum of £277,500,000 (being 75 per cent. more than in 1913), after the heavy competition of the cinemas and cafés, the shorter hours of publicans and the state of unemployment? And where do the millions of pounds spent by the workers per annum upon dog and horse racing and football matches come from?

The secret of all this expenditure on luxuries largely by the working people during periods of unemployment on a scale which could not have been remotely approached in the most prosperous periods of a few generations ago, is that the despised machinery, the organization, the economy in industrial processes, the general rationalization of industry, have placed at the disposal of modern civilization prodigious agencies for enjoyment which, although many are foolish and some are harmful, provide a totality of amenities on a scale no previous age has glimpsed.

That an undue proportion of the national income has been deflected into the pockets of the populace and this has handicapped our foreign trade and thus fostered unemployment, is no argument against the industrial processes which have increased the opportunities of social and material expansion.

Sir Josiah Stamp and others have frequently informed us that even before the war each worker on the average enjoyed a standard of life four times as ample as that of a hundred years before; since the war that estimate can be safely increased by one. The worker of 1933 has at least five times the opportunity, measured by wages and prices and social and economic amenities, possible to the worker of a century ago.

Thus, instead of men remaining unemployed when change of taste and what we now call rationalization in general displaced their labour, the new processes either cheapened the product so that the stimulated demand led to the employment of the same or an increased number, or where the demand was so inelastic that no greater quantities were needed, the cheaper prices permitted the margin to be used in consumption of other necessities or luxuries which stimulated other trades.

Either general prices were reduced, as for example

rapidly between 1872 and 1896, or money wages were increased, or social services were extended as from 1891 when only £22 millions were expended, until to-day when £463 millions a year are provided by the taxpayers to elevate the position of the workers.

In addition, as machinery and organization intensified production, instead of men being permanently unemployed, the hours of labour were reduced from 14 per day as they were one hundred and thirty years ago to an average of less than 8½ as they are to-day, wages meanwhile increasing. Women were released from many uncongenial occupations, such, for example, as that of coal-mining, in which they were engaged before 1844. Children who in the early nineteenth century worked at the age of 7 years a minimum of twelve hours per day, are not now permitted in industry until the age of 14. The Saturday half-holiday, once unknown, has been instituted, and other annual general holidays have been established.

Irkesome backbreaking jobs have been abolished by the aid of machinery, and mechanical inventions have placed at our disposal a multitude of aids to health, amusement and general culture. Machinery, by reducing the proportion of men needed for purely manual labour, has provided leisure for education and a number of professions have grown engaging the time of hundreds of thousands. An expanding number of teachers, lecturers, journalists, authors, printers, cinema actors, dentists, doctors and professional men of all descriptions testifies to the benefits possible only with the aid of constantly improving machinery.

It is true that increasing mechanization has its drawbacks. There are four persons killed every day in the streets of London and many injured as a result of the congestion of traffic, reflecting over-population and the increasing motorization of the roads.

But the pre-machine eras were not so Arcadian as poets like Morris and publicists like Mr. Chesterton and Mr. Belloc would imply. The life of the common people in the East, which is on a level with that of the mediæval peasant, is not so enviable as to fill the Western artisan with a desire for emulation; and the East can be raised

to our standard only by limitation of population and general industrialization. Russia is learning one lesson if not the other.

We might oppose rationalization and even conceivably abolish unemployment, but at the price of making men slaves or reducing the standard to a point no Western nation would willingly tolerate. Abolish the machine and we exchange the risk of unemployment for semi-slavery and the risk of famine. Even if it could be shown that rationalization caused more unemployment, we should have to risk it while our industrial rivals adopt its processes and by its aid capture our foreign trade, for the loss of these markets means still more unemployment for the British worker. Nor can we willingly sacrifice that trade by concentrating upon the growth of food in our own land. To do so would reduce our general standard by sacrificing the advantages of manufacture. And in any case the town dweller of England can scarcely be pushed on to the land with a bayonet.

Rationalization has been shortly and aptly defined as elimination of waste.

We need more and not less rationalization in British industry. We are in many respects behind our rivals. And because of exorbitant taxation to pay for war debts and social services, and because of uneconomic levels of wages, capital is not available. The capitalist, having less to risk, is more unwilling to invest in speculative industries which otherwise would open up new avenues for trade. Only by rationalization and a greater spirit of co-operation on the part of Labour in order that general costs of production may be lowered, will it be possible even to maintain a reasonably high standard. And only along these lines can hours of labour be further reduced and social amenities be extended as in the past in order to absorb the surplus placed at our disposal by modern methods of production.

But for the present, from the standpoint of labour, we have to go back before we can go forward. Elevating the democratic standard at the expense of capital when carried too far has the effect of a dog living on its own tail: the death of the victim.

The need of the times in England is for goods to be

produced at prices the foreign customer can afford to pay, without the British *entrepreneur* being ruined in the process. Rationalization is one method of achieving this desideratum.

In normal times the benefits of rationalization are shared by the whole community; capital and labour for fifty years before the war on the whole maintained their respective positions. Improvements in production, therefore, were reflected in the benefits to labour I have previously mentioned. But war interferes with the process. What should elevate the general standard is destroyed and a period of economy becomes essential. After such a war as the last much economy is requisite before the losses can be replaced. The present is the wrong time for the extension of luxuries. And yet, since the war, we have seen Governmental expenditure upon benefits for the workers such as were previously unknown; and the whole of British labour demands still better conditions than before, even after £10,000 millions have been wasted in war.

A shopman who had just experienced the destruction of half his uninsured stock by fire, and having to replenish by going heavily into debt, then found himself reduced to the level of bankruptcy by the desertion of half his customers who had transferred their orders to rival firms, would be very unwise if at that moment he yielded to the appeal of his wife who demanded an expensive fur coat, a diamond necklace or a six months' tour on the Continent. All his money and energies, for her sake and his, would be better utilized in a reduction of expenses, a payment of debts, and steps taken towards the recovery of his trade. But our legislators and employers in the position of the shopkeeper have yielded to extravagant demands made by dependents at the worst possible moment, when economies both in industrial production and in State expenditure are imperative unless the whole nation is to be forced down to a permanently reduced standard which, whether agreeable or not, will curtail not only luxuries but what are regarded as necessities.

As we have seen, until the Armistice, mechanical improvements did not increase the proportion of

unemployment, but rather extended luxuries and reduced hours. Apart from the world slump of 1929, which is a reflex of currency anomalies due to the war, British unemployment was not caused by rationalization but instead by unduly high costs of production as a main factor, and more rationalization is essential to bring down the costs. Our lost exports account for most of the unemployment. Production increased faster than effective demand because war had impoverished the world. What should have been expended in consumption was necessary to pay interest on debts incurred for materials destroyed by the war. Were the gold locked up in France and America in the possession of the debtor nations we should hear little about over-production caused by rationalization. And unemployment would revert to normal.

Two unemployed men were watching the operations of a steam navy. Said one man: "If that work were being done with spades it would find employment for a hundred." The other replied: "Yes, and if it were done with spoons it would find work for a million." Faith moves mountains, but a contractor chooses navvies. steam navvies for preference. Because men have preferred tools to finger nails, and steam-driven machinery to hand-driven tools, we have a standard of comfort for the people of Britain well ahead of that known to any previous age.

And machinery, *in normal times and over lengthy periods*, does not increase the general ratio of unemployment, whatever may be its temporary effects upon small numbers of people. The whole is greater than any one of its parts. Progress depends upon a recognition of this salutary fact, however sentimentalists try to put back the clock.

CHAPTER XI

WHY COSTS ARE HIGH: HIGH WAGES AND SHORT HOURS

WE are the only people in Europe who have resisted the need for economy in industry and Governmental charges brought about by the war. Although Great Britain suffered more economic loss than any other country, its inhabitants, and especially the manual workers of both sexes, resolutely demand and obtain a higher standard of living than was ever enjoyed before in the history of the nation. As we have seen, the price paid for living at an extravagant level has been increasing insecurity accompanied by unemployment on a scale never known before.

If it is agreed that the high costs of British goods handicap our export trade the question now to be considered is what steps can be taken to effect a reduction.

Among the elements entering into the costs of production are prices of raw materials, transport, taxation including rates, the remuneration paid to mental and manual labour, interest upon capital and the profits of the organizer or employer—what the French call the *entrepreneur*.

The cost of such raw materials as we import is already abnormally low, as are also the wholesale prices of foods produced in this country.

So with the dividends of the investor and the profits of the *entrepreneur*. So far as the staple industries are concerned, especially all associated with our export trade, the share taken by capital has been so seriously lessened that any further reduction will mean ruin to many others in addition to those who have already been driven into bankruptcy. Although the trades catering for the luxuries of the mass of the people have continued to yield large

profits, testifying to the great amount of purchasing power at the disposal of the workers, the heavy industries upon which we finally depend for prosperity have suffered abnormal losses.

Especially up to 1931, those industries supplying amusement, tobacco, beer, spirits, and women's finery, have been able to declare very satisfactory profits, and even now, considering the circumstances, are doing a large business.

Reference has already been made to the enormous boom in the wireless and cinema industries. The fact that £259 millions were spent in alcoholic drink in 1931, while the amount of tobacco and tea per head had increased, all testify to the enhanced purchasing power of most of the people. After deductions for taxation the Imperial Tobacco Company made net profits as follows for the years indicated :—

		£
1929-30	..	10,177,046
1930-31	..	9,876,064
1931-32	..	8,646,898

The high profits made by these industries need not all be scheduled, but a few details relating to other luxury and semi-luxury trades may be given.

The trades mainly dealing with women's finery, of course, have done well, the silk and artificial silk stocking industry for example. The net profits of Courtaulds, Ltd., were £1,101,588 in 1931, and £1,452,043 in 1932.

Selfridge and Co. Ltd. declared a profit of £400,269 for the year 1931. A year before, after paying all other charges including those for income-tax and depreciation, a dividend of 10 per cent. on Ordinary capital was declared. The year 1931 declared a reduction of only 7 per cent. in total profits which, considering that prices had fallen more than this, shows that an increase of trade had been registered.

Another firm largely dealing with the needs and luxuries of women, Harrods Ltd., in its report for 1931 said : " Despite the abnormal conditions and the continued fall of prices during the past year, the value of the com-

pany's trade in London and Manchester shows a decrease of less than 5 per cent., while the volume of business and the number of customers served show a substantial increase." The company declared a dividend of 17½ per cent. upon its Ordinary shares, the net profit amounting to £697,069 for the year 1931. Although prices had fallen by 20 per cent. during the period, the following list shows a large increase in the January sales held in the last three years. Each represents the first day of sales.

		£
1930	..	148,142
1931	..	172,182
1932	..	175,291

Over £400,000 was taken during the sales week of 1931.

In spite of the abnormal depression in 1931, Messrs. Woolworth declared a profit of over £4 millions, which was increased by £750,000 in 1932, the sale of cosmetics, beads and cheap jewellery of all descriptions being vastly extended. It is interesting to notice that an increasing amount of British goods are being stocked by this firm, as a result of British manufacturers, when assured of substantial orders, being able to get down their prices to the level of foreign producers. Only 10 per cent. of Woolworth's goods are now imported.

Although football clubs complain of hard times, other sports seem to have done well. For example, the combined profits of the Greyhound Racing Association Trust Ltd. and the Greyhound Racing Association Ltd., during 1931 exceeded £212,000, a considerable increase upon those of 1930.

As illustrating the other side of the picture I shall next quote a few details showing how in mining, railways, cotton, iron, steel, shipping and agriculture, profits and dividends have dwindled of recent years. The *Economist* analyses the earnings of British Industry in its quarterly reports. During 1931, 2,010 companies were dealt with, the total reduction in profits over those of 1930 being £46,384,313.

Iron, steel and coal, represented by 130 companies, showed a reduction of over £4,200,000; motors and cycles, with 33 companies, were reduced by over £1½

millions ; shipping, with 42 companies, was reduced by over £5 millions ; financial and land, with 103 companies, by nearly £3 millions ; textiles, with 65 companies, by over £7 millions ; and 622 miscellaneous companies were reduced by over £12½ millions. The summary given in *The Times Annual Financial Review*, February 9, 1932, said : " Measured by the profits announced by public companies, the earnings of British Industry in 1931, a year of unparalleled trade depression, suffered a heavy decline. . . . Broadly, the heavy industries reported the largest decline, and the public utilities the smallest. Taken as a whole, the 2,010 companies showed a substantial decline of 22·5 per cent., but those accounts issued later in the year showed a fall much larger than this." In the last quarter of the year there was a drop of 53·9 per cent., which may be compared with a similar drop in profits during the slump of 1921 which registered a fall of 52·9 per cent. of profits in the last quarter of the year.

The details given in the *Economist* relating to the accounts of 2,017 companies for the year ending June, 1932, showed a decline of over 26 per cent. in net profits over those of the previous twelve months, which had already registered a serious reduction over the previous year.

Railway profits for the last few years have been less in amount than before the war, although the wage bill in 1932 was 114 per cent. higher. In connection with coal-mining, from 1927 to 1930 there was a total loss of over £7 millions on the four years. Even in 1929, when a relatively high profit was declared, it amounted to less than 2 per cent. of capital invested. For the quarter ending September 30, 1932, there was an average loss of over 7½d. for each ton sold. Many pits cost £250,000 to equip, and one in Yorkshire cost £1,000,000. From two to ten years may be occupied developing a pit to the stage of economic production, during which no return is being paid upon the capital invested.

It would appear that profits and dividends, especially those of the export trade, cannot be reduced much further without crippling the resources of industry almost beyond repair.

Added to reduced profits are the increased burdens of taxation borne by the directors and owners of capital. Here we have good grounds for a reduction. Transport charges are high, about 60 to 70 per cent. more than in 1913. This is due to the enhanced costs of labour and cannot well be reduced until this item is better adjusted to the needs of industry.

Leaving for further consideration the general question of the burden of high rates and taxes, we have left as serious elements in costs: wages and salaries. It is never a pleasant proceeding for a director of industry to be obliged to recommend a reduction in money wages, however much the fall in the cost of living and the disappearance of profits necessitate that course. For example, Lord Ashfield, the chairman of the Underground Railways Group, at the annual meeting held on February 25, 1932, after reference to the fall in receipts during the previous year as a result largely of the reduction of 28 millions in the number of passengers carried during the year,¹ although the cost of living had fallen by 6 per cent. within twelve months, felt the utmost reluctance in proposing a temporary reduction in wages of only 2½ per cent. which was not to apply to those receiving less than £2 a week and was to be doubled for those, including the directors, with over £750 per annum. Although the employees' wages averaged an increase of from 100 to 130 per cent. of those received in 1914, while the increase in the cost of living was only 46 per cent., the proposed reduction (refused by the men) was to be in operation only as a means of maintaining the financial stability of the companies which, incidentally, were prepared to adopt any alternative measures the men might suggest that would give this result. As Lord Ashfield said, in spite of the very modest dividends now possible: "The policy

¹ Here again is another example proving that the poor have generally escaped the need for economy forced upon the more prosperous. While unemployment had considerably increased during the year, the reduction in the number of passengers coming from working class areas was only 2 per cent., while the once wealthier residential areas showed a reduction of 8 per cent. corresponding to the fall at stations serving the West End shops and theatres.

of reducing wage earnings is distasteful to us."¹ Reference was also made to the reluctance of the companies to discontinue their practice of carrying "surplus and redundant members of the staff until by normal wastage they can be reabsorbed into the establishment."

Although the cost of living fell by nine points, equaling 6 per cent., wholesale prices tumbled to pre-war level, the immense loss in trade was reflected in a considerable increase of unemployment, and we faced a terrific crisis involving an increase of 11 per cent. indirect taxation and a reduction of profits by 22½ per cent., yet the competition of nearly three millions of unemployed was insufficient to reduce money wages throughout the whole of British industry by more than 2¼ per cent. during 1931 (less than 2 per cent. during 1932). Although profits disappear and industry is crippled the average employer to-day hates to make demands for wage reductions, however necessary almost all economists have decided these steps to be. Politicians are even more reluctant to suggest economy in publicly owned concerns or in social services, which would bring them in immediate conflict with their voters.

To-day, however, we must face the economic facts if the nation is to survive. Slimming on the part of the worker may be unpleasant, but it is preferable to amputation or death.

It will not do to say that a reduction in money wages, or in the perquisites supplied by the taxpayer to the workers, will increase unemployment by lessening the purchasing power of working-class consumers. What they lose will be available in other hands to be expended upon the renewal of plant so badly needed to compete with our international rivals, and to lower the costs of production in general so that we may be able to offer our exports at a price the foreigner can afford to pay.

¹ On March 16, 1933, the Imperial Chemical Industries, finding their profits had increased during the previous year, announced that the reductions in wages they had been forced to impose in 1931, would be abolished, and the wages would be raised again by a total amount of £180,000 a year. This was done without any compulsion from the men who had before loyally accepted the cuts made necessary by reduced trade.

Even if some of the money is expended by a rich man upon a Rolls Royce car manufactured in England, it will find employment for British labour even more than the same amount expended in cash by the workers in imported tea and tobacco, American films, chocolates made from imported cocoa and sugar, and many of the other luxuries patronised by democracy. A transference of purchasing power permitting of a fall in the costs of production would not necessarily lessen the demand, as Socialists contend; there would at least be the same amount of money available for purchases, although in other hands, while by lowering the costs we should be able to attract more orders from abroad, and thus stimulate the total demand for British labour. There might be a few millions more invested abroad, but if loaned to a nation anxious to develop its own resources this would probably stimulate British trade in coal, steel rails or machinery. There might also be a little more saved by the once prosperous classes, but this would be off-set by the lessened savings of the workers who now have £2,625 millions invested. Also, as a result of wage reductions, some of the savings of the small investor might be expended, which would be good for trade.

Let us now consider how far a reduction of money wages in Britain can be justified.

Professor A. L. Bowley, in an article in the *Encyclopædia Britannica*, gives the following table of wages and prices between 1860 and 1891.

		Prices	Wages
1860	..	123	100
1866	..	162	112
1870	..	122	115
1874	..	131	140
1877	..	123	135
1880	..	117	127
1883	..	106	134
1886	..	92	132
1891	..	101	145

These figures show a fall of 18 per cent. in prices and a rise of 45 per cent. in wages which must be taken in conjunction with a reduction of the hours of labour.

According to Viscount Snowden: "Between 1850 and 1900 the rate of wages, as shown by the Board of Trade

index numbers, rose by 78 per cent. and in the same period the prices of commodities fell by 11 per cent.”¹

Sir Leo Chiozza Money, writing in 1905, said: “As will be seen from the figures given, the actual income of the manual worker has increased. In 1867 it amounted to about £30 per head. At the present time it amounts to about £45 per head. And not only have money wages thus risen, but the purchasing power of money has considerably increased in the last generation. The retail cost of food has fallen fully 30 per cent. The cost of clothing and furniture has also fallen, but on the other hand, coal and rents have risen. Between the increase in money wages and the increase in the purchasing power of money there can be no question that the actual position of the wage earner has considerably improved in the last forty years.”² A table is furnished on page 312 showing that the consumption of imported wheat per head had increased from 140 to 232 lb. between 1867 and 1903; sugar from 44 to 82 lb.; rice 6 to 14 lb.; tea 3¼ to 6 lb.; while the price of bread per 4 lb. loaf had fallen from 8d. to 5¼d. The deposits in Post Office and Trustee Savings Banks had meanwhile increased from £46,283,132 to £198,675,486.

In a work entitled *The Necessity for Capitalism*, Mr. Philip Vos says, on p. 60:—

“The Census returns show that between 1861 and 1911 the population of the United Kingdom rose from 28,927,000 to 45,216,000. During the same period the average consumption per head of the population rose in the case of corn from 5·547 bushels to 5·746 bushels, meat 100·45 lb. to 125·36 lb., tea 2·79 lb. to 6·17 lb., cocoa 0·12 lb. to 1·21 lb., sugar 35·66 lb. to 83·90 lb., currants 3·75 lb. to 4·73 lb., rice 5·76 lb. to 15·92 lb., tobacco 1·24 lb. to 1·99 lb. In case of coffee, wine and spirits there were decreases. These figures prove conclusively that there has been a rise in the standard of comfort of the working-classes, at any rate in the United Kingdom, for it will hardly be suggested that the enormous increase in the total consumption of such

¹ *Socialism and Syndicalism*, p. 38.

² *Riches and Poverty*, p. 311.

while the consumption of food and other commodities and the amount of working-class savings increased.

Let us now take a longer view.

Sir Josiah Stamp has frequently argued that the worker of to-day is four times as prosperous as a century ago through increase of wages and fall in prices, in addition to hours of labour being only four-sevenths of what they were.

Mr. W. H. Mallock, on page 351 of his work on *Social Reform*, supplies the following table of incomes between 1801 and 1910. Prices were in 1801 about $2\frac{1}{2}$ times as high as in 1910.

Year	National income per head £	Working class incomes expressed as average incomes per head of persons supported on incomes not exceeding £160 a year £
1801	20	14
1850	24	17
1880	35	24
1910	45	34

Mr. Joseph McCabe (a Socialist) has made a most valuable detailed comparison of the position of the people between 1825 and 1925. His work is called *1825 to 1925: A Century of Stupendous Progress*.

The years 1823 to 1825 were relatively prosperous years. The nation had emerged from the depression which followed Waterloo. The national income was in 1825 about £300 millions a year, the population of the United Kingdom being then about twenty-two millions. The population in 1925 was about forty-eight millions. Had the national income only increased at the same rate as population, it would have been, therefore, a little over £700 millions, whereas it was £3,900 millions. The wealth of the nation, assuming a similarity in prices, increased four times more than did the growth of population.

The average hours of labour in 1825 were 84 per week; in 1925 about 44 per week. Throughout the country young children of 7 years of age were working 12 hours a day for 6 days a week—no half holiday on a Saturday, and but half an hour for breakfast and the same for dinner. The House of Commons rejected a

bill in 1825 introduced to reduce the hours to 11 per day! The average hours of all over the age of 16 were 14 per day, 6 days per week, with one hour off for both meals.

In 1824 over one-fourth of the workers of Britain laboured on the land. "Their hours averaged sixteen a day, and the highest wage known was 12s. a week. In many counties the wage was 8s. or 9s."¹ Mr. McCabe obtains these details regarding the life of the agricultural labourer from a Parliamentary paper. They may be compared with figures given by Mr. W. H. Mallock in his work on *Social Reform*, page 247. There we learn that the average earnings of an English agricultural labourer were in the year 1801 about 8s. 4d. a week, which in 1851 had risen to 10s. 9d., and by 1909 stood at 17s. 4d. In 1932 they were well over 32s. per week for much shorter hours²; in addition, payment for overtime which was once included in normal time, was paid at enhanced rates. Prices in 1801 were higher than in 1925, while the price levels in 1825 were about the same as in 1932.

The following illuminating summary from Mr. McCabe's book speaks for itself:—

"Of the ten million 'workers' of Great Britain in 1825 about three millions were children earning from sixpence to a shilling a week. Of the adult working population between two and three millions were girls or women—married women commonly worked—who earned less than the men. Of the four or five million adult males the overwhelming majority were agricultural or industrial labourers or factory hands, earning from eight to twelve shillings a week, and having huge families. The reformer, Robert Owen, paid labourers ten shillings a week in Scotland, and it was considered a good wage. Then there were a million domestic servants at (generally) three shillings a week and their food; and there were nearly a million paupers. Without attempting to assign an

¹ *A Century of Stupendous Progress*, p. 22.

² The Ministry of Agriculture gives the average weekly wages for ordinary agricultural labourers in 1914 as 18s.; at the end of 1932 the average of the *minimum* was 31s. 11d., the hours worked being considerably less.

commodities as meat, tea, sugar, currants, rice and tobacco indicated by these figures is attributable to the very small fraction of the population which is styled the 'upper classes.'

According to data provided by Mr. G. H. Wood in Vol. 62 of the *Journal of the Royal Statistical Society*: "The average level of consumption of commodities in the United Kingdom rose in the fifty years from 1860-1864 to 1905-1909, 66 per cent.

An interesting table is given in Dr. James Stephenson's *Principles of Commercial History* (1928). The following is an abbreviated version:—

	Population of United Kingdom in millions	Birth-rate per thousand	Death-rate per thousand	
1871	31·6	33·8	21·5	
1914	41·1	23·9	14·4	
	Total value of imports of food and drink exclusive of tobacco per head of population	Net imports of merchandise per head of population	Paupers, average number indoor and outdoor	Amount standing to credit of depositors in Post Office and Trustee Savings Banks
1871	£3 18s. 9d.	£6 6s. 6d.	1,237,353	£55,854,000
1914	£6 5s. 8d.	£13 0s. 10d.	925,626	£273,750,000

The following list relating to the decrease of infantile mortality is significant. There are no figures available regarding the death-rate of children under one year of age for the first half of the nineteenth century.

INFANT MORTALITY UNDER 1 YEAR OF AGE PER 1,000 BIRTHS IN ENGLAND AND WALES.

1871-80	..	149	1923	..	69
1898-1902	..	152	1924	..	75
1906	..	132	1925	..	75
1907	..	118	1926	..	70
1910	..	127	1927	..	69
1919	..	89	1928	..	65
1920	..	80	1929	..	74
1931	..	83	1930	..	60
1922	..	77	1931	..	66

The infant mortality has been more than halved.

GENERAL DEATH-RATE (PER 1,000 LIVING).

1801	..	24·5	1922	..	12·8
1830	..	20·0	1923	..	11·6
1839	..	22·4	1924	..	12·2
1851-60	..	22·1	1925	..	12·2
1871-80	..	21·0	1926	..	11·6
1881-90	..	19·1	1927	..	12·3
1901-10	..	15·0	1930	..	11·4
1911-20	..	14·3	1931	..	12·3
1921	..	12·1			

The general death-rate has been halved.

The average age at death in the period 1838-54 was just under 40 years. To-day the average is $57\frac{1}{2}$ years for a male and 60 years for a female. In 1932, Mr. Stanley Duff, secretary of the Friendly Societies' National Conference, referred to the fact that the actuarial basis of "expectation of life" tables compiled in 1893 were now out of date, for during the last forty years longevity has so increased that the 1893 tables under-estimated the duration expected to-day by about $3\frac{1}{2}$ years, and life insurance companies had suffered accordingly.

Commenting upon the improvements, the Chairman of the Education Committee of the Institute of Hygiene said: "Our better health is undoubtedly due chiefly to the better standard of life among the working classes." In spite of the depression in industry through unemployment, Sir G. Newman was able to announce that, up to September, 1932, when his report was written, no physical ill-effects or impairment of health had been registered among the children of this country.

The number of fatal accidents and diseases per 1,000 in the industries dealt with under the Workmen's Compensation Acts has been halved since 1911, and the number of non-fatal cases has been reduced, as the following details prove:—

FATAL CASES PER 1,000 EMPLOYED.

Year	Ship- ping	Fac- tories	Docks	Mines	Quarries	Construc- tional work	Rail- ways	All indus- tries in- cluded
1911 ..	2.0	0.2	1.4	1.6	0.9	1.0	0.9	0.6
1926 ..	1.6	0.1	0.9	1.0	0.8	0.7	0.5	0.3

NON-FATAL CASES PER 1,000 EMPLOYED.

1911 ..	32.5	33.8	110.2	173.2	63.3	67.2	52.0	57.4
1926 ..	35.3	34.7	98.5	168.8	80.6	72.5	40.2	51.9

In addition, of course, substantial compensation is paid in the case of fatal or non-fatal accidents of a serious nature. In the press as I write is a case of a work-girl who received over £800 for an injury to her left hand.

By any test it will be seen that during the fifty or sixty years prior to the war the position of the working class improved, money wages rose, prices fell, hours were shortened, pauperism and the death-rate were reduced,

average wage for the entire body, therefore, as it would be misleading, we see that the average wage of the great majority of the adult workers was between ten and eleven shillings per week. Skilled artisans, who earned more than a pound a week, were only a few hundred thousand; and very few of these earned as much as twenty-five shillings. The highest daily wage I can find in 1825 is 4s. 6d., or 27s. a week full time. Colquhoun quaintly says that 'mechanics of some genius' earned—or, he says, could earn, but they drank two or three days a week—24s. to 30s. These men now earn £5 a week. In fact, for every hundred workers who in 1825 earned 25s. a week, there are now thousands earning from £3 to £4 a week. Even the agricultural worker of to-day—I quote a recent official statement of the Secretary to the Ministry of Agriculture—has a minimum of 29s. a week (it is as low as this in three backward counties only), and in some districts 42s. a week. In 1825 his average was about 10s. a week. By 1914 every class of wage in England had more than doubled, while the hours of labour per worker were halved. The number of skilled workers was so small in 1825 that the average adult wage for the kingdom cannot have been more than 11s. A Government inquiry in 1886 proved that it was then 17s. 6d., and in 1911 Professor Bowley showed that it was 29s. Sir Robert Giffen¹ estimated that from 1843 to 1883 the income of the capitalist class from capital alone increased by 125 per cent., but the wage of the worker increased by 200 per cent., and during that period the cost of living sank materially. Professor Clay has recently estimated that *real* wages advanced by 80 per cent. from 1850 to 1913. In short, the weekly wage has nearly trebled during the last hundred years. Moreover—and this is a material part of the improvement for the mass of the people—there has been a very great increase, out of proportion to the growth of population, of incomes between £150 and £500 a year; that is to say, of the lower middle-class into which education now constantly

¹ Sir R. Giffen states that in 1825 carpenters, bricklayers, and masons in Glasgow earned only 14s. or 15s. a week (*Essays in Finance*, second series, p. 372).

raises the children of the worker. If we further take into account the drastic reduction of hours, the £5,000,000,000 worth of public property, and the hundreds of millions now collected annually from the wealthy and the upper middle-class for collective purposes, we see that the new prosperity created by science has very greatly benefited the mass of the people. To say, as is sometimes said, that the rich are richer, but the poor are poorer, is a strange perversion of the facts."¹

The reader is referred to Mr. McCabe's work for many other details of the tremendous improvements made in the wages and general conditions of the worker since the early days of last century.

Socialists sometimes argue that from 1895 to 1913 wages failed to keep pace with rising prices, and that again since the war the position of the worker has deteriorated.

Sir Leo C. Money, although very emphatic on the improvement which the workers have enjoyed since 1914, argues in *Things That Matter*, published in 1912, that wages between 1895 and 1910 increased only by 12·4 per cent. while retail prices increased by 17·9 per cent., which would give a fall in real wages of about 5½ per cent.

Many points could be urged against this assumption of a fall in real wages. Among other things hours were slightly shorter, families were smaller, and social amenities such as parks, libraries, general education, amusements, &c., were more extensive, while the amount provided by the rich for pensions and other social services had very perceptibly increased from £22 millions in 1891 to £63 millions in 1911. Moreover, in the estimate of increased prices, house rents which were calculated to represent nearly 20 per cent. of the workers' expenditure, as Sir Leo C. Money, on page 254 of his book, admits, were "very much the same as in 1899." Other items than food or rent had increased 5 per cent. less than food, upon which the calculation is based. Thus because food, which represents only three-fifths of

¹ Pp. 23-25.

the workers' expenditure, had increased 17·9 per cent., it is assumed that this was the increase in the workers' general cost of living, although one-fifth (rent) had not increased at all, and another one-fifth had increased 5 per cent. less than food. If these adjustments are made, the increase in the cost of living between 1895 and 1910 would be no more than 13·5 per cent., instead of 17·9 per cent. against a money wage of 12·4 per cent. As Sir Leo gives data showing the movement of workers to the higher levels of the income tax paying class, and admits that there was also a movement of unskilled to the skilled levels of pay, even if social services are omitted it will be found that money wages at least kept pace with prices between 1895 and 1910. If the additional £41 millions enjoyed in social services amounting to an increase in real wages of 5 per cent. is added, it may very confidently be stated that no reduction of real wages was experienced in the eighteen years prior to the war.

With regard to the progress made since the war no responsible student is in doubt. In one of a series of articles dealing with changes of the last fifty years, contributed to *The Times* in March, 1932, Mr. Thomas Jones refers to the housing conditions of Glasgow in the nineties, of which he had personal experience. "I was allotted a 'close' which had forty-four families on one staircase in forty-four rooms." A medical officer said that a fifth of the population of the city was then living in one-room flats. Since these days thousands of slum houses have been demolished and thousands of up-to-date dwellings have been erected on the outskirts of the city.

Says Mr. Jones: "In the eighties boys were apprenticed at 12 for seven years and given 5s. a week for 51 hours. They were journeymen about 20. To-day they start at 16 for a term of five years at a wage of 10s. a week for 44 hours."

Giffen is cited who gave the weekly wages of Glasgow carpenters as 14s. in 1833, 14s. for masons and 15s. for bricklayers. In 1883 these were 26s., 23s. 8d. and 27s. respectively. To-day they are for a much shorter week of forty-four hours, 67s. 10d., 67s. 10d. and 69s. 8d.

In an article appearing in the *Sunday Pictorial*, April 27, 1927, Sir Leo C. Money emphatically asserts:—

“The wage-earning classes improved their position since before the war, although the nation as a whole is worse off . . . unskilled workers and women workers received a substantial advance in wages.” And Mr. J. A. Hobson might with profit ponder the following from the same article. “*The conception that there is an enormous amount of income in the hands of the rich is a dangerous delusion. The entire income of the 25,000 rich British people who have over £5,000 a year is about £350,000,000, whereas the national bill for beer and whisky, chiefly consumed by the masses of the people, amounts to £315,000,000. But already the Central Government and the Local Authorities take in taxes and rates about 50 per cent. of the £350,000,000, leaving £175,000,000. If the State took this sum and divided it up among the people, it would give the very poor dividend of 1s. 6d. per week per head. This would not pay one half of the cost of the beer and tobacco consumed by the masses of the people.*”

Professor Bowley, after an examination of the changes in the distribution of income since 1913, says: “Real wages have risen, so that artisans are more definitely better off than in 1914, and unskilled labourers have a further advantage. The general improvement in the economic position of the poorer of the manual labourers can be verified not only by common observation, but also is shown by statistical inquiries.”¹

In addition: “The duration of the week’s work was 10 to 13 per cent. less in 1924 than in 1914.”²

Between 1912 and 1914 Professor Bowley with a number of assistants made investigations in five typical industrial towns, Reading, Warrington, Bolton, Northampton, and Stanley in County Durham. One of the objects was to find out what proportion of the population had, apart from public or private relief, an income insufficient to place them above the “poverty line” which before the war was estimated to be 23s. per week for a

¹ *Some Economic Consequences of the War* (1930), pp. 161-162.

² *Ibid.*, p. 147.

married couple with three children. Mr. B. Seebohm Rowntree and Charles Booth had estimated that some 30 per cent. of the population were some years before the war on or below the poverty line. In 1924 Professor Bowley's investigation was repeated in the same five towns. Says Professor Bowley: "In 1913 in a considerable number of cases the wages of unskilled labour were below the sum (about 23s.) computed on the same definition for a family including three children, while in 1924 wages under 40s. (the 1924 equivalent of the 1913 23s.) were extremely rare for a full week's work for an able-bodied man. In London also, which is the subject of a survey in 1929 and 1930, the lowest standard wage is well above this poverty line. In addition to the increased wages relatively to the increased cost of living, there is a reduction in the needs themselves, to be brought into account, owing to the smaller number of dependent children. . . . In the towns surveyed the proportion of families in which there were more than three children dependent at the date of observation was about 11 per cent. in 1913, and only 7·8 per cent. 1924 and 1925. But the increase of unskilled wages was, roughly speaking, sufficient for the support of one additional child."¹

The proportion of poverty in the families where the man was in work in 1924 was only one-fifth of that of 1913, increased wages being responsible for about two-thirds of the reduction, and the decrease in the number of children being accountable for the rest.

Against this is to be set the increase of unemployment and the loss of wages due to the abolition in Lancashire of child labour under the age of 14. The addition of the 15s. per week dole to the income of women who married in these districts without being employed, would at least compensate for losses due to the loss of wages of half-time children, which used to average about 2s. 6d. per week. The unemployed, when married and having a largish family, as we shall see, received in 1931, and after, a weekly dole which was in advance of the weekly pre-war wage of millions of male adults. As Professor Bowley proves, "great progress has been made towards

¹ *Some Economic Consequences of the War* (1930), pp. 162-163.

the extinction of remediable poverty, considerable inroads have been made on excessive wealth, and generally income is less unequally distributed than it was ten years ago."¹

A few details of wages and prices since 1914 may be worth considering. According to the *Labour Year Book* issued by the Labour Party in 1916, the average wage² for adult men in 1913 was £1 7s. 0d.; for adult women, 11s. The hours of labour were fifty-five per week. The *Daily Herald*, March 13, 1930, said: "In 1924 the average weekly earnings of the men of the working classes as given by the Ministry of Labour were £2 16s. 3d. Women's average earnings were £1 7s. 6d."

Thus money wages, according to these Labour authorities, had increased about 108 per cent. for men and exactly 150 per cent. for women, the hours of labour in the meantime having fallen by about 13 per cent. As the general cost of living averaged during 1924 only 74.5 per cent. of an increase over 1914, the advance between the two periods is seen to be considerable.

Even if the calculations of Professor Bowley for 1914 are accepted, which place the pre-war wage rates 2s. a week higher than the Labour estimates, it will still be admitted there was a substantial improvement between the years indicated. Since 1924 in consequence of prices having fallen far more than money wages, further advances have been registered.

The following details were supplied by the *Ministry of Labour Gazette*, February, 1933. They relate to relative levels of wages at August, 1914, and the end of December, 1932, when the cost of living was 43 per cent. over that of 1914. It is now (May, 1933) only 36 per cent. ahead. The wages given are standard rates or minimum rates accepted by the trade unions concerned.

In the Building Trades wages for bricklayers had advanced from 9.9d. per hour to 18.1d., which was 83 per cent. advance upon hourly rates and 66 per cent.

¹ *Ibid.*, p. 165.

² Sir L. C. Money on p. 24 of *Riches and Poverty* gives 17s. 6d. as the average weekly wage of all workers, men, women, and children, in 1886 after allowance has been made for sickness, unemployment, &c. In 1900 the average was 21s. 2d. and in 1903, 20s. 6d.

upon weekly rates. Masons and carpenters had advanced 85 per cent. for hourly rates, 70 and 68 respectively for weekly. Plumbers and plasterers advanced 88 per cent. for hourly rates, and 70 per cent. for weekly rates. Painters had advanced 105 per cent. hourly, 85 per cent. weekly. Labourers had advanced 105 per cent. hourly, and 86 weekly.

Coal miners on the average had advanced from 6s. 5 $\frac{3}{4}$ d. to 9s. 1 $\frac{3}{4}$ d. in addition to perquisites of 4 $\frac{7}{10}$ d. per shift. Their increase had been only 41 per cent, but the duration of the shift had been reduced by half an hour from eight to seven-and-a-half hours. Miners' wages are determined to a large extent by the profits, of which they take four-fifths after other expenses have been met. The coal industry has been badly hit, partly as a result of the incompetent leadership of the miners, which has involved them in several foolish disputes which crippled the industry. The following list supplied by the Mines Department is instructive.

	1927	1928	1929	1930
Tons disposable; millions ..	221·8	221·5	230·4	214·2
	Mn.£	Mn.£	Mn.£	Mn.£
Wages	117·8	100·2	105·7	99·7
Stores and timber	20·2	17·0	18·0	17·2
"Other" costs*	29·2	27·4	26·6	24·9
Total "net costs"	172·9	150·0	156·0	147·1
Proceeds	167·5	140·2	160·2	150·8
Profit or loss	-5·4	-9·8	+4·2	+3·7
Miners employed	961,000	881,000	894,000	875,000
Output per menshift cwts. ..	20·60	21·9	21·69	21·61

* Including royalties and after deducting proceeds of miners' coal.

It will be seen that during these four years the total profits have amounted to £7,900,000, while the losses have totalled £15,200,000, a net loss to the owners during the four years of £7,300,000. The miners, therefore, have been exceptionally fortunate in being able to obtain what, if hours worked are reckoned, is more than their pre-war remuneration. The owners' profits in 1913 were £16 millions, which is a sum considerably more than the *total* net profits of the last ten years.

In the engineering and shipbuilding industries the weekly rates had increased from 38s. 11d. to 59s. 1d.

(or 52 per cent.) in the case of fitters and turners, 50 per cent. for iron moulders, 51 per cent. for pattern-makers and 84 per cent. for labourers. Shipbuilders had increased their weekly rates from 44 to 49 per cent., and labourers 78 per cent. But as the hours per week had been reduced from 53½ to 47, the percentage increase was 70 for skilled engineers, and 65 to 70 for shipbuilders, the labourers in either case being 105 per cent. ahead of 1914. In addition, as about a quarter of the number received more than the customary rates, the average earnings for all engineering workers had increased by 89 per cent.

Electrical workers had increased their hourly rates by 113 per cent., and their weekly rates by 85 per cent.

Cotton workers had increased their weekly payment by 38½ per cent., and their payments per hour by 59½ per cent. The increases in the woollen textile industry had been from 90 to 100 per cent. for hourly rates.

Boot and shoe workers had increased their hourly rates from 105 to 120 per cent., and their weekly rates by 90 per cent.

Railway workers had increased their weekly rates about 120 per cent. in the case of the lower grades, and just under 90 per cent. for the higher grades. As the hours had been reduced from a minimum of 58 per week to a maximum of 48 without a reduction in weekly rates, the railway men have very considerably improved their position. Mr. J. Marchbank, assistant general secretary to the N.U.R., told a meeting at Leamington on March 22, 1931, that the average pre-war rate of wages for railway men was 26s. 1d. for a week of 56 hours, while the average in 1931 was 57s. 9d. for a standard week of 48 hours, an increase of 120 per cent. in addition to a reduction of 8 hours per week.

The transport workers in general have forged ahead since the war. Seamen went up from £5 5s. to £8 2s. per month (in addition to food, &c.), an average increase of 52½ per cent. Road transport (one horse drivers) 25s. 7d. for a 56 hours week to 51s. 11d. for 48 hours; tramway drivers 31s. 1d. for a 54 to 60 hours week, to 58s. 6d. for 48 hours; conductors 27s. 8d. to 55s. 2d.

Dock labourers increased their pay from 4s. 6d. to 7s.

for a 9 to 10½ hours day to 10s. 2d. to 12s. 8d. for eight hours, an increase per hour of 144 per cent.

Agricultural labourers had increased their weekly wages from an average of 18s. in 1914 to an average *minimum* of 30s. 11d. in 1932. As the hours of labour had been considerably shortened the real increase is much greater.

The weekly wages of compositors had increased from 35s. 8d. to 73s. 10d., being 107 per cent. Bookbinders had increased their weekly wages from 33s. 11d. to 73s. 7d., or 117 per cent., or if the reduction in hours is calculated, compositors' wages increased by 119 per cent., and bookbinders by 129 per cent.

Cabinet makers increased their hourly rates by 95 per cent., upholsterers by 100 per cent., French polishers by 103 per cent., and table hands in the baking trade by 128 per cent.

Unskilled labourers in the non-trading departments of Local Authorities of twenty-eight large towns showed an increase in weekly rates of 90 per cent. and in hourly rates of 110 per cent. Unskilled labourers in the electricity supply industry of over fifty towns showed an increase in weekly rates of 100 per cent. and in hourly rates of 129 per cent.

As far as can be estimated, while the cost of living had increased by only 43 per cent. between August, 1914, and the end of December, 1932, the weekly wages of the manual workers had increased by approximately 65 per cent. As the hours of labour had been considerably reduced, the real increase per hour had been between 85 and 90 per cent., a net increase in real wages, i.e., money wages in relation to what they would buy, of at least 25 per cent. And fares have fallen another seven points since December.

The following table compiled from dates given in the *Ministry of Labour Gazette* for February, 1933, sums up the considerable improvements made since 1920.

It will be noticed that between 1923 and the end of 1932, while weekly wages have been reduced by only about 5 points, the cost of living has fallen about 34 points. Thus for ten years the workers have enjoyed considerable advantages, especially if the inroads upon capital by heavy taxation and falling profits are taken into account.

PRICES AND WAGES, 1920-1932.

End of year	Increase per cent. in cost of living	Increase per cent. in weekly wages	Increase per cent. in hourly wages
1920	169	178-180	
1921	99	110-115	
1922	80	70-75	
1923	77	65-75	
1924	81	70-75	
1925	77	75	
1926	79	75	
1927	69	70-75	
1928	68	70-75	
1929	67	70-74	
1930	55	70-74	90-100
1931	48	66-70	90-95
1932	43	65	80-90

Sometimes the cost of living estimates of the Board of Trade are repudiated on the grounds that prices are said not to fall by the amounts represented. It is significant, however, that when the prices were *rising* and wages were being adjusted no quarrel was made with the official estimates. As these estimates are made by civil servants whose own salaries are based upon the cost of living figures, it is not likely that they will be tempted to place the reductions as more than they are in reality. Furthermore, from other sources we learn that for the twelve months before March, 1931, the quantity of goods sold in England was not less than a year before in spite of what is said by spokesmen of Labour about reduced money wages carrying reduced purchasing power. The Co-operative Wholesale Society in 1931 reported that although their sales had been less in money as a result of lower prices, the quantities and weights had in many instances shown considerable increases. While the cost of living index of the Board of Trade had registered a reduction of just under 7 per cent., the prices of the C.W.S. showed a reduction had taken place during this period of more than the $7\frac{5}{8}$ per cent. decrease in their monetary sales. The improvement in the workers' standard of living is a very real one and is not merely apparent, due to a manipulation of figures, as some inept spokesmen of Labour assert. When, however, they wished to challenge the figures, they were advised at a Trade Union Congress not to move in a matter in which they were unlikely to be victors.

The cost of living figures relate to the average retail

price of all the items which enter into a working class family budget. Information is summarized from all over the country. The relative importance of each item in the budget is considered and is estimated to be: Food, $7\frac{1}{2}$ per cent.; rent, 2 per cent.; clothing, $1\frac{1}{2}$ per cent.; fuel and light, 1 per cent.; other items, $\frac{1}{2}$ per cent. Total $12\frac{1}{2}$ per cent. The percentage increase of each item over the prices prevailing in July, 1914, is ascertained and multiplied by its appropriate figure: food by $7\frac{1}{2}$, rent by 2 and so on. Each item, of course, does not increase in the same proportion as, for example, at the end of 1932, food had increased in price only 25 per cent, while rent had increased 55 per cent. But all the items are considered and a balanced average is made. The following changes were noted.

Between 1914 and the end of the war the cost of living advanced 115 per cent. The highest point was recorded in November, 1920, when retail prices averaged 176 per cent. above the pre-war level. By May, 1921, this had dropped to 128 per cent., and a year later to 81 per cent. During 1923 prices were reduced by 1 per cent. During 1924 prices oscillated from 77 per cent. in January, to 69 per cent. in June, then finished the year at 81 per cent. During 1925 they were reduced to 77 per cent. During 1926 they oscillated from 75 per cent. in January to 79 per cent. in December. Commencing at 75 per cent. in January, 1927, they finished in December at 69 per cent. Since that date

COST OF LIVING. ALL ITEMS.

Increase over July, 1914.

Beginning of	1930		1931		1932
January ..	66	..	53	..	47
February ..	64	..	52	..	47
March ..	61	..	50	..	46
April ..	57	..	47	..	44
May ..	55	..	47	..	43
June ..	54	..	45	..	42
July ..	55	..	47	..	43
August ..	57	..	45	..	41
September	57	..	45	..	41
October ..	56	..	45	..	43
November	57	..	46	..	43
December	55	..	48	..	43
	—		—		—
Average per year	58	..	$47\frac{1}{2}$	..	$43\frac{1}{2}$

prices have generally continued to fall although there have been slight oscillations in particular months. The year 1928 finished as it began at 68 per cent., and 1929 registered a fall of only 1 per cent. between the first and last months, although the average for the year was down to 64 per cent. over 1914. The reduction since 1929 has been so marked as to justify the preceding detailed list.

When the average cost of living was 41 per cent. higher in February, 1933, than in 1914, food was only 22 per cent. ahead. The following list is made up from data supplied by the *Ministry of Labour Gazette* for February, 1933:—

Article	Average price (per lb. unless otherwise indicated, to the nearest $\frac{1}{2}$ d.)			General average Feb. 1, 1933
	July, 1914	Dec. 31, 1932	Feb. 1, 1933	
Beef, British—	s. d.	s. d.	s. d.	Per cent.
Ribs	0 10	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	43
Thin flank	0 6 $\frac{1}{2}$	0 7 $\frac{1}{2}$	0 7 $\frac{1}{2}$	15
Beef, chilled or frozen—				
Ribs	0 7 $\frac{1}{2}$	0 9	0 9	25
Thin flank	0 4 $\frac{1}{2}$	0 4 $\frac{3}{4}$	0 4 $\frac{3}{4}$	— 2
Mutton, British—				
Legs	0 10 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	37
Breast	0 6 $\frac{1}{2}$	0 7 $\frac{1}{4}$	0 7 $\frac{1}{2}$	14
Mutton, Frozen—				
Legs	0 6 $\frac{3}{4}$	0 9	0 9 $\frac{1}{2}$	35
Breast	0 4	0 3 $\frac{3}{4}$	0 3 $\frac{3}{4}$	— 5
Bacon (streaky)	0 11 $\frac{1}{2}$	0 10 $\frac{1}{2}$	0 10	— 11
Fish .. .. .	.. .. .	.. .. .	.. .. .	105
Flour per 7 lb.	0 10 $\frac{1}{2}$	1 0	1 0	12
Bread per 4 lb.	0 5 $\frac{3}{4}$	0 7 $\frac{1}{2}$	0 7 $\frac{1}{2}$	27
Tea	1 6 $\frac{1}{4}$	1 9 $\frac{1}{2}$	1 9 $\frac{1}{2}$	16
Sugar (granulated)	0 2	0 2 $\frac{1}{2}$	0 2 $\frac{1}{2}$	14
Milk per quart	0 3 $\frac{1}{2}$	0 6 $\frac{1}{2}$	0 6 $\frac{1}{2}$	76
Butter—				
Fresh	1 2 $\frac{1}{2}$	1 3 $\frac{3}{4}$	1 3 $\frac{1}{4}$	5
Salt	1 2 $\frac{1}{2}$	1 1 $\frac{3}{4}$	1 1 $\frac{1}{2}$	— 8
Cheese	0 8 $\frac{3}{4}$	0 10 $\frac{1}{2}$	0 10 $\frac{1}{2}$	17
Margarine	0 7	0 6 $\frac{1}{2}$	0 6 $\frac{1}{2}$	— 9
Eggs (fresh) each	0 1 $\frac{1}{2}$	0 2	0 1 $\frac{3}{4}$	43
Potatoes per 7 lb.	4 $\frac{3}{4}$	0 5 $\frac{1}{2}$	0 5 $\frac{1}{2}$	10
All above articles of food (weighted percentage increase) }				22

The rents of working class dwellings, including controlled and decontrolled, had increased 55 per cent., clothing had increased 85 per cent., gas had increased by $47\frac{1}{2}$ per cent., and coal by $82\frac{1}{2}$ per cent., while general items, including soap, soda, domestic ironmongery, brushware, pottery, tobacco, fares and newspapers had increased between 70 and 75 per cent. All the items, including food, when balanced according to the proportions consumed, make up a general increase of 41 per cent. in February, 1933, over the price generally in July, 1914.

On the whole the average worker's money wages had increased per hour 25 per cent. more than for the general cost of living, during a period when the rest of the nation has been called upon to make prodigious sacrifices of net income to pay for the war and to provide more facilities for the worker in addition to his wage improvements. These facilities are very important additions to real wages.

Social services averaging 8s. per week per worker, whether man, woman, boy or girl, are paid for by the taxpayers, and the worker's contribution is relatively trivial. Professor Clay has estimated that these social services, after the workers' contributions have been deducted, add 20 per cent. to the worker's income.¹ As the amount of these facilities has multiplied by seven times since 1913, it will be seen that the advance has been remarkable. Taking these facilities into account it is a modest estimate to assume that a total improvement of 40 to 45 per cent. has been made in the standard of living of the working class, while the nation as a whole has suffered an enormous loss of wealth. But still more additions to the workers' improvements must be considered.

A good proportion of the working class receive their remuneration in the form of a salary rather than a wage. Perhaps the chief distinctions between a wage and a salary are that on the average the latter is higher and remuneration is paid during holidays and sometimes during periods of sickness. Sometimes, as for example, on the railways and in Governmental and municipal

¹ If war pensions are included the average adult workman receives the weekly sum of 13s. 6d. in social services on the top of his wages—an addition of 25 per cent.

employ, wages are also paid during holidays. On the whole railway workers and those working for public bodies have received more advances since 1913 than other classes of workers. In 1913 there were between 1,600,000 and 1,700,000 salaried workers whose total income was about £210 millions; by 1924 the number had increased to 2,850,000 with an aggregate income of £750 millions, an increase per person of from £130 to £260.

Salaries thus registered an increase of 100 per cent. per head in a year when prices had advanced only 75 per cent. over 1913. Since then prices have still further declined by 39 points while salaries have not declined by half that percentage. Among the higher grades, of course, heavy taxation has taken much of the advantage maintained by the lower grades. The proportion of workers who have left the lower wage level for the higher salary level since 1913 is also well in advance of the mere increase in population.

It must be also noted that as prices have been falling since 1921, even if wages and salaries had followed in the same ratio, which they have not, the "time lag" would give an immense advantage to the workers.

The establishment of Wages Boards has abolished sweating. Before the war it was quite common to find cases of women who received 5s., 6s. and 7s. for a week's work. In 1913 women were working fifty hours per week making chains by hand for 10s. 6d. But before the operation of the Trades Board Act of 1909 the weekly earnings were only 5s. per week. Women out-workers in the tailoring trade frequently worked for 5s. to 6s. per week. For factory workers the average was 3d. per hour, or $\frac{1}{4}$ d. per hour less than the Trades Board afterwards fixed as a minimum. I have just opened a book at random, *Women's Work and Wages*, a collective work written in 1906 by Messrs. Cadbury, Matheson and Shann. On page 84 is an account of women harness and bridle-makers—not a sweated occupation.

"Two years' learning or apprenticeship seems to be the general rule, though the term is sometimes as short as six months or as long as three years. During this time a girl earns 2s. 6d. a week, rising to about 4s. 6d.

before she finally passes on to piece work. . . . At present women over 18 are earning an average weekly wage of between 8s. and 10s." *This was for piece work.*

The next page (128) I open at random says: "In the cycle trade married women's wages average 11s., while the general average for women above 21 is 10s. 6d." This again was for piece work, the women being specially skilled.

My last dip happens to be page 158. It relates to "hook and eye carders earning on an average 3s. 3½d. per week. The husbands brought home about 19s. 6d. and the average rent was 4s. . . . The women themselves had been in every grade of work before marriage, from a bolt-maker at 5s. per week to a schoolmistress at £80 a year." The hook and eye carders were out-workers, so not employed at full time. When in the factory on full time before marriage one earned as a screw maker from 10s. to 13s. per week; another earned as a domestic servant "up to" £16 a year and food,¹ and wished she could go back to such affluence. The screw maker, after marriage, had had nine children, seven still alive; they lived for fourteen years in a two-roomed house, eventually condemned by the sanitary authorities. The second son was a filer, aged 18, and gave his mother 7s. out of his weekly wage of 10s. The husband contributed £1. After rent and burial clubs had been paid the family had 23s. 5d. to feed and partly clothe the family of nine.

As against these conditions, in 1933, an unemployed man with a wife and three children obtained 29s. 6d., and in 1931, 32s., as a mere dole. Conditions have improved. According to the *Labour Year Book* for 1916 the average wages of adult women in 1913 were 11s. per week with 54 hours as a minimum. Yet in the *Daily Herald* of October, 1930, Miss Dorothy Evans in the Paddington election was declaring it to be a public scandal that 100,000 girl clerks and typists got *only* 50s. per week! The "public scandal" remuneration of 1930 was, in real values after allowance had been

¹ Mistresses to-day find it very difficult to get girls at £40 plus their keep.

made for the increase in the cost of living, over two and a half times the *average* remuneration for women of pre-war days.

The *Daily Herald*, March 13, 1930, gave the average weekly earnings for men in 1924 as 108 per cent. higher than the *Labour Year Book* of 1916, published by the official Labour Party, said they earned in 1913 for a week's work eight hours longer than in 1924, the cost of living being increased in 1924 by only 75 per cent. Women's wages had increased for a much shorter week during the same period, according to these Labour authorities, by 150 per cent. (Women's wages were supposed to have increased from 11s. to £1 7s. 6d.; men's wages from £1 7s. to £2 16s. 3d.)

If the estimates of Professor Bowley are accepted for the pre-war figures another sum about 2s. must be added to the wages of pre-war men and 2s. 6d. to those of women not specially skilled who worked 55 hours a week. Even then there is a substantial advance between the two periods. In case these sums strike the reader as being very small, which they are, let him compare them with the wages of earlier periods when prices were higher and hours of labour were more extended and social services scarcely existed. For example, Karl Marx quotes a Government publication relating to British weavers in 1844: "From 6th January to 20th of April, 1844, with a *twelve* hours' day, average weekly wages of each hand 10s. 1½d."¹

In Buckinghamshire in 1867 the agricultural labourers were on strike in order to raise their weekly wages from 9s. 6d. per week to 12s.²

In 1860, said a county magistrate in Nottingham, "Children of 9 and 10 years are dragged from their squalid beds at 2, 3 or 4 o'clock in the morning and compelled to work for a bare subsistence until 10, 11 or 12 at night, their limbs wearing away, their frames dwindling, their faces whitening, and their humanity absolutely sinking into a stone-like torpor, horrible to contemplate."³

A memorial in 1863 drew attention to the work of the

¹ *Capital*, p. 410.

² *Ibid.*, p. 237.

³ *Ibid.*, p. 227.

London day labourer in fish and poultry shops, whose hours of labour for the first 6 days of the week averaged 15, and on Sundays 9.¹

These hours were of course exceptional even for the time, but twelve or fourteen hours a day in previous years had been quite normal for the whole of adult industry. Even in the falsely named Golden Age of the fourteenth and fifteenth centuries, legislation passed in 1349 and renewed in 1496, according to Marx, declared that the hours of all artificers and field labourers from March to September should be from 5 in the morning to between 7 and 8 in the evening with two hours off for meals. This would amount to twelve-and-half hours per day. In winter the hours were from 5 a.m. until dark. In 1562 the hours of labour were untouched but the time for meals was shortened. In actual practice, however, the conditions were more favourable than those on the statute book.

Thus we find hours of labour much shorter, real wages and salaries of workers far higher, while instead of children 7 to 10 years of age working twelve hours a day, or even being allowed at the age of 10 to work half-time in factories as in 1913, they are now not permitted to enter a workshop under the age of 14, while the half-time system has been completely abolished, a reform *not* demanded by Karl Marx who believed it to be a good thing, permitting as it did the employment of both the mental and physical energies of the child.

The movement of the more efficient from the ranks of the working class into the higher paid professional classes increases every year, which means that there is a tendency for the proportion of inefficient and idle workers to grow as the best are skimmed off by the higher branches of industry and commerce. Yet this relatively fewer and less competent and industrious class of manual worker takes an increasing proportion of the national income. It can scarcely be argued to-day as it was over a hundred years ago, that the English workmen are noted for their "savage industry" surpassing that of any other people, so that "even in France and Germany it was

¹ *Capital*, p. 250.

found profitable to import English navvies and pay them double wages on account of their superior energy.¹”

Instead we have complaints made by the Engineering and Allied Employers' National Federation that the maintenance of the output guaranteed by the employees in 1918 on condition that the hours were reduced from 53½ per week to 47 while the pay was maintained, had not been achieved. Furthermore, the report of the committee, based upon statistics, declared that in the engineering industry in general “the fall of output had, in a number of instances, been proportionately greater than the reduction of hours. A representative of the Employers' Federation who gave evidence in 1925, estimated the loss of output at that date at from 10 to 15 per cent., and further asserted that the output per man per hour was less than the pre-war standard. . . . Evidence on behalf of the British Cycle and Motor Cycle Manufacturers and Traders' Union was to the effect that in 1925 the output of labour was from 10 to 20 per cent. below the output in 1914.”²

I need not here repeat the numerous examples of ca'cannism given in my volume on *The Mending of Mankind*. It is a general experience since the war that except for improvements in output due to rationalization, the human factor is less productive than in 1913, the Chairman of the Housing Committee of the London County Council, Colonel Levital, going so far as to say that the average of 750 bricks per day per man, going up to 1,200 per day on piece-work, laid in pre-war times, has since been reduced to only 300 per day.

In December, 1931, there was a case reported in the Press of two brothers employed in a gas meter works, who, having on piece-work earned 31s. and 21s. respectively above the limit set by the trade union, were obliged to hand over these extra earnings to the union and to promise not to work beyond the “limit” in future, although the standard of output was 20 per cent. lower than that in Holland for similar work and also

¹ Havelock Ellis, *The Problem of Race Regeneration*, p. 15.

² *Report of Proceedings of Conference of Engineering Employers and Trades Unions held on January 30, 1931*, p. 19.

lower than that of German competitors. As the secretary of the employers, when challenging this interference, rightly said: "Restriction of output at these times when the nation is fighting for an export trade is suicidal and the employers must combat it."

On March 2, 1932, there was an account in the Press of how 160 boiler-makers struck work at Messrs. Cammell Laird's shipyard at Birkenhead. For two years they had been paid piece-work rates and had earned higher pay than would have been possible otherwise, the firm meanwhile securing additional work in consequence of the increased efficiency and the quicker discharge of orders. As those on time work in the union had protested, the piece-workers had been obliged to strike in favour of what amounted to lower pay!

This brings us to the question of perquisites. In addition to the actual money wages and salaries, perquisites of considerable value are received by many workers who, however, usually neglect to mention these valuable additions when making complaints of their inadequate incomes. For example, skilled engineers complain that their wages are only those of builders' labourers, omitting to mention that by an agreement made in 1919 their remuneration was so arranged that many of them could earn $33\frac{1}{3}$ per cent. over the base rates instead of the previous 25 per cent. In the Report previously mentioned the rates of engineers during 1931 were compared with other rates paid by some of the sheltered industries. The time rate for fitters working a 47-hour week averaged 58s. $1\frac{1}{2}$ d.—1s. 2·8d. per hour. But bonuses received added perceptibly to the net income. Fitters who were timeworkers actually received for a 49·2 hour week 66s. $5\frac{1}{2}$ d. or 1s. 4·2d. per hour. Others on a payment by result basis received for a 47·7-hour week 77s. 9½d., or 1s. 7·6d. per hour. The average throughout the industry instead of being the 58s. usually assumed by the men, worked out instead at 72s. 10d. actually received, or 1s. 6½d for a 48·4-hour-week.

The miners' average wage of 51s. per week compares badly with the London bus conductors' 79s. 6d. But this 51s. average, however, includes all those over

the age of 16 and over 186,000 coal workers employed above ground. And in many districts it is the custom for perquisites in the form of free coal to be generously supplied by the owners to the miners, while in Durham and elsewhere free cottages are provided by the coal companies in addition. These perquisites add millions of pounds a year to the miners' real wages, but are seldom mentioned by the leaders when discussing the low pay of the men.¹

On the railway, perquisites are available in the form of tips to porters and restaurant-car waiters, in the case of the latter amounting to more than their wages. Uniforms are supplied gratis, holidays are allowed and paid for, retiring pensions are given, free passes for travel to and from work are granted, which privilege, especially in London, sometimes adds several shillings to the weekly pay; free passes for any distance are supplied for the man and his family, while at all times he may travel all over England at a quarter of the usual fare. These perquisites add considerably to the real wages of the railwayman. Since pre-war times his hours of labour have been reduced from sixty to forty-eight, extra rates of pay being given for overtime or Sunday work.

In many other industries perquisites are extended. In most businesses the employees are allowed to obtain any of the commodities the firm handles at wholesale prices, thus saving as much as 33 $\frac{1}{3}$ per cent. off what would otherwise have to be paid. Yet a good amount of pilfering goes on. On the railways, frequent complaints are made with respect to losses under this head; and in Government dockyards and arsenals scores of policemen, in uniform or otherwise, have to be engaged as some measure of protection. The agricultural labourer often obtains a good stock of vegetables and timber free of charge; the fisherman obtains fish for nothing; merchant sailors, in addition to board and lodgings while on their

¹ In 1930 the value of these concessions was given in the Mines Department Summaries as follows: Northumberland and Durham 1s. 1 $\frac{1}{2}$ d. per shift; Yorkshire, North Derbyshire and Notts 3 $\frac{1}{2}$ d.; South Wales 2 $\frac{1}{2}$ d.; Lancashire $\frac{1}{2}$ d. It might be remarked that during disputes, some of which, like the one in 1926, last for many months, the miners with free cottages, although not at work, pay no rent.

ship, obtain all their tobacco free of duty, which is also the case in the Navy. In addition, in the Navy a daily tot of rum is served out free, or in lieu thereof a money grant is made; extra pay is made for varying grades of efficiency, while pensions are granted after service, and for the married during service substantial allowances are made for wife and children. The pay goes on even during sickness. Uniforms are, of course, free, while holidays are paid for, similar perquisites obtaining in the Army. The food and other conditions in the Navy and Army have vastly improved since 1914, while the rates of pay for those enlisted before 1925 are 175 per cent. higher than in pre-war days. In the Police Force, not only are the ordinary constables now paid on a scale which would have been considered gorgeous before the war (the minimum before the cuts of 1931, even in country districts, being 70s. as against the pre-war 25s.), but uniforms are supplied free, boot money is provided, while in the case of plain-clothes men the clothing allowance is exceedingly generous. On top of this, payment is made for holidays and during periods of sickness, while an allowance for rent up to a maximum of 15s. per week for ordinary constables adds considerably to the income. And it is possible to retire at the age of 45 years on a pension amounting to two-thirds of the pay.¹ Neither bluejacket, soldier, nor policeman need fear unemployment, sickness or old age.

In the Civil Service there are many perquisites, including pensions, security of employment, payment during holidays and for a period during sickness. Where necessary, uniforms are provided free and the pay in all cases, except possibly the very highest grades, has been increased since the war more than the advance in prices. Substantial grants of £100 or more are also made to girls upon their marriage.

In the teaching profession, extremely short hours are

¹ The average weekly earnings of a police constable, when perquisites are included, were well over 90s. per week before the cuts of 1931 were enforced. Since 1913, the cost of the Police Force has increased from a total of £7 millions a year to £20 millions in 1932, although the increase in the number has been merely from 54,000 to 58,000.

paid for at a rate now 140 per cent. higher than in 1914 ; holidays amounting to at least one-fifth of the year are granted ; the classes are smaller ; the school and other conveniences are better ; payment is made during periods of sickness ; and a pension for life is paid amounting to about four-fifths of the income upon retirement, to receive which only a relatively small contribution from income is made. Grants costing the taxpayer £100 a year are made towards the education of each teacher who cares to utilize the privilege, and other advantages not loudly proclaimed by teachers add to the amenities of a very fortunate profession.

In the catering and other trades, in addition to food being usually provided, waiters, waitresses and various porters, attendants, hairdressers, &c., add considerably to their income by the gratuities from the public, in some cases hundreds of pounds per annum being netted by commissionaires, head waiters, pursers, stewards and others. Those who do much travelling or dining out in the better class restaurant are painfully aware that at least 10 per cent. on the top of the legitimate expenses must be allowed for gratuities to waiters, attendants, taxi-cab drivers and various servants in hotels. Commercial travellers and others concerned in getting orders are also frequently obliged to pay large sums to buyers to influence business.

The amount received by servants, not only as gratuities but in the form of bequests, is not inconsiderable. A letter in the *Daily Telegraph* for February 23, 1932, drew attention to a sum of more than a million pounds which during the last year or two in this country had been bequeathed by employers to servants for their "devotion and faithful service." If the millions received in gifts from the benevolent towards the relief of various forms of sickness, incapacity and towards the increase of social amenities¹ were calculated, further huge sums would be tabulated.

Altogether, scores of millions of pounds per annum are added to the wages and salaries nominally received by the workers, but which are forgotten when agitation is afoot to improve their remuneration.

¹ £14 millions were expended during 1911 in this fashion.

In addition, of late years insurance in connection with newspapers, workmen's compensation for accidents, together with the addition of State doles, pensions, free feeding of necessitous school children, welfare schemes, crèches, and much improved facilities for education, free libraries, art galleries, museums, parks, baths, up-to-date houses let at uneconomic rents, must all be added to the perquisites which are costly even if they excite little gratitude in the breasts of the recipients.

No wonder that Lord Snowden was able in his speech in the House of Lords on February 29, 1932, to congratulate England upon its costly social services, and the fact that "the social conditions of the people had improved immeasurably," while the wages paid were above those of the rest of Europe.

That Lord Snowden is not the only Labour spokesman who has recognized what is so obvious to those outside its ranks, is demonstrated by the following admissions collected by Mr. F. B. Carlton in an article appearing in the *Blaydon Courier*, March 5, 1932.

Speaking of the prophecy of Marx that the condition of the workers would inevitably worsen under capitalism, J. R. Macdonald says in his book on *The Socialist Movement*, pp. 92-93: "The Marxian forecast" [that the conditions of the worker would get worse under capitalism] was unfortunate in the moment of publication. . . . A vast expansion of commerce was imminent. Never had commerce leaped forward with such bounds as it did in the middle of the nineteenth century and the working classes shared in the general increase in wealth. . . . We are better clothed than our grandfathers, we are better housed than they, we have a better and wider choice of consumption than they had."

In 1928 Mr. Philip Snowden, now Lord Snowden, wrote a book entitled, *The Faith of a Democrat*. On pages 3 and 4 Mr. Snowden stated: "A contrast of the conditions of the people to-day with the conditions of a century ago discloses remarkable progress in every sphere of life. Wages are higher, hours of labour are shorter; factory conditions are enormously better; housing has improved; a revolution in public health and sanitation has been effected; vastly more attention is given to the

preservation of infant life; all kinds of social services have been instituted; educational facilities have been made universal; and opportunities for social intercourse and national enjoyment have enormously increased."

The veteran Labour Leader, Mr. Ben Turner, adds his testimony in an interview published in *The Times*, September 1, 1928. He declared: "The great changes of the past forty years in the industrial and social life of our country must be pleasing for every Englishman to look back upon. The advancement in the homes of the workers from bare sanded floors to carpets and rugs, from grocers' almanacs on the wall to oil paintings and water-colour drawings; to pianos, wireless; to electric light and other domestic amenities; has added much to the value of life. That is only one side of it. The change in the dress of the woman worker, from the old canvas apron to the dress of the period which is light and attractive and healthy, is another vast change for the better. In these early days of mine the young man's dress used to be confined to one suit for Sundays and he always used to wear his working clothes at nights. Then it was also clogs and shawls for the women and clogs and smocks for the men. Thus there has been a vast change for the better in personal attire and amenities. While big changes had taken place since the war there had been at least a 30 per cent. improvement in wages between 1890 and 1910. Another big change in industry had been the reduction in the hours of labour which had been applied to practically every industry. Forty years ago the working week was fifty-eight hours, then it was lowered to fifty-five, and now it was forty-eight hours."

Another Trade Unionist and one time Member of Parliament, Mr. Will Thorne, in making a speech in Victoria Hall, Sunderland, on Sunday, May 18, 1930, stated: "Our workers are a jolly sight better off—housed, fed and clothed—than forty years ago."

Sir Leo C. Money in an article in the *Contemporary Review* for May, 1930, makes this statement: "Those who have lived through forty or fifty years of change can testify as to the contrast which happily obtains between the outward aspect of our society to-day and its appearance in years not remote. The truth is that while

trade has moved in alternations of good and bad . . . the standard of life has been rising all the time. So true is this that in the trade depression of 1930 the general appearance of the British people is strikingly better than was the case in the best trade years of the end of the nineteenth century, or for that matter even in the good years of trade immediately preceding the war. The factory girls of 1930 are better dressed on a week-day evening than were the middle class girls of the eighteenthies on a Sunday; indeed the disappearance of Sunday clothes is one of the most striking testimonies to the extent of the industrial and social advance. The working family of 1930, even with one of its members unemployed, makes a better show to-day than was made by a family of the same class when in full work not long ago in our annals. I have seen working-class fancy dress dances since the war which for taste and bravery of attire have outshone middle-class affairs of the same character of twenty to thirty years since. Not less significant is the spread of luxury, the growth of public restaurants where cheap refreshments can be enjoyed in comfortable or even palatial surroundings, the building of entertainment palaces in every town, the enormous sale of suitcases in days when all classes, and not merely a limited few, take holidays by the sea, and the universal possession of bicycles or motor-cycles. In sum we are now contriving to earn by commerce such a volume of imports and to conduct such a volume of home trade as places at the disposal of a greatly enlarged population a better living than obtained in the best trade years of pre-war history."

Mr. J. R. Clynes, Home Secretary in the late Socialist Government, writing in the *Daily Sketch* for November 19, 1931, asserts: "Britain is a better place to live in than when I was a boy. We live better and we live longer."

Another Trade Union leader, Mr. Walter Citrine, chastises the comrades for their wrongheaded insistence that conditions get worse for the workers. In the Trade Union journal the *Industrial Review* for November, 1928, he says: "More than once recently we have had illustrations of the tendency in Labour propaganda to paint in very sombre colours the conditions of the

working-class. It is perhaps, inevitable in the circumstances in which Labour propaganda has developed that this should occur; but neither the wisdom nor the truthfulness of the argument that the position of the workers is steadily deteriorating can commend itself to Trade Unionists. Certainly a propaganda of this kind can serve none of the practical purposes of Trade Unionism. It is calculated to do serious injury to the whole working-class movement."

If improvements have taken place it may be asked why are so many millions discontented as is proved by the immense vote given to the nominees of the Labour Party? In spite of so much unemployment the reasons are more psychological than economic. Prodigious sums have been spent upon education, the effect of which is to make millions of children dissatisfied with the occupations of their parents. As no others are available for nine out of ten, discontent is naturally engendered when the youth or girl is obliged to enter a manual industry they have been taught to despise, if not directly, certainly by implication. A girl having acquired superficial culture, upon leaving school at the age of 14 is not willing to enter domestic service, nor is a boy eager to work on the land, in a mill, or down a coal mine. Children are surrounded with luxuries and privileges their parents did not know, and the cinema is incessantly saturating both children and adults with false standards which unfit the patrons for grappling with reality. The cinema with its pictures of expensively if not well-dressed vamps, its elaborate motor cars and general atmosphere of extravagance, is by far the most profound agent of discontent, unsettling women for the humdrum work of the home as wife of a mere artisan and mother of his children, and helping to make men loathe the daily manual task amid the rattle of machinery or the dirt and darkness of the mine. The contrast of Hollywood's glitter with the sombre drabness of an industrial town provides fruitful soil for the agitator exploiting also the woes of the unemployed.

The lavish generosity of Government and municipality has provided education and houses, grants of public assistance and feeding of children, benefit for the sick,

and dowries (miscalled unemployed benefit) for married women, pensions for the aged and for widows and children, and doles on a mammoth scale for the unemployed in reckless disregard of the state of trade, the back of which has been almost broken by charges levied upon industry. Parasitism has been systematically encouraged since 1914. The recipients of largesse, so far from being grateful, like the wolves whose strength is augmented by the carcase of a horse sacrificed to keep them at bay, press forward with redoubled vigour for the riders in the sleigh.

And strangely enough, in spite of increased real wages and shorter hours and social services, which since 1891 have increased in cost from £22,000,000 to £463,000,000 a year, the average worker has been persuaded by the Socialist that he is far worse off than before the war.

One reason for this credulity is that what once would have been considered rare luxuries are regarded as necessities now enjoyed as a matter of course. Consider the expenditure on drink which even in the bad year of 1930 amounted to £277½ millions (£259 millions in 1931), cinema attendances which cost nearly £50 millions, increased tea-drinking and tobacco-smoking, the latter item alone being responsible for an annual expenditure of £125 millions, the vastly greater expenditure upon charabanc rides, extended holidays, trips to the Continent, dog-racing and amusements in general, the scores of millions of pounds spent upon silk and artificial silk stockings, hair-waving, hats abandoned through changes of fashion long before they are outworn, cosmetics, and the vast increase of cheap fur coats even among working women, added to five and a half million wireless sets, and frequently expensive portable radios, the manufacture of which is sufficient to find employment for a quarter of a million people, and we are able to understand the difficulty in making even the augmented post-war wages cover all the new expenses.

Also in consequence of the fall in the cost of living, money wages sometimes have to be adjusted. The worker whose weekly wage has fallen two shillings nurses that as a grievance while overlooking the much greater fall in prices. If prices are 75 per cent. higher

than in 1914 as was the case in 1925, a fall of 39 points to 36 per cent. over 1914 as they were in May, 1933, is scarcely perceptible because, being gradual, the amounts saved on necessities are spent upon expanding luxuries. But a drop in wages of about 13s. 4d. per week, which is about the equivalent of a 39 point drop in prices, to a man who in 1925 was earning 60s. per week, seems desolating, and even when the drop has been only 3s. it looms in the consciousness more than the drop in prices, which in any case is largely in the purview of the wife. The working man has a keener memory for losses than he has for benefits, and his wife also tends to remind him of the losses while maintaining considerable reticence about the gains due to falling prices. Tobacco, drink and amusements have maintained their high prices, and as the working man spends almost all the money left, after he has handed over the housekeeping money to his wife, upon these luxuries, he is ready to believe necessities have also maintained a similar high level in spite of a considerable fall in prices.

Then, especially in London, the custom is growing of having meals accompanied by music in cafés handsomely equipped, at a cost perceptibly greater than meals prepared in the home. Pastry, jam and pickle making in the home is becoming a lost art, as is home-made bread, all of which means extra expense. Tinned foods, potted meats, prepared foods of all kinds are supplied by the grocer, the cost of preparation of course being paid for by the housewife relieved of the labour. Making the husband's shirt or the little son's trousers, knitting the daughter's stockings or making her own dresses are not attractive to the modern housewife when the cinema is around the corner, and the shops are full of wares to be gazed at every afternoon by a few million women with time to kill. The family wash is also relegated to the laundry,¹ and then after vastly extending the luxuries and restricting her labours the modern wife agrees with her husband that it is more difficult to make ends meet than it was for their parents. Having increased their wants

¹ Every year £20 millions are spent on laundry work which employs 100,000 people.

faster than they have increased their means of satisfaction,¹ the modern workers proceed to demand from industry what it cannot pay, and discontent grows apace, breaking out far too frequently in actual industrial strife. The modern worker's attitude, inflamed by artificial stimuli and post-war social slackness, is no longer "what am I worth or what do I produce?" but "what do I want to support or improve my present standard?" In any dispute now the workers' leaders seldom inquire what the industry can pay, but rather what wages a man needs to provide his present or desired expenditure. And nearly always cases are cited of how this man and that are handicapped in trying to provide for a wife and six children, the point being overlooked that the foreign customer, who eventually must furnish a large share of the wages demanded, is not interested in the British workman's redundant children, but rather in getting goods at a price no higher than countries with a lower standard are prepared to charge. A big family, added to the other expensive luxuries now coveted by the British workman and his wife, if expressed in terms of what are considered adequate wages, means a charge on exports which the foreigner of to-day will not pay. The unemployment of millions is the inevitable reflex of our failure to face economic realities.

¹ During the discussions on railway wages in December, 1932, one of the representatives of the men reminded the directors that a much higher rate of remuneration was now needed than in 1914 as the men had to provide cigarettes for their wives as well as wireless sets for their families.

CHAPTER XII

LABOUR'S INCREASING PROPORTION OF
THE NATIONAL INCOME

FACED with similar data to those advanced in the last chapter, those Socialists who are committed at all costs to Marx's theory of "increasing misery" under capitalism, have to seek a loophole of escape by asserting that although the standard of the British workers is far higher than it ever was before, in relation to the amount of wealth produced the workers' income is diminishing. This contention, of course, is quite falsified by the facts.

Some amazing statements are made by Socialists in this connection, some of them more than a little disingenuous. In a short statement of *The Principles of the Labour Party* by Sidney and Beatrice Webb, issued in 1918, is the following: "Two-thirds (of the population) that is to say, the manual working class, obtain for all their needs only one-third of the produce of each year's labour." Even if this statement were true in 1918, which it was not, it would show an improvement upon what a leading Socialist, the late H. M. Hyndman, declared was the position in 1884. In a debate held with Charles Bradlaugh, Mr. Hyndman contended that "three or four times the amount" received in wages was produced by the labourer. Bradlaugh referred to a Socialist statement which claimed the workers took a total of only £300 millions out of the then annual income of £1,300 millions. In trying to justify the statement Hyndman replied that the figures were from Giffen and Mulhall. In addition Dudley Baxter was cited for 1869 who, according to Hyndman, said the wage earner received only 255 millions out of a smaller income than the amount given by Giffen and Mulhall, while Giffen in 1876 put the wage earners' share at £338,700,000. Hyndman continued: "Therefore, I say, going from the

figures, upon the system my opponent urges, the working-class get about one-fourth or one-third at the outset of the total produce." This one-fourth or one-third at the outset would seem to be worse than the estimate of the Webbs for 1918.

Yet in spite of these contentions of leading Socialists, in 1931 there was an editorial in the official Labour paper, *The Daily Herald*, bemoaning the alleged fact that the workers' position was getting worse as they now obtained only 46 per cent. of the total income! If it was only one-fourth or one-third at the outset in 1876, and one-third in 1918, the 46 per cent. of 1931 is a gigantic advance in the relative amount of the annual income taken by Labour. Actually all these estimates are quite preposterous, for they omit almost half the income actually received, and even with those in question Hyndman's figures were wrong.

What Dudley Baxter did say in a paper on the National Income read before the Royal Statistical Society in 1869, in his estimate for 1867, was that the manual workers, then about 10,960,000 in number, took £325 millions out of a total national income of £814 millions¹ enjoyed by a total population of 30,000,000. This is much different from the £255 millions out of a "smaller income" than the £1,220 millions to £1,247 millions estimate of Giffen and Mulhall attributed to Baxter by Hyndman. Instead of about 25 to 28 per cent. attributed by Hyndman to Baxter, the latter's estimate was about 40 per cent.

Baxter's estimate of about 40 per cent. was largely confirmed by Professor Bowley working by different methods in 1886 for the year 1867. Professor Bowley arrived at £350 millions instead of £325 millions.

Sir Leo C. Money, in 1905, calculated that the manual workers, 15 millions in number out of a total population of 43 millions, still took about 40 per cent.—£655 millions out of a total income of £1,710 millions. It will be noted, however, that the number of manual labourers of 1905 was less in proportion to the whole in 1905 than in 1867. And the amount of wages per head

¹ See Money's *Riches and Poverty*, p. 310.

had increased by 50 per cent., from £30 to £45. As before remarked, however, these estimates of the share taken by Labour are quite misleading, especially when handled by Socialists.

The figures actually refer only to the *wages of certain* manual workers, perquisites being omitted, and salaries also, pensions and social services, of course, being quite ignored. Among the omissions are the hundreds of millions of pounds taken annually by all professional classes such as lawyers, doctors, authors, teachers, dentists, shop keepers, farmers, politicians, as well as of the small salaries even of those engaged in definitely productive occupation. Of course the salaries paid to managers, directors, and the profits of hard-working manufacturers are all omitted.

Assuming that certain forms of manual labour are alone essential to industry, it is then said, LABOUR produces all wealth and receives only one-third, or whatever is the amount assumed to be paid for about one-half of the effort really necessary for industry.

It is completely overlooked also in these contentions (which incidentally are falsified by the figures even Socialists will publish) that an increasing amount of capital is invested every year far outweighing the increase in the number of manual labourers who, indeed, are fewer *proportionately* to the rest of the population, the leakage being accounted for by the growth of the professional classes of all kinds, and the extension of the advertising and distributive trades, all of which are usually considered parasitic in the estimates made by Socialists.

For the year 1800, Mr. W. H. Mallock calculated in his *Labour and the Popular Welfare* (1894) that, with a population of 10 millions, the total income of the country was £140 millions, of which, on a generous estimate, manual labourers received about £70 millions. Thus, if labour continued to be paid in the same proportion of income to population, it would receive £70 for every 10 millions of the population. This assumes manual labour continues to supply the same proportion of workers, and works the same number of hours. With a population of roughly 45 millions, if wages and total

national income had increased in this ratio, manual labour would in 1931 have received £315 millions out of a total income of £610 millions. Actually the amount in both cases was over four times as much, being nearly £1,400 millions, for certain categories of manual labour, out of a total home produced income of about £3,322 millions. This is not due to any extra exertions on the part of manual labour which, indeed, supplies a far less numerical proportion than in 1800, while the hours of labour have decreased by 60 per cent.; it is due to the better organization and greater amount of capital invested by what Mallock called the factor of "directive ability." Though displaying less energy, manual labour is now required per head at five times the rate of 1800, even if we omit the benefits of perquisites and social services which at least equal the total wages of 1800.

A Socialist authority who is more reliable than most, Mr. J. McCabe, in his *Century of Stupendous Progress*, assumes that the manual workers who, in 1835, obtained 28 per cent. of the national income, in 1925 took 50 per cent. He says definitely that those who have less than £200 a year have shared more than others in the multiplication of wealth. Further, he says, "Sir Robert Giffen estimated that from 1843 to 1883 the income of the capitalist class from capital alone increased by 125 per cent., but the wage of the worker increased by 200 per cent., and during that time the cost of living sank very materially."

Thus the worker's actual standard has vastly improved, and his income, compared with that of the other classes, also increased from 28 per cent. in 1835 to 50 per cent. in 1925, although, according to Sir Leo C. Money, the proportion remained at 40 per cent. from 1867 to 1905.

If, however, we systematically investigate all the factors, we shall find that productive labour of all kinds takes not 40 or 50 per cent., but at least 85 per cent. of the total income. Professor Bowley, in 1919, published a very careful detailed analysis entitled: *The Division of the Product of Industry* of the pre-war income. The 1835 wages of 28 per cent., and the 1867 to 1905

proportion of 40 per cent., by 1911 to 1913 had become 42 per cent., to which must be added various other receipts of Labour in general. In 1911, out of a total income of £1,900 millions, £800 millions or 42 per cent. were received in wages; £264 millions or 13 per cent. "in small salaries or earned by independent workers or small employers whose income was due almost entirely to their own exertions. In all, rather more than half was *earned* by people whose annual income was under £160, and when old age pensions and small receipts from property (whose owners' incomes were below the exemption limit) are included, we find nearly 60 per cent. of the whole in the hands of this group." Of the remaining 40 per cent. (£720 millions) received by income-tax payers from home sources, £145 millions were certainly earned as salaries by farmers, while £190 millions were received as interest on securities. The remaining £407 millions were the total of all profits of trades and professions excluding those whose incomes were under £160. There was a considerable transfer of the incomes of the richer classes for the benefit of the poorer: old age pensions, feeding of school children, much of the expense of education, poor law relief, contributions to national sick and unemployed insurance, and £14 millions in endowed charities. Even of the £190 millions considered as unearned, £76 millions were derived from the ownership of house property. When all receipts for services rendered are deducted out of a total of £1,900 millions, only £550 millions were left as a "maximum estimate of surplus and unearned income." And out of this sum must be deducted the amount required for a large part of the national expense (defence, police, and the rest) and for the necessary purpose of providing for the renewal and extension of plant. Professor Bowley concludes: "When these are subtracted only £200 to £250 millions remain, which, on the extremest reckoning, can have been spent out of home-produced income by the rich or moderately well off on anything in the nature of luxury. This sum would have little more than sufficed to bring the wages of adult men and women up to the minimum of 35s. 3d. weekly for a man and 20s. for a woman, which Mr.

Rowntree, in *The Human Needs of Labour*, estimates as reasonable."

All this nonsense of the worker receiving only one-third of what he produces is seen to be absurd once the figures are really examined. Actually, as Professor Bowley shows, after all taxation, &c., have been deducted not more than 20 per cent. is left in the hands of the "capitalists," and out of this a good share is needed for necessary extensions of plant to cope with increases in the population and generally enlarging needs.

Even when all other necessary payments and perquisites are omitted, the bare nominal sum received in wages gives no support to the wild assumptions of Socialists of the vast accumulation of wealth in the possession of the rich capitalists. Even in 1911, when the proportion taken by labour in the railway industry was far less than now, 39 per cent. of the net receipts went in wages and 9 per cent. in salaries,¹ while as much as 75 per cent. (82½ per cent. if royalties are excluded) were paid to wage earners in the coal-mining industry. In 1907 from 60 to 70 per cent. of the net output was taken in wages in the engineering, cotton, wool and worsted, clothing, boot and shoe, printing and binding and rock working industries. Over 70 per cent. went in wages in iron and steel production, ship-building, brick-making, pottery and building. Says Professor Bowley: "In the whole group of industries for which we have adequate information, taken all together, excluding railways, it is found that 58 per cent. of the net product (after all the expenses and depreciation are met) goes to manual workers, 4 per cent. in small salaries, 6 per cent. in salaries over £160; in all 68 per cent. goes to those employed." And this 68 per cent. does not include the cost of advertisements and the salaries paid to managers and other necessary directors of industry.

Since this period the proportion taken by Labour has substantially increased. In his *Economic Consequences*

¹ In 1932, when an attempt was made to adjust wages in the railway industry, figures were given by the heads of the companies which showed that while wages and salaries together took 50 per cent. of the receipts in 1913, in 1932 wages and salaries amounted to 75 per cent.

of the War, Professor Bowley gives details of changes which Mr. J. A. Hobson and the Socialists might study when demanding a still greater share of the national product for manual labour. Among other things the national savings are about £150 millions a year less than before the war. Details are given of income-taxation which has increased so heavily since 1914. "Thus with income-tax and super-tax the highest incomes were reduced by nearly one half in 1925 as compared with a reduction of one-twelfth in 1914. . . . Hence the number of the rich, defined as those who had £10,000 to spend (or save) in 1914 and the equivalent amount in 1925, had fallen from 4,000 to 1,300."¹

After deduction of income- and super-tax it appears there were in 1913-14, 24,000 with an income of £3,000; 3,500 with an income of £10,000; and 175 with an income of £50,000. After similar deduction in 1924 and 1925, corrected by the increase in the cost of living, had been made, the above numbers of 24,000 rich became 13,700; the 3,500 very rich became 1,300; the 175 extremely wealthy became 60.

"The combined effect of the rise of prices, of income-tax, super-tax and death-duties, and the stationariness of income from land, has been to destroy the wealth of many landed proprietors, lead to the closing of some country houses and selling of others, and also to the selling of many farms, so that the former tenants are now owners."²

Professor Bowley also says: "The very rich have less than half their pre-war income."³

"In summary we may say that great progress has been made towards the extinction of remediable poverty, considerable inroads have been made on excessive wealth, and generally income is less unequally distributed than it was ten years ago."⁴

Even since the foregoing calculations were published in 1930, further inroads have been made on the income of the well-to-do. The "idle capitalist" anathematized by the Socialist as taking two-thirds of the product of labour, to-day is fortunate if on the whole he gets one-

¹ P. 138. ² P. 139. ³ P. 160. ⁴ P. 165.

eighth after obligatory charges have been met. And these increases in the share taken by Labour have been accomplished at a time when 22 per cent. of its members were out of work and so making no contribution to the production of wealth, while the hours of those in work have been shortened by 13 per cent. since 1914, and by 60 per cent. since 1800. Altogether, of recent years British Labour has been placed in so privileged a position that trade has suffered to an enormous degree by the enhanced costs so occasioned.

Recent publications illustrate the increasing proportion of the national income which is taken by those who labour with hand or brain. As illustrating the fact that the poor get richer and the rich get poorer is a Blue Book, Cmd. 4195, issued on December 12, 1932, which is a report of the Commissioners of Customs and Excise for the previous year ending March 31, 1932. As indicating the reduction of poverty, we learn that money-lenders are now only 3,519 in number as compared with 3,786 in 1927 and 1928, while pawnbrokers during the same period declined from 3,786 to 3,384. The increased number of houses has been reflected in 201 more appraisers and house agents.

On the other hand, as indicating the restricted increase of the rich, we find that gun licences had fallen in number by nearly 20,000, and of those for game (including gamekeepers) by more than 5,000. Butlers and footmen are less in demand, the number of licences for male servants being 10,000 less in 1931 and 1932 than in 1927 and 1928. The receipts from income-taxation also get less in spite of the increase in the *rate* of income- and of sur-taxes.

Burke's *Landed Gentry* shows that nearly one-third of the 2,500 families who used to own large estates have been obliged to sell them during the last twelve years at scrap-iron prices. A country residence and estate in the North Midlands, which was valued at £100,000 some years ago, failed to sell at £4,000 when put up for sale recently.

Land has depreciated, big estates have been broken up into small holdings, and house estates and historic seats have become nunneries, asylums, sanatoria,

schools and county clubs. The price of agricultural land has fallen enormously. In Norfolk recently the freehold of several hundred acres sold at 35s. an acre, when in normal times £20 an acre would have been realized. Elsewhere in East Anglia country farms have been sold outright, including farmhouses, steadings and cottages at £4 or £5 an acre. In some parts of Norfolk, Suffolk and Essex, in 1932, landowners were letting farms temporarily rent free, because having no capital left to work them they prefer the land should be farmed rather than allow it to deteriorate.

In 1932 was published a work by Colin Clark entitled *The National Income, 1924 to 1931*. The following table from p. 72 is full of interest:—

HOME-PRODUCED NET INCOME: DIVISION BETWEEN FACTORS OF PRODUCTION.

(Figures in £ millions).

	1911	1924	1926	1927	1928	1929	1930	1931
Wages	773	1,413	1,352	1,474	1,460	1,482	1,433	1,376
Salaries	215	741	821	821	835	838	827	808
Rent (land and buildings)	200	258	270	282	288	293	303	313
Profit and interest	624	989	1,008	1,035	990	1,106	1,117	825
Total	1,812	3,401	3,451	3,612	3,573	3,719	3,680	3,322
Net income from overseas	200	185	233	275	276	287	258	177
Wages as per cent. of whole home - produced income	42.5	41.5	39.2	40.8	40.8	39.9	38.9	41.3
Salaries as per cent. of whole home - produced income	11.9	21.8	23.8	22.6	23.4	22.5	22.5	24.2

It will be noted that rent, interest and profit have increased very little in nominal values between 1911 and 1931, as compared with the large increases allocated to wages and salaries. In real values rent, interest and profit take much less than in 1911 after allowance has

been made for an increase in the cost of living of about 50 per cent. to keep pace with general prices. The £824 millions of 1911 should be at least £1,212 millions in 1931 instead of being only £1,138 millions as shown. And this leaves out of account the increased amount of capital invested between the two years, upon which interest should be paid to a greater number of holders. Nor does it stress the far greater proportion of income which had to be sacrificed in taxation in 1931 as against 1911.

With regard to wages it must be noticed that although the *percentage* dropped from 42·5 per cent. in 1911 to 41·3 per cent. in 1931, the latter percentage is for a year of abnormal unemployment when 22 per cent. of the workers were out of work as against about 6 per cent. in 1911. If the amount taken in doles (about £119 millions) were added to the wages the percentage would show a perceptible increase between the two years. Also the proportion of workers classed among *wage* earners dwindles every year quite apart from unemployment, as a greater proportion is enrolled in the category of *salaried* workers year by year. If wages and salaries are included in one category as the reward of labour, physical and mental, as they should be in the argument, a far different picture is presented, which is illustrated by the following table:—

	1911	1924	1926	1927	1928	1929	1930	1931
Rent (land and buildings) as per cent. of whole home-produced income	11·0	7·5	7·8	7·8	8·0	7·8	8·2	9·4
Profit and interest as per cent. of whole home-produced income	34·4	29·0	29·2	28·6	27·7	29·7	30·3	24·7
Wages and salaries	54·6	63·5	63·0	63·6	64·3	62·5	61·5	65·9

Thus between 1911 and 1931 the proportion of the actual income taken by labour in wages and salaries

increased by 11·3 per cent. in spite of the fact that nearly four times as many were unemployed in 1931 as compared with 1911 and weekly hours worked were considerably reduced. If the amount received in social services, paid for largely by the rich and enjoyed solely by the workers, were calculated, an additional 12 per cent. would have to be added to the proportion which Labour obtained for much less work, as hours are less, and about one-fifth of the workers are unemployed. Thus instead of one-third imagined by the Socialist, Labour takes about 78 per cent. of the annual income, a much greater proportion than ever obtained prior to the war.

Just as this book is going to press additional information has come to hand in the form of the Inland Revenue Returns for the year ending March 31, 1932, illustrating the diminution of the wealth of the very rich. The net receipt of death duties for the year indicated was £64,684,803 compared with £83,092,937 in the previous year, the greatest decrease under this heading being £17 millions in estate duty. A reduction in incomes was also noted. For the purposes of calculation those assessed for surtax on individual incomes of £50,000 a year are deemed to be millionaires. During the year under review these numbered 523, a reduction of 39 on the previous year. The total incomes of this class were £55,151,775, a decline of £2,528,348 on the previous year.

A reduction was also noted in the number of surtax payers—persons with incomes in excess of £2,000 a year. Surtax was paid by 105,517 persons, including millionaires, on an aggregate income of £577,314,062, a reduction of 60 people and about £6,500,000 in cash.

Even these reduced figures will excite envy in the breasts of those with smaller incomes and speculations upon the colossal addition to the wages their distribution would occasion. But one's envy may be modified by remembering that taxation considerably reduces the sums, a person with an income of £10,000 a year having to pay a tax of 7s. 10d. in each £, while the millionaire with nominally £150,000 a year must forfeit 12s. 7d. in the £, or nearly two-thirds of his income. The £55,151,775 total income of the millionaire class is reduced by

taxation to about £27 millions, and the £577,314,062 of the surtax-payer class is reduced to about £340 millions.

The unemployed took in doles last year £120 millions or four-and-a-half times the net total amount of all the millionaires, and more than a third of the net total amount taken by all those whose income is £2,000 or more per annum.

If the amount taken by the millionaires were distributed among those who now receive wages and salaries amounting in 1931 to a total of £2,184 millions it would add less than one-eightieth to their income. This means that if we assume the average remuneration of those who receive wages and salaries to amount to 80s. per week, a sum less than 1s. would be added to the weekly remuneration of each person who had shared in the spoliation.

Even if the net incomes of all those with £2,000 or more per annum were shared out among the whole of the people of the United Kingdom, a sum less than one-tenth of the total income would be available for distribution instead of the immense proportion presupposed by the Socialist demagogue. And after one distribution the income would have disappeared, for it most certainly would not be available the following year, as the chief incentive to produce it would have gone from the minds of those who had once earned it. There are no short cuts to the millennium!

If we had not to compete in the world market with other nations whose wage rates and burden of taxation are considerably lower than our own, high wages in Britain could be viewed with more favour by the economist. As it is, British industry is burdened with a handicap, the result of which has been seen in our colossal unemployed figures during the last ten years.

A few details comparing wages in Britain with those of some of our chief competitors abroad may be useful. The following details were given on May 16, 1930, by the Minister of Labour in the House of Commons. His authority was the International Labour Office. The rates prevailing in the three chief cities in each country are given :—

STANDARD HOURLY TIME RATES OF WAGES OF ADULT MALE WORKERS IN JANUARY, 1930.

	Building			Engineering		Cabinet-makers	Printing— Hand com- positors	Bakers	Transport			Local authori- ties' un- skilled labourers
	Brick- layers and masons	Carpenters and joiners	Labourers	Fitters and turners	Labourers				Tram and bus drivers	Motor van and lorry drivers	Railway goods porters	
Great Britain ..	1s. 7½d. to 1s. 9d.	1s. 7½d. to 1s. 9d.	1s. 2¾d. to 1s. 4d.	1s. 2¾d. to 1s. 4d.	10¾d. to 11d.	1s. 7d. to 1s. 9d.	1s. 6¾d. to 1s. 10½d.	1s. 2¾d. to 1s. 4d.	1s. 3d. to 1s. 7½d.	1s. 2¾d. to 1s. 6d.	11½d. to 1s.	1s. 1¼d. to 1s. 4½d.
Germany	1s. 3¾d. to 1s. 6d.	1s. 4¼d. to 1s. 6½d.	1s. 1½d. to 1s. 3d.	1s. 1d. to 1s. 3½d.	9½d. to 9¾d.	1s. 3½d.	1s. 2½d.	1s. 2¾d.	1s. 1¾d. to 1s. 4½d.	1s. 0½d. to 1s. 4½d.	9¾d. to 1s.	1s. 0¼d. to 1s. 1d.
France	8¼d. to 1s.	8¼d. to 1s. 0¼d.	6½d. to 10¼d.	7½d. to 1s.	5d. to 8d.	9d. to 1s. 1d.	10¼d. to 1s.	9d.	7¾d.	8½d.	—	6½d.
Italy	8¼d. to 9¾d.	9d. to 10¾d.	6½d. to 7¼d.	7d. to 9d.	5½d. to 5¾d.	9d. to 9¾d.	10d. to 10¾d.	10d.	7d. to 10½d.	5¾d. to 7¾d.	7½d. to 8d.	5½d. to 7d.
Czecho-Slovakia..	1s. 1¼d. to 1s. 2¾d.	11½d. to 1s. 0¼d.	10½d.	11¼d. to 1s. 1½d.	6¼d. to 6½d.	9¾d. to 1s. 1d.	11½d. to 1s. 0½d.	9¾d. to 10½d.	10¼d. to 1s. 1½d.	9½d. to 10¼d.	—	5½d. to 7d.

The German rates since these figures were issued have been considerably reduced. Even at the time of publication they were regarded by industrialists of this country as exaggerations of what sums were actually paid.

The Macmillan Report gives a short table which is based on hourly time rates as operating in January, 1930.

Great Britain	..	100
Holland	..	87
Germany	..	77
France	..	58
Italy	..	43

In the course of an address reported in the *Financial Times*, January 28, 1931, Sir Robert Horne gave the proportion of wages paid as 100 in England, 73 Germany, 55 France, 45 Belgium, and 39 Italy.

It will be noticed that the French, Belgian and Italian proportions, if fused, are less than half of those prevailing here, while the German rates (since heavily reduced) were about three-quarters. These rates must be considered in relation to the payments made for social services, of which details will be given in the next chapter. We shall there see that the unemployed dole in England is equivalent to French-Italian weekly wages. As one concrete illustration of the differences in wages, we find that in 1929, when the British miners' average earnings per shift were 9s. 7d., those of the Polish miners in Upper Silesia were only 4s. 6d., or less than half.

The high cost of transport is frequently mentioned as a factor in the increase of British costs of production. Lord Bradbury, in the Macmillan Report, gives this as one of the chief causes of unemployment. In the work on *Unemployment: Its Cause and Cure*, which is the report of an inquiry authorised and conducted by the General Federation of Trades Unions, a whole chapter is devoted to the question. A report is cited which says that the average price of the 1922 wheat crop was only 30 per cent. ahead of 1914, whereas, during the principal months of the cereal year of 1922-3, railway rates were 75 per cent. in advance of those of 1914. In the same year, with railway rates 75 per cent. up, the prices of potatoes in the wholesale market were on the average below those of 1914! Obviously this hits the British farmer and makes for unemployment.

So with iron and steel. In 1926 wholesale prices were realizing only 17 per cent. above those of 1914, with railway rates four times that percentage ahead of pre-war rates. Wool and cotton manufacturers were paying 83 per cent. more for cost of transit. The cost of coal transport had increased from 2s. per ton in 1913 to 3s. 7d. in 1924, an average of 80 per cent. The cost of transporting rainwater pipes and baths had increased over 61 per cent.

The 1913-26 increase in railway charges for the transport of pig iron expressed as a proportion of the sale price was 5 per cent. As a difference of 1 per cent. will often determine whether furnaces shall be idle, this increase has an obvious bearing on unemployment.

All are agreed that freightage rates on the British railways should be reduced as an indispensable step towards trade recovery. But, as a Royal Commission pointed out, the chief causes of high transport charges, which are now 60 to 70 per cent. above those in 1913, passenger rates being 50 per cent. above,¹ were the very large increases made in the pay and the reduction in the hours of the railway employees. The cost of labour on the railways had increased between 1913 and 1924 from £47 millions to £120 millions, *an increase of 153 per cent.* as against an increase in the cost of living of 75 per cent., and of freightage rates of much less. Even the trade union compilers of the book from which I take these particulars point out that "the railwayman was 80 per cent. on the credit side." Even in 1933, with the cost of living only 36 per cent. over pre-war, railway wages were well over double, amounting to a total of more than £100 millions. During the discussions between the railway unions and the directors of railway companies in December, 1932, money wages then stood at 114 per cent. and salaries 90 per cent. higher than in 1914.

It is not generally realized what tremendous improve-

¹This is the standard rate. But during the summer months, from May to September, 1933, under certain conditions, much travelling is to be conducted at one penny per mile, which was the standard pre-war rate.

ments have been made in the conditions of railwaymen, to a large extent at the expense of British industry, as events have shown. I have not space to give many details of these improvements. A few must suffice. Hours of labour are now 48 per week; any extra hours are paid for at enhanced rates. The weekly minimum is 40s. The pre-war conditions were illustrated by a speech made on January 2, 1932, by Mr. J. H. Thomas at Newport. Mr. Thomas said that when he first became general secretary of the N.U.R. there were 100,000 railwaymen obtaining less than 18s. per week for 68 hours. He had worked 12 hours a day, 7 days a week for 3s. per day.

The average weekly earnings in 1910 on the 27 principal railways of Great Britain were 23s. 3d. in Scotland and 26s. 3½d. for England and Wales, the hours worked being 58 for the United Kingdom. The earnings in 1933 averaged well over 60s. for a 48 hour week. In 1913 salaries and wages amounted to 57 per cent. of the total receipts: in 1930 the proportion had increased to 67, and in 1932 to 75 per cent. Profits, which were £48,582,000 in 1911, had dropped to £31,000,000 in 1932. The rate of interest had dropped from 3½ to 6½ per cent. in 1910 to 3·18 per cent. in 1931, income taxation having, of course, also increased at an enormous rate. The profits of the railways are limited by Act of Parliament to what they were in 1913, although wages as we have seen may increase by over 150 per cent. If this profit is exceeded, four-fifths must be given back to the public in the form of reduced charges. So far this statutory profit has not been reached since the war, for the year 1930 being over £13 millions short and in 1931 and 1932 with a still greater deficiency. The railway directors complain of unfair road competition in addition to the unduly high costs of labour. It is said that in 1930 £16 millions were lost to the railways through the competition of the roads. But for this loss fares and rates would have been lowered, whereas in actual fact in 1927 the rates on freight traffic had to be raised by 7 per cent. Those concerned with road traffic in turn point out the heavy charges they are obliged to meet, taxation now having reached an extraordinary figure in addition to the burden

of wages which, in the case of an unskilled occupation, like that of a London bus conductor, amounts to nearly £4 a week. In 1932 a standard London omnibus had to bear a tax of £373 per vehicle, which was equal to the fare of $2\frac{1}{2}$ passengers per mile of travel. The petrol tax of the London and General Omnibus Company for 1932 was £1 million, and the full taxation, local and national, to be met by the companies with which it is associated was nearly £1,800,000.

One trouble on the railways has been that, while wages were fixed on a level substantially higher than that of 1913, and were to rise or fall with the increase in the cost of living, although wages were raised when prices went up, when the reverse movement developed wages have not been allowed by the men to follow prices during the last few years.

It is obvious that there is an urgent need for adjustments of wages to present price levels, not only on the railways, but throughout all industries, especially in those trades sheltered from the brunt of foreign competition. Even if hourly wages were placed upon the 1914 bases, with full allowance for the 36 per cent. increase in the cost of living (May 1, 1933), no unjustifiable hardship would be placed upon the labouring classes who would thus have passed through a devastating war, leaving the other classes with an immense burden of taxation to be borne out of an income which certainly has not increased at the same rate as retail prices.

The effect of these wage and salary adjustments would be felt immediately, for we should then, for the first time since 1918, be in a position to compete on terms ensuring some chance of success with the nations who have managed to appropriate a large slice of our export trade. British unemployment would be reduced enormously. Otherwise, when the world slump passes, we shall be in an even worse position relative to that of other nations than we have been since the Armistice.

Mr. J. A. Hobson urges that some method should be applied whereby wage rates should automatically rise with rising prices and profits so as to avoid losses due to the time lag. But wages must not follow prices in a downward direction because this would produce instability.

The wages are to be standardized at the high level however prices fall and profits disappear! This for Labour is a "heads I win and tails you lose" policy with a vengeance! It is obvious to anybody not obsessed with the notion of high wages, even if half the people cannot obtain them through unemployment, that if prices of imports are very low the foreign customer cannot pay the prices necessary to provide high wages for the British workman; and if profits disappear the wages cannot permanently remain high because the employers will go bankrupt and the workmen will be discharged.

It is frequently argued that it is salutary that employers who cannot pay high wages and still carry on should go to the wall. A number of bankruptcies are said to be healthy because they weed out the inefficient employers. But the same logic applied to workmen is regarded as callous, and Labour insists upon adequate protection for even its most inefficient members. Mr. Hobson argues that a reduction of wages, even when prices and profits are falling, is bad because it enables the inefficient employer to remain in business. His profits must not be safeguarded, although trade unions are to maintain the wages of inefficient workers at the high-standard level; while Parliament is to protect the victims of the sweater, who are usually very much below the normal proficiency.

Mr. Hobson argues that high wages "have everywhere operated as incentives for employers to discover, adopt and improve other economies, technical and administrative, which have more than offset the higher cost of labour." Labour, in refusing to accept reductions, is aiding progress. "To lower costs of production by reducing wages is to take a backward step in civilization: to achieve the same result by some improvement in machinery or process, some economy of the use of power, by discovering and developing a market for some by-product, by better book-keeping, cost taking, and management is to take a forward step in civilization."¹ He goes on to argue that the high wages of the American workman fostered economies which resulted in high

¹ *The Economics of Unemployment*, p. 91.

output; and that during the period in mass production when low wages were paid in Germany little stimulus was given to rationalization.

And yet it is Mr. Hobson who writes a book to prove that rationalization confers all the benefits upon the employer and is one of the most potent causes of modern unemployment!

Therefore on his reasoning high wages = rationalization = greater exploitation = unemployment.

Also it is admitted by Mr. Hobson that "labour in this country, or elsewhere, often offers an obstinate resistance to such improvements of technique and administration as are here suggested."¹

Thus even if high wages give a high degree of purchasing power in the home market, since the compensations of rationalization are opposed, the subsequent high prices kill the export trade, while if rationalization is accepted workmen are supposed by Mr. Hobson to be displaced faster than they can be re-absorbed. Mr. Hobson is landed in a peculiar dilemma!

In reviewing the Labour case for high wages Mr. Hobson examines the contention of Labour that high wages are necessarily economical to the employer since the output is high in compensation. Mr. Hobson is candid enough to admit this argument is weak, for "a sudden or rapid large increase in wage rates is not normally accompanied at once by increased efficiency and productivity of labour. On the contrary, its early effect is often detrimental. The growing of new, wholesome needs and satisfaction in a standard of living is a slow process. Sudden new increases of income are seldom put to the best uses by any class of recipients. Hence a considerable rise in wage rates may, and often does, mean that either fewer days are worked, or that some money is spent in ways not conducive to higher efficiency."²

Mr. Hobson goes on to show that low wages mean low costs:—

"So far as immediate costs of production are concerned, there is much evidence to sustain the view that low wage

¹ *Ibid.*, p. 93.

² *Ibid.*, p. 87.

periods mean low labour costs and high wage periods high labour costs in trades where normal minima are above any 'sweating' level. If this view is correct, the 'economy of high wages' cannot be pleaded as a sufficient answer to the claim for wage reduction, regarded from the standpoint of immediate trade policy."¹

In the case of two sharply competing countries such as England and Germany we are undersold by their lower costs based on lower wage rates.

"We simply cannot produce because Germany by the lower costs (i.e., sweating) we have forced upon her, occupies too much of this limited market."

Further, "It not only appears to be, but is, to the immediate interest of British trade, and even of the British workers, to lower the standard of wages towards that of the German workers."²

After showing how wage cuts here would enable us to obtain contracts which otherwise would go to Germany, and so stimulate world trade in markets now depressed so that a total higher quantity of exports would be restored beyond the limits of Germany's capacity to supply, Mr. Hobson concludes: "Thus it would appear temporarily advantageous to lower our wages to the German level."³

Mr. Hobson fully recognizes that the high-waged countries must suffer more unemployment in times of depression than the countries with lower wages, and we are accordingly most exposed to this danger. Even if rationalization is forced upon us by our high wages, America and Germany can under-sell us, for they have the same technical advantages with a more flexible wage system which permits of cheap labour being employed on inferior classes of goods which oust our superior qualities in times of world impoverishment. Failing some international agreement, we shall continue to lose trade. The better distribution of the national income within a single area like that of Britain "might drive a good deal of the trade, capital and labour to other national areas where profits were higher and wages lower." Until the other countries are prepared to fall into line, Mr. Hobson

¹ *The Economics of Unemployment*, p. 88.

² *Ibid.*, p. 120.

³ *Ibid.*, p. 97.

admits that great Britain must suffer intense unemployment through loss of foreign trade by the present policy of keeping wages unduly high, although this is the policy he still continues to advocate!

It is good to suggest that other nations must raise their wage standards to ours, but until they agree what are we to do? To this Mr. Hobson has no effective reply.

But if British unemployment is to be solved the nation must have an answer. And the answer is that if our competitors will not raise their wages we shall be obliged to lower ours. We do not need to reduce to their level, but we do need to bear in mind that the attempt to maintain unduly high rates of wages and extravagant social services after years of falling prices and a shrinking export trade, is one of the chief factors responsible for the permanence of millions of British unemployed. It is bad economics and false morality for workers to insist upon high standards at the expense of three millions of their countrymen who are obliged to exist on a level lower than British industry could provide for a considerable proportion of them who would be absorbed, providing the costs of production were placed in closer relationship to the purchasing power at the disposal of the international consumer.

A word should be said about the waste entailed in disputes, especially in those which are the outcome of an attempt to prop up wages after prices have considerably fallen.

The following table shows the number of days lost in disputes since 1921 :—

AGGREGATE NUMBER OF WORKING DAYS LOST THROUGH DISPUTES
1921-32.

Year	Number of Disputes	Number of workers involved	Days lost
1921	763	2,100,000	85,872,000
1922	576	552,000	19,850,000
1923	628	405,000	10,672,000
1924	710	613,000	8,424,000
1925	603	441,000	7,952,000
1926	323	2,751,300	162,233,000
1927	308	144,200	1,174,000
1928	302	124,000	1,388,000
1929	431	533,800	8,287,000
1930	422	308,700	4,399,000
1931	420	490,000	6,980,000
1932	389	379,000	6,490,000
		Total	.. 223,721,000

Thus a total of 223,721,000 days, equalling loss of work for 750,000 persons for one year, was lost in twelve years. The wages lost amounted to £100 millions. In addition, trade was lost, some of it permanently, and much of it for months or even years after the disputes were settled.

The 1932 disputes ended by 22·6 being in favour of the workers, 43·2 in favour of the employers, 34·2 by compromise. Those disputes settled in favour of the workers involved only 6·9 of the workpeople; in favour of employers 47·9; on a basis of compromise 45·2. Two-thirds of the workers involved in 1932, therefore, lost their case, the chief reason being they were resisting inevitable adjustments of wages to falling prices as their employers had long before this been compelled to adjust their profits. The pity of it is that the settlements which must be arrived at cannot be arranged before the stoppages so costly to both masters and men.

CHAPTER XIII

WHY COSTS ARE HIGH: THE BURDEN OF TAXATION

IN the year 1913-14 the Budget expenditure amounted to £197,493,000. In the year 1930-31 the expenditure had increased to £881,037,000. From the latter amount we may deduct £81,866,000 in respect to the Post Office and the Road Fund which were self-balancing items. Thus some £800 millions had to be raised in taxation of various kinds. Although the cost of living had declined from an average of 76 per cent. above 1914 in 1922 to an average of 45 per cent. above 1914 in 1931, the Budget expenditure had increased in the meantime by £69 millions.¹

The following table is supplied by the May Report :—

NATIONAL EXPENDITURE.

	1913-14 £	1931-32 £ (estimate of)	1931-32 (reduced to 1913-14 prices) (145 : 100)
Service	195,800,000	884,900,000	610,300,000
Less Self-balancing	25,700,000	81,500,000	56,200,000
	170,100,000	803,400,000	564,100,000
Debt Interest ..	16,900,000	302,900,000	208,896,000
Add Sinking Fund	7,600,000	52,000,000	35,931,000
War Graves ..	602,000		416,000
Navy	49,078,000	52,181,000	35,987,000
Army (including Ordnance Factories)	29,000,000	40,794,000	28,133,000
Air Force	—	18,437,000	12,715,000
Total Defence Forces	78,078,000	111,412,000	76,835,000

¹ In his Budget speech on April 25, 1933, Mr. N. Chamberlain said that in April, 1931, excluding interest on the American debt, our ordinary expenditure was at the rate of £785 millions a year. For the year ending March, 1933, the expenditure was £777 millions, and for the year ending March, 1934, it was expected to be £697 millions. This last-mentioned sum, however, ignored payments due to America of £51 millions, and £82,439,000 derived from self-balancing revenue. A reduction of £88 millions, due to lessened interest charges and other economies was, however, recorded during the previous two years.

To which may be added the fact that the total for social services was £65 millions in 1914, while in 1930 the total (including war pensions) was £404 millions, and in 1931 about £463 millions.

The following table gives the increases in taxation and revenue from customs and excise :—

INCREASE OF REVENUE AND TAXATION.			
	1913-14	Year ending March 31, 1931	Year ending March 31, 1932
	£	£	£
Income-Tax ..	44,500,000	256,000,000	287,367,000
Super-Tax ..	3,000,000	67,800,000	76,700,000
Excess Profits Tax	—	3,000,000	2,500,000
Estate Duties ..	27,000,000	82,600,000	65,000,000
Total ..	74,500,000	409,400,000	431,567,000
Excise	40,000,000	124,000,000	119,900,000
Customs	36,000,000	121,400,000	136,152,000
	150,500,000	654,800,000	687,619,000

It will be noticed that the amount levied in direct taxation had increased nearly six times, and that of indirect taxation three and a half times.¹

The rises in the £ of the rates of income-tax during the last twenty-five years were as follows :—

	s.	d.		s.	d.
1907	1	0	1922-23	5	0
1909-14	1	2	1923-25	4	6
1914-15	1	8	1925-30	4	0
1915-16	3	0	1930-31	4	6
1916-18	5	0	1931-32	5	0
1918-22	6	0	1932-33	5	0
			1933-34	5	0

In the decade ending in 1931, over £675 millions had been paid in death duties which had mounted from £27 millions in 1914 to £52 millions in 1921-22, and were £82,610,000 in 1930-31.

As examples of how heavily hit the more prosperous classes have been by the exorbitant increases in taxation may be mentioned the fact that after the passing of the Emergency Budget of 1931, estates of £2 millions or over

¹ In February, 1931, the Financial Secretary to the Treasury said the estimated yield of taxation for the current year was 66·16 per cent. from direct taxation and 33·84 per cent. from indirect taxation. In 1913 the percentages were nearly equal.

had to pay a death duty of 50 per cent., and those persons with an income of £60,000 per annum had to pay 11s. 8d. in the £ in income- and sur-tax combined. This means that a person with an earned income of £15,000 in 1914 would have to receive quite four times as much income in 1933 to keep him on his pre-war standard. The sum of £60,000, after the Budget of 1931, would be subject to a deduction of £20,081 in sur-tax, and another deduction of £15,000 in income-tax, reducing the receipts to a net income of £25,000. As this sum would have fallen by one-third in value owing to the increases in the cost of living, he would find himself with a sum equivalent to the pre-war £14,666.

One result of the taxation of the rich and the increase of wages and social services of the "poor" has been a reduction in the sum available for saving, amounting in modern values to about £150 millions per annum. As the small investors have increased their savings at the average rate of £135 millions a year since 1913, this means that the wealthier classes have reduced their savings by about £250 millions a year if we assume the small investor saved £30 millions a year before the war. Mr. S. E. Thomas calculates that since the war £200 millions a year have been transferred from other classes to the pockets of the manual workers. But if social services are added to increases of wages the sum of £400 millions per annum would, I think, be nearer the mark.

A second result of increasing taxation has been the reduction in the yield of income taxes, testifying to the diminution of the incomes of the prosperous classes.

The following table illustrates this tendency:—

DIMINISHING RECEIPTS FROM INCOME TAXES.

	Year ending March 31, 1932 £	Year ending March 31, 1933 £	Year ending March 31, 1934 £ (estimate)
Income Tax	287,367,000	251,539,000	240,000,000
Sur- and Super-Taxes..	76,700,000	60,650,000	51,000,000
Estate Duties	65,000,000	77,140,000	75,000,000

The Chancellor stated, in his Budget speech of April, 1933, that 12,000 persons who had been liable to sur-tax in 1931 were found in 1932 to have dropped below that level. The amount now derived from sur-tax, he said,

was "depressingly low," traders' profits being considerably less than a year before. The increased receipts for the year ending March, 1932, over the previous twelve months shown in a previous table, were due to the higher rates; the reduced receipts of the two following years were the result of these increased rates applied to reduced incomes.

Another result of excessive taxation has been the break-up of many estates and the discharge of a great number of the staffs of large mansions now too expensive to maintain on a vastly reduced income. A striking example was that of the Durham estate. During 1928-29 the estate changed hands twice owing to the deaths of the third and fourth Earls of Durham occurring within four months. Having to bear two heavy death duties within a short time, the estate which originally had been worth £2 millions dwindled to £1,050,000, from which must be deducted the further fall due to changes in value since the war. Lambton Castle, Durham, was closed and houses in London and Newmarket were sold, and the estate was broken up. As a result of these changes, some hundreds of servants and workpeople of various kinds who were once employed on the estate had to be discharged. About one-third of the large estates have been broken up since the war, and 5,000 gamekeepers and 10,000 men servants have been discharged.

It is sometimes argued that excessive taxation does not hurt industry as the charges are levied after the business has been done and they cannot be transferred to the selling prices of goods. They are assumed to be merely a tax upon excessive luxury or savings. To which it may be remarked that even luxuries may employ large numbers of people, whilst savings are usually invested in such a fashion that capital is provided for services very essential to the community. If this capital is not available as the population increases the potential world demand for commodities, we are unable to take full advantage and our trade will suffer. Always in a progressive country, anxious to improve its standard of living by the sale of its goods, there must be replacements of obsolete machinery and the extensions of plant, all of which require an increasing amount of savings which is

turned into capital. If the savings of British investors are depleted so that we cannot keep pace with world requirements, we are obviously handicapped. The banks are besieged for credit which they may not care to extend, even if they have supplies available, to a number of borrowers whose reserves have been unduly exhausted by taxation.

Also, in a progressive community it is necessary to have a certain amount of capital for new enterprises, some of which may be of a highly risky character. These new enterprises may or may not justify the confidence of their promoters, but without them little progress could be won. Many of them fail, but others yield high rewards to those with the requisite cash and courage combined with business acumen.

When ample supplies are available, rich men need not risk all their cash in any new undertaking of this nature ; a loss to them, therefore, does not mean penury. But when the tendency is for the smaller investor to absorb the national savings, leaving a much smaller amount in the hands of the rich, obviously more care must be taken to safeguard investments, for the failure of a new enterprise may sacrifice the whole life's savings of a man without other reserves. Thus to-day there is far less inclination to invest money in any new undertaking which almost of necessity is of a speculative character, since none can foretell how the public will support an innovation. And employment accordingly suffers.

Also, if taxation is unduly high the manufacturer, faced with foreign competition at lower prices, cannot reduce his own charges sufficiently because, however he economises, he needs a certain minimum of net income to discharge his personal obligations as a man and as a husband and father. If he is faced next year with an increased rate of taxation he cannot afford to lower his profits so much as he could in the absence of the increase.

Even so determined a Socialist as Lord Snowden, when Chancellor of the Exchequer, sounded many warning notes as to the adverse effect of heavy taxation upon industry. Speaking in the House of Commons on February 11, 1931, he said, "I believe . . . that an increase in taxation in present conditions which fell on

industry would be the last straw. Schemes involving heavy expenditure, however desirable they may be, will have to wait until prosperity returns. This is necessary . . . to uphold the present standard of living, and no class will ultimately benefit more by present economy than the wage-earners."

In spite of this plain recognition, the speaker imposed heavier burdens on the taxpayer later in the year, and when it was afterwards suggested that revenue expected from the tariff duties should be utilized to remove the "last straw," Lord Snowden, in the House of Lords on February 29, 1932, raised a vigorous protest.

With the higher charges for insurance paid on behalf of his employees, and the increases in local rates due to lavish poor-law relief, expensive housing schemes, or education, of necessity these are direct burdens upon the cost of industry which must somehow come out of the purchaser if the business is to continue without a loss.

Local rates increased between 1913 and 1931 from a total of £79 millions to £165 millions or 109 per cent., being an increase of from £1 18s. 11d. to £4 2s. per head.¹ The relief paid to paupers, indoor and out, cost the country £72,720,000 in 1928, the amount of relief per head having increased by 140 per cent. It was noticeable how both general rates and poor rates increased in the districts where Socialists were in power. The cost of these heavy rates has to be transferred to commodity prices, which is important when we are being undercut by foreigners largely free of these charges. In the iron and steel trade the cost of social services alone increased from 2'6d. per ton in 1913 to 8d. per ton in 1931, and in the coal industry from 4d. to 9½d. per ton. The following are a few examples of increased costs in general.

The railways which paid in rates £4,768,000 in 1914 had to find £14,825,000 in 1924, which of course affected the costs of transport.

¹ This increase is in addition to a municipal debt which, since the war, has been piling up at the rate of £65 millions a year, about which details are given later. In 1913 the municipal debt for England and Wales was £562,500,000. In 1930 it stood at £1,224,700,000.

The London General Omnibus Company and associates paid in 1932 in petrol tax and vehicle duties alone £1,752,000, which was an increase of £300,000 on 1931, although the "Common Fund" receipts showed a net decrease of £175,750.

The Consett Iron Company paid £29,000 in local rates in 1914, and £118,000 in 1926-27. Messrs. Armstrong, Whitworth and Company, whose rates averaged 15s. 4d. per employee in 1914, paid £5 8s. 4d. for each person in 1927. Messrs. Sanderson Brothers and Newbolt, Ltd., manufacturers of Sheffield steel, found their rates increased from £1,785 in 1913 to £5,031 in 1926. Sir John Corcoran, the director of the National Union of Manufacturers, on December 20, 1927, quoted a ship-building firm which, in 1914 paying 8½d. as tonnage cost, had to pay 7s. 5d. in 1926. In Sheffield the cost of rates per ton of steel, which was 8d. in 1914, in 1926 rose to 13s. 4d. In 1928 it was reported that in South Wales, in the village of Abertillery, a colliery was closed because of high rates, although at Ebbw Vale the mine was working because the rates were lower. Yet both mines belonged to one company and had their shafts sunk in the same seam of coal.

The following table gives some indication of our taxation as compared with that of some of our commercial rivals. I have added the relative wage rates.

	Wages rates	Taxation per head of population	Social services per head of population
Great Britain	100	100	100
France	58	64	17
Germany	77	50	48
Belgium	45	38	7
Italy	43	30	4

The Chancellor of the Exchequer, on September 24, 1931, gave the following details as then operative:—

	Taxation per head	
United Kingdom	£16 7 1
France	10 0 2
Germany	7 0 5
U.S.A.	5 18 0
Italy	4 9 6

In the case of Germany and the United States the figures refer to Federal taxes. Local taxation is excluded in all cases.

For social services alone the taxes borne in Great Britain have increased from 22s. 6d. to 78s. 6d. per annum per head since 1911.

Luckily the burden of taxation upon income, which, of course, is what is really important in considering its effects upon trade, is not so onerous compared with that of other nations as when the amount is calculated per head of population.

The following list supplies this information. It relates to the amount of national and local taxation compared to the national income. For Great Britain the total amount to be raised in national and local taxes after the self-balancing items have been deducted was in 1931-32 about £917,194,000. I have assumed that the national income was £3,668,776,000 for 1931, which is probably a generous estimate.¹ It is exactly four times the amount of taxation.

PROPORTION OF TAXATION IN RELATION TO NATIONAL INCOME.

Country	Year	Per cent.
Great Britain	1931	25
Italy	1927	22·3
France	1928	20·9
Germany	1925	20·1
U.S.A.	1928	10·7
Switzerland	1924	8·7

If the year 1933 is taken, in Great Britain the proportion of taxation to income is at least 30 per cent.

In the previous table it will be noticed how inflated is the expenditure of Great Britain upon social services compared with that of the other nations whose taxation bears a far greater proportion to defray the costs of armaments, with which we shall deal in the next chapter.

In a recent year the comparative costs of social services were as follows:—

COST OF SOCIAL SERVICES PER HEAD.

	£	s.	d.
Great Britain	3	18	6
Germany	1	17	6
France	12	0	
Belgium	5	6	
Italy	3	6	

¹The *Economist* Budget Supplement, April 9, 1932, gives the national income for 1931 tentatively as £3,500,000,000, but says that other estimates do not put it higher than £3,000,000,000.

The alarming increase in the cost of social services since 1891 is indicated in the following list:—

INCREASING COST OF SOCIAL SERVICES 1891-1932.

				£
1891	..	..	..	22,000,000
1901	..	..	..	36,000,000
1913	..	..	..	65,000,000
1921	..	..	..	306,000,000
1930-31	..	..	..	403,950,000
1931-32	..	..	..	463,320,000

In the last year for which we have detailed figures it will be noticed that the total jumped up by £59,370,000. Towards the cost of these services less than one-fourth, or about £100 millions out of over £463 millions, were contributed by the recipients.

The table on p. 242, compiled from a Treasury Statement, is taken from the Report of the Engineering Conference held on January 30, 1931.

Let us now consider some of the items for which such heavy taxation is levied.

About £300 millions out of a total of £917 millions raised in national and local taxation in 1931 were in respect to the interest and sinking fund of the National Debt. The question of war debts in general will be considered in the next chapter. Between 1928 and 1931, with a fall in general retail prices of 11 per cent., the national taxation, largely in consequence of extensions in social services, increased by £67 millions, in addition to further sums which were borrowed to meet the debt on the Unemployment Insurance scheme. In 1924 a number of ambitious schemes were added to those which already burdened industry. Education, Housing and Old Age Pension schemes were extended, to which was added in 1925 Widows' Pensions and an increase of the State's contribution to the Unemployment Fund. In 1929 further increases were made by the State to the Unemployment Fund, which also assumed responsibility for the Transitional Benefit, Widows' Pensions, the Civil Service bonus concession, paid holidays to Civil Service industrial staff, and concessions in pay and retired pay of Army, Navy and Air Force officers, which altogether involved additional expenditure of £8,243,000 in 1929

PUBLIC SOCIAL SERVICES—GREAT BRITAIN.

(Compiled from Treasury Statement.)

Expenditure under the following Acts	Total Expenditure (other than out of loans for capital purposes) during the year ended March 31. (The figures printed in italics relate to the year 1911)			Total Expenditure accounted for in column 3 subdivided between			Receipts from which total expenditure accounted for in column 3 was met. (The figures printed in italics relate to the year 1911)				Total number of persons directly benefiting from the Expenditure included in col. 3
	1911	1921	1928 (or latest available year)	Interest on loans and provision for repayment of loans	Administrative Expenses	All other expenses (benefits, &c.)	Local Rates	Parliamentary Votes and Grants	Other receipts, (contributions, fees, interest, rents, &c.)	Total of sums in cols. 7, 8 and 9	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(11)
(a) Unemployment Insurance Acts	£ —	10,767,873	42,784,979	1,349,367	4,913,576	36,522,036	£ —	12,024,910	30,722,792	42,747,702	11,750,000
(b) National Insurance (Health) Acts	—	29,857,000	37,596,000	—	5,271,000	32,325,000	—	7,138,000	31,696,000	38,834,000	17,431,000.
(c) Widows', Orphans' and Old Age Contributory Pensions Act	—	—	11,947,000†	—	897,500†	11,049,500†	—	—	23,254,000†	23,254,000†	1,013,000
(d) Old Age Pensions Acts	7,360,146	20,750,422	33,706,800	—	877,003	32,829,797	—	33,706,800 7,360,146	—	33,706,800 7,360,146	1,417,000
(e) War Pensions Acts and the Ministry of Pensions Act	—	100,949,281	56,938,146	—	1,942,480	54,995,666	—	56,938,146	—	56,938,146	1,476,000
(f) Education Acts	33,489,098	88,787,857	94,442,041	4,531,260	4,763,182	85,147,599	38,356,565 14,149,546	48,320,029 17,687,553	7,695,447 1,651,999	94,442,041 33,489,098	8,022,580
(g) Acts relating to Reformatory and Industrial Schools	690,260	1,486,270	754,853	12,733	22,896	719,224	325,465 ‡217,397	343,124 ‡308,785	86,264 ‡56,135	754,853 ‡582,317	9,648

(h) Inebriates Acts	22,850	18,054	30	30	—	—	3 238	— 22,612	27	30 22,850	—
(i) Public Health Acts so far as they relate to:—											
(1) Hospitals and treatment of Disease	2,231,357	8,555,000	8,162,000	736,000	73,000	7,353,000	5,191,500 2,054,857	2,511,000 47,500	459,500 129,000	8,162,000 2,231,357	—
(2) Maternity and Child Welfare Work	Not ascertained	2,099,143	2,339,500	58,500	166,500	2,114,500	937,500	1,004,500	397,500	2,339,500	—
(j) Housing of the Working Classes Acts	888,312	4,693,072	26,711,000	19,976,000	186,500	6,548,500	2,569,500 258,637	10,266,500 5,500	13,875,000 624,175	26,711,000 888,312	—
(k) Acts relating to the relief of the Poor	16,758,130	34,259,954	45,480,000	1,165,000	1,870,000	42,445,000	39,452,000 12,762,298	3,661,000 2,560,894	2,903,000 834,938	46,016,000 16,158,130	1,518,859
(l) Unemployed Workmen Act	212,398	104,844	56,160	—	7,060	49,100	12,250 71,232	110 95,821	43,800 45,345	56,160 212,398	—
(m) Lunacy and Mental Deficiency Acts	2,105,000	4,413,000	5,035,000	826,000	106,000	4,103,400	2,572,000 1,372,000	1,106,000 362,000	1,357,000 371,000	5,035,000 2,105,000	—
TOTAL .. {	— 63,157,551	306,741,770 —	365,953,509 —	28,654,890 —	21,096,697	316,201,922 —	89,416,783 30,886,205	177,090,119 28,450,811	112,490,330 3,712,592	378,997,232 163,049,608	— —

* To the items in Column 3 may be added for the year 1931-32 another £39,000,000 contributed by the State towards unemployment, £1,000,000 more for health insurance, £28,500,000 extra for widows and orphans and old age pensions, another £10,000,000 in addition for education, which with other additions advance the total by £100,000,000.

† The figures in Columns 3, 5, 6, 9 and 10, refer to expenditure from, and receipts into, the Pensions Account. Surpluses and deficits on this account are dealt with by transfers to and from the Treasury Pensions Account which covers both England and Wales and Scotland, and into which an annual contribution of £4,000,000 is paid from the Exchequer.

‡ Excluding Scotland, which is included in Col. 1.

and £18,967,000 in 1930. In 1931 Government commitments involved another £14 millions in addition to £30 millions for transitional benefit under the Unemployment Insurance Scheme.

The May Report on National Expenditure, published in July, 1931, gave a list of increases under the then existing arrangements to be anticipated in 1932 over the previous year of £14,050,000, and another £20,800,000 in 1933 over the expenditure of 1932. Chief among these items which, in spite of falling prices, increase in cost like the proverbial snowball, were Old Age Pensions, Widows' Pensions, Housing and Education. The only decreases anticipated were in respect to war pensions as the recipients died, became of age, or got married. In this connection 1932 was expected to register a saving of £1,900,000 below 1931, and 1933 below 1931 of £3,300,000.

One feature of post-war politics has been the reckless way in which the income of future citizens has been mortgaged. Although incomes have of necessity fallen with falling prices, and recently with the loss of trade, legislation has been passed that commits the State to the payment of pensions, doles and grants of various kinds which take no account of the increased value of money and greater consequent difficulty in obtaining it. Also the commitments, such as those on pensions, automatically grow as people live to a greater age, and little provision is made to enable the future to discharge these increasing responsibilities. However necessary it may be to economise, many of the commitments are of such a nature as to make this almost impossible. The total for housing subsidies, for example, had reached £218 millions in 1931, while accruing pension liabilities of the Exchequer, above what is now being paid in pensions, were estimated to amount every year to £5 millions in the case of Civil Servants, £1 million for police, and £8 millions for teachers. The Old Age and Widows' Pensions are likely in the future to increase to enormous proportions. In all these cases there is a growing liability which is greater than the current charge. During the five years prior to 1931, liabilities at the rate of £20 millions a year were mounting up, for which the future

will have to pay. In other words £100 millions' worth of benefits had been dispensed by the politicians between 1926 and 1931 for which future industry will suffer. As the May Report remarked: "Future revenue is also mortgaged to meet the growing cost of continuing services which are now being enjoyed for less than the true cost. Only with an increasing revenue can we continue to provide even our existing services without additional taxation." As price levels decline these burdens fixed in terms of money automatically increase. Also the population at working age in the future is expected to decline, so that a relatively smaller number will have to maintain a larger proportion of pensioners. To-day, for every 100 persons between the ages of 15 and 65 there are 23 over 65, but in thirty years' time there will be 33 over 65, and in fifty-one years' time 38.

All proposals which commit the nation to permanent expenditure should be scrutinized with the utmost caution, for these continuing commitments almost of necessity increase with the years.

Let us follow the May Report in order to ascertain convincing evidence of the squandermania which has helped to bring about the present industrial plight.

The following table gives a list of some of the increases which occurred between 1924 and 1931.

	1924 £:	1931 £
Old Age and Widows' Pensions and Health and Unemployment Insurance	45,200,000	99,800,000
Exchequer Contributions to Local Revenues, including grants for Poor Law, Health and Mental Deficiency	12,700,000	46,400,000
Education	47,900,000	56,800,000
Housing	9,000,000	14,500,000
Police	10,400,000	12,000,000
	£125,880,000	£229,500,000

The total of these items has nearly doubled, yet during the period indicated general retail prices were less by 17 per cent. The basis of payment of most Governmental servants was fixed in 1919 and 1920 when prices

were high and the country was enjoying the post-war boom in trade. Although some reductions have been made, in other cases until 1931, the 1919-20 rates had not been much affected. The cost of living in 1920 was 149 per cent. above that of 1914; the cost of living in 1931 was 45 per cent. above. Thus prices had fallen by about two-fifths, so in justice remuneration should have been reduced accordingly. In all estimates of pay in Governmental service the question of pensions and other perquisites must not be overlooked when comparing their rates with outside work.

CIVIL SERVICE.

The higher paid members did not receive proportionate advances in pay as compared with the lower grades. But even they cannot justifiably grumble. The following table gives a rough idea of rates for certain classes of civil servants in 1914 and July, 1931, the cost of living on the latter date then being 45 per cent. higher than before the war.

		Admini- strative	Professional, scientific and technical, and inspectorates	Executive and clerical	Writing assis- tants and typing staff	Total
Numbers	1914	1,077	20,356	33,239	3,034	57,706
„	1930	1,708	21,764	82,900	14,046	120,418
		£	£	£	£	£
Aggregate re- muneration	1914	713,000	4,708,700	4,416,000	198,300	10,036,000
	1930	1,755,900	8,658,200	25,101,500	1,917,600	37,433,200
Cost per head	1914	662·1	231·3	132·9	65·4	173·9
„	1931	985·0	372·5	281·4	124·5	289·2
Percentage increase 1931 over 1914		48·8	61·0	111·7	90·4	66·3

First it will be noticed that this section has more than doubled in numbers since the war; secondly, that all have received advances ahead of the increased prices; thirdly, that the average increase is quite 21 points or about 14 per cent.; and lastly that the total cost for these services is *over three-and-a-half times what it was in 1914.*

MANIPULATIVE STAFFS.					
Numbers	..	..	..	1914	177,747
"	..	..	..	1930	184,216
£					
Aggregate remuneration				1914	11,975,000
"	"	"	"	1930	27,165,300
£					
Cost per head	..	..	..	1914	67·4
"	"	"	"	1931	134·5
Per cent.					
Percentage increase 1931 over 1914					99·6

Among the Manipulative Staff the aggregate pay is two-and-a-half times that of 1914 with individual payment at least 27 per cent. ahead of the increase in prices.

MESSENGERS, CHARWOMEN, &c.					
Numbers	..	..	..	1914	13,296
"	..	..	..	1930	17,393
£					
Aggregate remuneration				1914	664,200
"	"	"	"	1930	1,808,000
£					
Cost per head	..	..	..	1914	50·0
"	"	"	"	1931	94·7
Per cent.					
Percentage increase 1931 over 1914					89·4

This department costs nearly three times what it did in 1914 with an individual increase of 25 per cent. in advance of the increased prices.

The holidays of the foregoing classes, for which full payment is made, are, as the May Report alleged, "unjustifiably generous" and "appreciably higher than that which is normally allowed per annum after ten years' service"; in the Executive Class 36 days in the Junior Grade, while in the Higher Grade 48 days were granted. In the Clerical Class 24 to 36 days, while typists received from 18 to 21 days. *All these allowances were in addition to the usual public holidays.*

The hours of labour in the Civil Service for clerical and higher grades are seven per day in London including three quarters of an hour for lunch; in the provinces eight.

Among the industrial employees of the Civil Service the pay is from 2s. to 4s. per week higher than in outside

occupations of a similar nature, which means the country pays £325,000 a year as a bonus. Also no provision is made for adjustment in wages to falling prices, and a concession made in 1929 grants six days a year with pay to workers in Ordnance Factories and Royal Dockyards at a cost of another £200,000 a year. In addition pensions are paid to men in Government service which are not received by mechanics employed in private firms.

FIGHTING SERVICES.

Pay in the Defence Services was fixed in 1919 at a rate perceptibly in advance of 1914, even after allowance has been made for the increase in prices. The officers' pay was supposed to fluctuate with the oscillation in prices, but no provision was made to adjust the pay of the men. In 1925, as the cost of living had fallen heavily, steps were taken to introduce new rates for those enlisting after October of that year, but not for those already in the Service.

The following table includes the cost of pay, allowances and emoluments in the form of rations, clothing, fuel and light, with the exception of the cost of furniture, quarters or allowances issued in lieu thereof.

AVERAGE COST PER HEAD.

	1914	1923	1931 (actual)	1930 if 1925 rates were fully operative	Per cent. in- crease on 1914 in 1930 (actual)
	£	£	£	£	
Navy officers	263.1	490.8	471.1	460.3	71.5
Men	69.0	171.0	160.8	148.8	115.7
All ranks	82.2	197.6	187.5	175.6	112.3
Army officers	329.8	609.0	541.0	525.1	59.2
Men	60.0	127.5	108.1	101.4	69.0
All ranks	74.9	161.2	136.0	128.8	72.0

There is no reason why the pay of the Navy should remain as it was in 1930, 112 per cent. higher than in 1914; or that of the Army should be 72 per cent. higher when the cost of living in 1931 was only 45 per cent. in advance. The reduction of all to the 1925 rates for new recruits would save £2,199,000 a year, but even these rates are too high as in 1925 the cost of living was 17 per cent. less than 1931.

POLICE.

The cost of police pay in Great Britain was in 1930 £15,600,000, of which the Exchequer contributed one half.¹ In 1913 the cost was only £7,000,000.

Before the war weekly wages for police constables varied from 22s. 5d. to 30s. 3d. in Dorset, to 30s. to 42s. in London, with contributions towards rent in each case. In 1919 uniform weekly rates were established of 70s. to 95s. for constables and 100s. to 112s. 6d. for sergeants, with boots (or a boot allowance of 1s. per week) and free quarters or an allowance instead, and uniforms were provided free, while in some cases plain clothes allowances of 5s. for sergeants and constables, and for detectives 10s. for sergeants and 7s. 6d. for constables, were also paid. The rent allowances were substantial, being in London 15s. 6d. for married constables and 18s. for married sergeants. A pension of two-thirds of the salary was paid after twenty-five years' service, towards which the men contributed 5 per cent. of their pay. At that time the cost of living was 105 per cent. ahead but no provision was made for reduction of remuneration in case of a fall in prices. An extra bonus given in 1920 was abolished later. In spite of various recommendations of committees these rates were still in force in July, 1931. The recommendation of a 12½ per cent. reduction made by the May Committee was exceedingly modest under the circumstances, and yet overdue and inadequate as it was, it has not yet been made operative.²

TEACHERS.

The estimated cost of teachers' pay in 1931 for England and Wales was £42,900,000, towards which the Exchequer had to contribute £31,365,000, or if Scotland is added, £35,678,000.

The following table shows how the position of the elementary school teachers has improved since the war.

¹ Sir Herbert Samuel in the House of Commons on May 2, 1932, said the police in 1931 cost £20,000,000, including pensions of £5,000,000.

² Two cuts of 5 per cent. were applied in 1931 and 1932 following the Emergency Budget of 1931.

The salaries of secondary school teachers were in 1930 about double those of 1914.

Average salary	Certificated		All certificated	All un-certificated	All supplementary	Men	Women	All teachers
	Men	Women						
	£	£	£	£	£	£	£	£
1914	147	103	118	58	40	139	82	97
1930	334	254	279	143	98	324	217	245

These scales do not show a deduction for pensions which since 1922 has been 5 per cent. of salaries except for supplementary teachers. In 1914 certificated teachers had to contribute towards pensions £3 12s. (men) and £2 8s. (women) per annum. The present pensions received are four-fifths of the income after the age of 60.

It will be noticed that the average salary in 1930 was two-and-a-half times that of 1914 or *two-fifths greater* than is warranted by the increase in prices. And yet so great was the outcry made by the teachers and so weak were our legislators that the 15 per cent. cut in salaries originally proposed was reduced to 10 per cent. Even after this most inadequate cut the teachers are still paid 125 per cent. more than in 1914 with an increase in prices of only 36 per cent., besides the very handsome pensions towards which only a fraction is contributed by the teachers, short hours, and about ten weeks' holiday a year for which they are paid, while in the words of the May Report "the majority of the profession have acquired their qualifications largely at the expense of the public at an average cost to the State of £70 a year for either two or four years."

If teachers' salaries had been adjusted to prices at only the same ratio of Civil Servants in general, the £334 received by certificated men teachers in 1930 would have been only £221, a fall of 30 per cent.; while certificated women teachers, instead of obtaining £254, would have received only £168. The May Report suggested a cut of 30 per cent. was indicated, and that at least 20 per cent. should be enforced.

PENSIONS.

The classes so far mentioned were receiving in pensions in 1931:—

				£
Civil Servants	..	..	..	8,000,000
Fighting Services	..	..	..	16,500,000
Police ..	..	..	..	5,600,000
Teachers	..	..	..	6,500,000
Total	..	..	..	£36,600,000

This colossal sum is in addition to Old Age and Widows' Pensions and War Pensions.

The total recovered by contributions made by the recipients after allowing for the State grant payable in respect of employees' contributions, is only £4,338,802, considerably less than one-eighth, although judging by the grumbling made by some of the contributors, one would imagine it were about twice as much as the sum received. Why such extravagant pensions should be paid to public servants out of the pockets of the rest of the community whose general conditions of labour are seldom so comfortable, especially when the back of industry is almost broken by heavy taxation, is a question defenders of wasteful bureaucracy may answer. Even these would have a difficulty in justifying the award of a gratuity on the marriage of certain women in Government employ amounting to a maximum of one year's pay at a total cost of £167,000 a year, a sum paid in addition to full pension privileges to those concerned.

A policeman is allowed to retire after twenty-five years' service, which may culminate at the age of 45, when he is able to take further employment while in receipt of a handsome pension of two-thirds his previous pay if he entered the force before 1919. If considered as an addition to salary, these police pensions are equivalent to nearly £50 a year upon the pay of each constable after the contribution has been deducted. It has been officially calculated that for every 100 men on the active list, when stabilization is reached there will be *over 60 men on pension, with a pension charge of 46 per cent. of the salary bill.*

In the Navy during 1930 there were thirty-six retirements of Commanders at an average age of 46 years, *each of whom got a pension for life of £581 per annum.* This represents an addition to salary of nearly £170 for each year of service. In 1930 the average age of retire-

ment of Captains and Rear-Admirals was 49 years, and each received a pension averaging an addition of £197 for every year of service. The three chaplains who retired in 1930 at an average age of 49 years received pensions which were equal to *an addition of salary of £260 for every one of the eighteen years of service*. No wonder taxation threatens to put British industry into a state of bankruptcy!

Drastic cuts both in pay and pensions are needed in respect to nearly all those employed by the Government. And although the victims of these cuts will regard themselves as martyrs, actually, as the May Committee suggested, its recommendations were merely calls for readjustments rather than sacrifices.

In addition to the increased pay per head in Government departments, one feature of post-war development has been the enormously swollen staffs employed to deal with less work. In 1914 only 1,514 men were employed at the War Office at an annual cost of £445,000. In 1929, to deal with an Army smaller by 273,000 men, a staff of 2,673 was employed at a cost of £861,000. In 1914 the Admiralty had a staff of 1,802 men at a cost of £480,000; while in 1929 to deal with a Navy two-thirds the pre-war size, a staff of 2,512 was employed at a cost of £1,187,000. The Earl of Midleton, a one time War Minister, in the House of Lords on November 14, 1929, gave details of increases in particular departments since 1914. "Council and Secretariat, 65 per cent.; Finance Department, 65 per cent.; Local Audit, 68 per cent.; Contracts, 72 per cent.; Lands, 60 per cent. 'Two-thirds more men to administer a department which is dealing with 273,000 men less!' he exclaimed. 'The size of our various classes of Civil Servants in the great departments is one of the most crying questions with which any Government can deal at the present time.'"

It may be added that in spite of Lord Midleton's exposure the number employed by the Government increased during 1930 by another 9,038. And yet in December of that year it was found impossible to persuade more than thirty-nine members of the House of Commons to attend a debate in the House on "economy." The debate had accordingly to be "counted out."

CHAPTER XIV

WHY COSTS ARE HIGH: THE BURDEN OF SOCIAL SERVICES

THE following table, taken from the May Report, shows the increasing amounts spent on social services, including war pensions, between 1911 and 1929.

Service	Total expenditure in Great Britain	
	1911	1929
	£	£
Unemployment Insurance	—	53,848,000
National Health Insurance	—	39,895,000
Widows, Orphans and Old Age Contributory Pensions	—	23,827,000
Old Age Pensions (non-contributory)	7,360,000	34,914,000
Education	33,489,000	97,028,000
Reformatory and Industrial Schools	690,000	738,000
Hospitals and Treatment of Disease	2,231,000	8,470,000
Maternity and Child Welfare	not known	2,498,000
Housing	888,000	31,642,000
Poor Relief	16,158,000	43,936,000
Lunacy and Mental Deficiency	2,105,000	4,981,000
War Pensions	—	* 56,938,146
	62,921,000	398,715,146

* War Pensions were considered under a separate heading in the May Report, but as the Annual Parliamentary Return includes War Pensions in "Public Social Services" I have added them to the list.

Towards this total of £398,715,146 the National Exchequer contributed about £183 millions, the Local Rates about £91 millions, and the rest was derived from "contributions, rents, fees, &c.," a good proportion of which was subscribed by employers towards National Health and Unemployment Insurance. A sum less than £100 millions was contributed by the recipients of these benefits towards the total of nearly £400 millions. The May Report comments: "Since 1929 there has been a further increase of roughly £70 millions in the gross cost of unemployment insurance and a steady growth of most

of the other items in the table, and it is roughly correct to say that the above services in the current year [1931] are costing the country in one form or another about seven times what they cost in 1911."

The next Table from the *Economist* Budget Supplement, April 15, 1933, shows the increasing sums spent annually on Social Services since 1921.

SOCIAL SERVICES EXPENDITURE, 1921-1931 (In millions).

	Year ending March 31				
	1921	1928	1929	1930	1931
	£	£	£	£	£
Unemployment Insurance	10·8	42·8	53·8	53·3	101·6
Health Insurance ..	29·9	37·6	39·9	38·6	38·6
War Pensions	100·9	56·9	54·0	51·4	49·2
Other Pensions	20·8	45·6*	58·7*	62·2*	72·1*
Education	88·8	94·4	97·0	100·5	104·2
Working-class Housing ..	4·7	26·7	31·6	35·6	37·5
Poor Relief	34·3	45·5	43·9	45·0	42·5
Miscellaneous†	16·5	16·5	16·9	17·4	17·6
Total	306·7	366·0	395·8	404·0	463·3
Total, less War Pensions	205·8	309·1	341·8	352·6	414·1

* Includes Widows', Orphans', and Old Age Contributory Pensions under the Act of 1926.

† Including expenditure on Hospitals, Maternity and Lunacy.

Towards the £463,300,000 spent on social services in 1931 about £100 millions may have been contributed by those who derived the benefits. No wonder Professor Clay in an article contributed to *The Listener* on March 2, 1932, says: "Taken together, these social services have involved a revolution in national finance." Professor Clay in this article made an estimate in which the expenditure on these social services, excluding the workers' own contributions, was compared to the amount taken in wages. War pensions are excluded from the calculations. In 1880 social services cost £16 millions. As the national wage-bill was in that year about £465 millions, the cost of the services was 3·4 per cent. of wages. In 1911 social services are

estimated at £69 millions (which is an over-estimate) giving 9·4 per cent. in relation to the wage-bill of £732 millions. In 1924, with a price level about 90 to 95 per cent. ahead of that of 1880 and 1911, social services cost £235 millions or 14·7 per cent. of the wage-bill of £1,600 millions. In 1929-30 social services were nearly £300 millions or one-fifth of the wage-bill of £1,500 millions. If the increased expenditure on unemployment relief during 1930-31 together with war pensions were included in these calculations, a sum corresponding to 25 per cent. of the earnings of manual labour was added to the wages of the workers during this year. As the average weekly pay of a manual worker is about 54s. or 55s.—this means that 13s. 6d. per week as a subsidy on the wages of each adult manual workman has to be provided by the rest of the community and eventually is a charge upon industry, which is one of our heaviest handicaps in competing for foreign trade with rivals whose costs in this connection are relatively trivial.

As this heavy burden is seldom considered by the workman when demands are afoot for an improvement in his standard, let us roughly calculate the benefits of a married man with three children if he obtains an average amount of the services largely provided by other contributions than his own.

The man, we will assume, attends school from the age of 5 to 14 years. The average cost per head for education was in 1931 £15 per year. His three children eventually have a similar education. He enters industry at 14 years and retires at 65. This equals 51 years. The average rate of unemployment since 1920 to date being over 12½ per cent. per annum, we will assume that for one-eighth of his time he is out of work and drawing unemployed insurance for himself and family on the reduced rate of 1932, namely 29s. 6d. per week for 331 weeks. If he is absent from work through sickness at the average rate which prevailed in 1930, which was over two weeks for each insured person, he will have drawn at least 102 weeks' sick pay at 15s. per week, which together with his share of the cost of paying the doctor's capitation fee of 9s. 4½d. per annum per person

will amount to a total of £100 for 51 years. The maternity benefits relating to the three children amount to a total of £6. We will add a modest £5 per annum as the average cost per family of poor relief and charges on the public for mental deficiency. We will calculate this from the time of his marriage at 27, until his death at 75, when on the average his family will have cost the community in this connection £240. We will next reckon his family's share of the benefits derived from new houses subsidized by the community at a loss of £20 millions a year, say £2 per annum. And finally we will add £520 in pensions received if he and his wife live to be 75 years after his retirement at the age of 65. We will not add the possibility that he may benefit from war pensions at an average cost per family of over £5 a year, nor will we estimate the benefits derived from police protection, use of the roads, water, libraries, art galleries, museums, parks and bands. As the bill stands it will be seen that by taking just the average cost of certain social benefits, toward which he contributes but a tiny portion, the ordinary working man, if he lives with his wife to the age of 75, will derive concessions amounting to over £2,040, which is equivalent to £40 per annum during his working life or about 15s. 6d. per week on the top of his wages. This sum corresponds with the 13s. 6d. per week which I previously estimated is taken in the value of social services by each adult workman in addition to what he pays in direct contributions.

	£	s.	d.
Education of self for 9 years, 5-14, at £15 per year ..	135	0	0
Education of his three children for 9 years	405	0	0
Unemployed dole for 331 weeks at 29s. 6d. per week ..	538	4	6
Sick benefit for 102 weeks at 15s. per week	76	10	0
Doctor's charges for 51 years at 9s. 4½d. per annum ..	23	18	1½
Maternity benefit in respect to three children at 40s. each	6	0	0
Cost for poor relief and mental deficiency for 48 years at £5 per year	240	0	0
Benefits from new houses subsidized by the community at £2 a year for 48 years	96	0	0
Old Age Pension for self and wife for 10 years at £1 per week	520	0	0
Total	£2,040	12	7½

We have assumed in the above estimates that the wife is not employed in industry, and we have not calculated

any benefits the children derive after leaving school, otherwise the benefit per family would be well over the sum indicated.

If it is suggested that contributions are made to the above costs by rates and indirect taxes levied upon beer, tobacco and entertainments, the reply must be made that the other classes are also taxed indirectly without receiving appreciable benefits from social services, and in addition exceptionally heavy direct taxation is levied which the manual worker almost entirely escapes. The indirect taxation of the manual working class is merely its share towards the ordinary expenses of governing and defending a nation other than in the provision of social benefits for one section.

Let us now briefly consider some of the items included in "social services."

HEALTH INSURANCE.

The total expenditure in respect to National Health Insurance increased from £28,368,000 in 1921 to £36,400,000 in 1930, in spite of a fall in the general price level of over two-fifths; in the ten years about £350 millions were expended in sickness benefits, maternity grants and for medical attendance, of which the Exchequer contributed about £70 millions. The sickness benefits in 1931 were 15s. per week for a man and 12s. for a woman; the maternity grant was 40s. and in 25 per cent. of cases 80s.

By 1932 the abuses in connection with health insurance had become so glaring that it was announced by a Ministry of Health official in March of that year that "if women's insurance were to be restored to financial soundness, the present benefits could only be maintained if the weekly contribution were raised from 8½d. to 10d. or the rate of sickness benefits would have to be reduced from 12s. to 10s. per week."

During 1930 26½ million weeks' work was lost through alleged sickness among the insured section of the population, which was equivalent to 510,577 being off work for the whole year, amounting to one in every twenty-one of those concerned.

The women got 12s. a week benefit for twenty-six weeks and were then put upon a disablement benefit of 7s. 6d. per week. Owing to an enormous increase in the number of women claiming disablement benefit, which in many cases is merely a retiring allowance upon marriage, 418 approved societies and branches showed deficiencies on a valuation made in 1932 by the Government actuary. Between 1923 and 1927, claims by unmarried women for disablement benefit increased by 54 per cent., and those of married women by 87 per cent., and claims for sickness benefit rose by 29 per cent. and 42 per cent. respectively. Generous allowances are made for an increase of sickness among women compared with men, but the results show an excess of 4 per cent. in the claims for sickness and 38 per cent. for disablement, the degree of "chronic invalidity" among young married women being suspiciously high. The average yearly loss per head on married women was $3\frac{1}{2}$ times greater than that on unmarried women. Since 1927 the situation has gone steadily worse, and Government officials are convinced the whole insurance system is being grossly abused.

Sir Alfred Watson, the Government Actuary, in a report issued in December, 1931, drew attention to the lack of proper care in certification of cases by panel doctors. He said, "It is conclusively shown by the results of the late survey of a sample of the claims by the medical staffs of the departments that causes of excess which are definitely controllable have been in operation." Urgent representation by the Ministry of Health had to be made in 1931 to panel doctors, requiring more care in the issue of certificates and the supervision of claims. But the doctor who refuses to endorse sick leave when appealed to by a panel patient anxious for a rest at the public expense, runs some risk of being penalized by the patient transferring to a more amenable practitioner. On May 5, 1932, the Government issued the text of a Bill which was to reduce the sickness benefit paid to married women by 2s. a week and disablement benefit by 2s. 6d.

OLD AGE NON-CONTRIBUTORY PENSIONS.

The Old Age Pensions Act was first effective in 1909. When subject to certain tests as to age, means and

nationality, a pension of 5s. per week was paid to those arriving at the age of 70 years whose means did not exceed £21 a year. In 1916 a war allowance of 2s. 6d. a week was added, and in 1920 another 2s. 6d. brought the total up to 10s. per week. No contribution is made by the recipients. Although the cost of living is now over 40 per cent. less than in 1920, when the 10s. rate was introduced, the rate paid is still the same. Thus old age pensions are paid 100 per cent. higher than in 1913, with a cost of living advance of only 36 per cent. The number of recipients grows larger every year. In 1921 the total expenditure was £21,502,076: in 1931 it was £37,568,000 and was expected to be £39,023,841 in 1932. This particular item is rather menacing, for it will grow steadily heavier year by year. The number of persons over 70 years of age in Great Britain in 1931 was 1,811,000 and was expected to be 2,242,000 in 1941. The proportion of aged people in receipt of the pension also grows, being 56·1 in 1921 and 77·8 in 1930. In March, 1931, 1,409,000 persons, representing 79 per cent. of the population over 70, received the old age pension.

WIDOWS', ORPHANS', AND OLD AGE CONTRIBUTORY PENSIONS.

Widows' Pensions were introduced in 1926 whereby 10s. a week would be received by the widow of an insured man, with an extra allowance for children up to the age of 14 or 16 at the rate of 5s. per week for the first child and 3s. per week for each of the others. Orphans, one of whose parents had been insured, are paid at the rate of 7s. 6d. per week up to the age of 14 or 16. And 10s. a week are paid to insured men and women between the ages of 65 and 70, and 10s. a week to the wives between the ages of 65 and 70 of insured men themselves entitled to pensions. To obtain these benefits the sum of 1s. 3d. per week for a man had to be paid, half by the employer and half by the workman. Many concessions were added, and altogether it is calculated the State assumed the staggering capital liability of nearly £800 millions. The expenditure, which was £27,300,000 for 1929-30, was £8,100,000 more in 1930-31, and was expected to grow

until by 1945-46 £54,900,000 would have to be found! As the May Committee remarked: "It would appear that the Exchequer must look forward to a steady increase in its total liability for old age pensions of all kinds and for widows' and orphans' pensions to over £80,000,000 a year in thirty years' time, truly a serious prospect."

WAR PENSIONS.

War pensions, which in 1921 amounted to a total of £95,809,687, by 1931 were estimated to be £50,396,488, a drop of over £45 millions, all of which, however, had been more than absorbed through the increase of other expenses. When estimating the increasing national charges, in addition to the lowering of prices, this absorption of £45 millions should be taken into account in order to realize the gravity of the squandermania evil.

The present rate for war pensions was fixed in 1919, when the average index for the cost of living was 115·25 above 1914. Although a provision had been made that the war pensions should rise or fall as prices went above or below this figure, the rates were never lowered as prices fell. As prices are now 79 points lower than in 1919 it is obvious that war pensions, like old age pensions, are in serious need of adjustment to the lower prices. Failure in this connection involves a heavy cost upon all the community which sentiment should not be allowed to obscure. Incidentally, many war pensioners are employed at regulation wages in spite of their disability. Two pensioners known to the writer are receiving the full disability allowance of £2 per week while being engaged at full rates of pay at occupations, one of which could be undertaken by a boy.

HOUSING.

A considerable number of houses have been erected since 1919, a large proportion of which have been heavily subsidized by the State and by local bodies. Many have been let at rents which, even when the rents were paid, represented less than the expenses incurred. A Report of the Ministry of Health, 1929-30 (Comd. 3667),

announced that: "The total capital expenditure on housing schemes carried out by local authorities since the war up to March, 1928, was £342,600,000. . . . It is estimated that the corresponding figure up to March 31, 1930, is £400,000,000."

During 1931-32 it was estimated that £12,735,000 would have to be provided in connection with housing schemes; in 1932-33, £13,377,000, and in 1933-34 the sum of £14,473,000. No wonder the May Committee reported: "We view with deep concern this steadily growing charge upon the Exchequer, and the similar though smaller charges on local rates, for the housing of the working classes. There is serious danger of the nation, gradually and without forethought, finding itself committed to the principle that a man's wages are not normally intended to enable him to pay fully for his housing."

Figures were then submitted regarding the cost of houses which show that, in spite of substantial reductions in general prices since 1929, the costs of erection have remained the same. Socialists are fond of telling us how expenses could be reduced by cutting out the profits of the capitalist by the employment of direct labour. The following details supplied on February 6, 1930, by an official of the Labour Government show how hollow is this claim. They refer to the costs of erection of houses by direct labour and by contract.

		Non-parlour houses	
		Contract	Direct labour
		£	£
1927	..	412	443
1928	..	359	388
1929	..	344	356
		Parlour houses	
1927	..	482	482
1928	..	427	456
1929	..	405	435

¹ Although in 1931 there were 244 houses to every 1,000 of the population compared to 212 in 1921, and of 215 in 1913, there is still a shortage, the reason being that families are now smaller and the total population needs more accommodation. In London, since 1921, although the population had increased only 9·7 per cent., the number of families had increased 18·8.

The high subsidies granted by the Exchequer have helped to keep up the costs. For a non-parlour house costing £509 the subsidy has been £155; for one costing from £419 to £481 the subsidy has been £129. Houses costing £250 before the war cost £410 in 1931 when general prices were 45 per cent. higher. This sum was about £43 more than is warranted by the increase in the price level. Building wages are largely responsible for the heavy increase. In addition, reports the Committee: "We find it difficult to resist the conclusion that the high rates of subsidy have played a part in keeping up the cost of house building."

The subsidy for houses built in Scotland has been heavier than for those built in England. The Scottish housing schemes received a subsidy of from 33·4 to 43·1 per cent. of the costs while the proportion in England in 1931 was 31 per cent.

The houses are usually let at rents which leave a loss to be borne by the rates, and in many cases the rents are not paid at all. For example, in the Report of the Ministry of Health, 1929-30, are given the following:—

"Local authority 'A' reported that the arrears of rent, including rates outstanding, on their 223 houses were £4,168, over 90 per cent. of the tenants being in arrears."

"Local authority 'B,' who have erected 662 houses, had arrears of rent of £8,000 in January, 1929, which had risen to £8,928 by July 6, but had been reduced to £8,799 by September 7, after various sums had been written off."

In some areas during a labour dispute, in the case of the municipal houses, there occurs what amounts to a rent strike.

EDUCATION.

The total cost of education has nearly trebled since the war in spite of a reduction in the number of children to be instructed.

In 1913 the total number of those attending State aided schools was 6,234,710 at a cost of £31,811,000, averaging £5·1 per scholar. In 1931 the number of scholars was 5,931,786, the cost being £88,832,000, and

averaging £15 per scholar. The share of the cost falling upon the rates had risen by 140 per cent.; that falling upon taxes by 220 per cent.

In March, 1932, were published official details of the effect of the cut in teachers' salaries introduced in 1931. It appears that a total of £5,873,000 is to be saved in a full year on salaries, but as other expenses will increase as a result of additional grants of £465,676, and the growth in the amount paid in teachers' pensions of £350,000, the total expenditure is reduced by only £3,983,000. During 1932 the cost of elementary education per child was to be £12 11s. 7d. as against £13 7d. 9d. in 1931, and £4 15s. 2d. in 1913. The average attendance of elementary scholars in 1913 is given as 5,381,479, 4,950,000 in 1931 and 4,960,000 in 1932. It is not generally realized that a man with four children attending an elementary school has been receiving over £1 a week in educational benefits at the expense of the public.

Of recent years the tendency has been for the number of free places in secondary schools to increase, until in 1930 there were almost twice as many as in 1920. In 1920, 206,891 pupils paid fees, and 218,961 in 1930. The number had scarcely increased. But those paying no fee amounted to 198,024 in 1930 as against only 101,375 in 1920.

Although working class parents are better able to afford fees for secondary scholars, more and more enter secondary schools at the expense of the community. The middle classes are obliged to pay taxation for working people whose children are receiving education practically as good as the middle classes can afford for their own children. Indeed, the May Committee goes so far as to say: "Since the standard of education, elementary and secondary, that is being given to the child of poor parents is already in very many cases superior to that which the middle class parent is providing for his own child, we feel that it is time to pause in this policy of expansion, to consolidate the ground gained, to endeavour to reduce the cost of holding it, and to reorganize the existing machine before making a great general advance."

Professor Clay, in an article contributed to *The*

Listener, March 2, 1932, drawing attention to the vastly improved conditions of the workers, says: "With all respect to the classics, the average council school to-day gives a better balanced and more useful education to the wage-earner's son than those young aristocrats got eighty years ago."

It is not without interest to notice that the cost of British elementary education per child is about five times that spent upon the French scholars. Whether there is an advantage to be derived from giving British children education, frequently in non-essentials which makes them profoundly dissatisfied with the occupation of their parents when in quite three-quarters of the cases no other is available, may well be considered by the humanitarians. But certainly the economist cannot support the present expenditure upon education when the heavy price is reflected in such high taxation that millions of British workers are debarred from employment.

An education, the cost of which prevents the father from working at his trade if he would, and which makes the child shun that occupation or any other form of manual labour, is not altogether satisfactory either to those immediately concerned or the community in general. Actually education has been made so cheap to the recipient that it is not valued; while its cost to others has become exorbitant. As Sir Donald Maclean, Minister of Education, remarked at a meeting held in London on February 25, 1932, after mentioning the amount spent on education: "I am confident that a large amount of money can be yet saved. I do not think the nation is getting anywhere near full value for its expenditure. There has been far too long a separation of industry from education and education from industry. What is wanted is more of the school in the workshop and more of the workshop in the school."

POOR RELIEF.

Although the operation of the Unemployment Insurance Scheme has reduced the number of those who otherwise would have applied to the guardians for relief, and in spite of the decrease in general poverty, the amount spent upon relief of the poor has attained colossal

proportions. Especially in districts where Socialists have been in power, lavish sums have been granted which are direct encouragements to sponging of the most bare-faced description, until, as Sir Kingsley Wood once remarked, the pauper army is costing more to maintain than the British Army, in addition to £119 millions paid in doles during 1931. Indeed, we no longer speak of paupers who receive poor-relief. Such terms offend the delicate susceptibilities of the recipients who now receive instead "public assistance." The cost of poor-relief which in 1911 was £16,158,130, in 1930 had risen to £51,827,750. And local expenditure in general after 1921 continued to mount in spite of the reduction in the number of paupers from 1,465,599 in 1922 to 1,100,560 in December 1931, and the large reduction in prices.

All this expenditure helped to increase the burden of rates. The net revenues expenditure of local bodies in England and Wales which reached £243,566,250 in 1921, had increased in 1927 to £249,567,156. Another £11 millions increase occurred between 1927 and 1930. Municipal debts seriously increased during this period. According to the May report: "Between March 31, 1921, and March 31, 1928, the total capital indebtedness of local authorities in England and Wales (after deducting amounts standing to the credit of sinking funds) rose from £595,500,000 to £1,051,500,000, an increase of £456,000,000, or an average of £65,000,000 a year." In 1933 the Municipal Debt had grown to £1,160,000,000. It was only £173,000,000 in 1885, and £448,000,000 in 1905. An average of 2s. 6d. in the £ has now to be paid merely for loan charges.

Sir Kingsley Wood, Parliamentary Secretary of the Ministry of Health, when speaking at the Kingsway Hall on November 24, 1927, said: "There were a number of Boards of Guardians who had openly defied the principles which had hitherto guided the administration of poor law relief in this country. In a certain area there had been a deliberate attempt to break the financial stability of local government, the spirit of independence, and the incentive to work, with the object of forcing the Exchequer to accept responsibility for the relief of unemployed persons generally. Some of the methods

used were to broadcast plausible slogans like 'work or maintenance,' to organize 'hunger' marches of unemployed, and to bully Guardians wherever it was possible" (*The Times*, November 25, 1927).

What came to be known as *Poplarism* became rife in districts where Socialists were in power. Extravagant scales of relief were granted which were frequently higher than the individual would have obtained had he been at work. Large numbers married in order to get poor-relief. For example, in the last nine months of 1930 in Newcastle 73 men married while actually receiving poor-relief, and 94 others applied for out-relief within one month of marriage, while many children were born who had to be supported out of poor-relief granted to these parents.

In the Annual Report of the Ministry of Health, 1928, reference was once again made to the increasing laxity in the administration of out-relief to able-bodied persons which tends "to encourage application for relief by the able-bodied, not as a last resource, but as an ordinary means of obtaining a livelihood."

Complaints were made regarding "high scales of relief, exceeding or approaching current unskilled wages or even, in some cases, the wages of skilled men."

One inspector said out-relief was granted in some cases on so lavish a scale that the family was in a better position when the father had absconded or was in prison than when he was at home in work.

The following, taken from pages 11 and 12 of the above Report, illustrates the imposition being practised. "Eighty married men, who had been 'on and off' relief for periods of from one to six years, were offered indoor relief as a condition of continued out-door relief to their families. The families varied in number from one to eight, over half of the men having three or more children dependent. In 54 cases the offer of a work-house order was not accepted and no further application for relief was made. In 26 cases the offer was accepted. Thirteen of the men admitted took their discharge within a week, and one on the tenth day after admission. None of these 14 has applied again for relief within five months. Of the remaining 12, only one remained

in for more than a week after admission, but all were subsequently readmitted, seven on four occasions or less, the remaining five from eight to twelve times. Inquiry showed that of the 80 men 35 found regular employment, and 44 were supporting themselves by casual work and by the earnings of other members of the family. In four cases only, the man appeared to earn nothing. One man remained in the workhouse."

In the speech previously mentioned, Sir Kingsley Wood said that an officer of the Health Ministry had found that under the Bermondsey Guardians it had been possible "for a man who had been convicted of defrauding the guardians and assaulting the police, and had done very little occasional work, to be maintained in an unsatisfactory home for six years. For a lazy fellow to maintain and increase his family in the most undesirable conditions, under which seven people slept, lived and ate in one small room, at the expense of the rates, for six and a half years. For a youth who was in arrears under a maintenance order to marry and have three children and reach an income of 46s. a week in out-relief, though it was recorded that since 1921 he had done only one half-day's work. For a man to be dismissed for larceny from a job at 39s. a week and to live on relief for the next two years at more than 40s. a week. For a man, after imprisonment for a gross and impudent fraud on the guardians, to resume at once an income of 46s. a week in cash from the rates."

The Greenwich Guardians were indicted on December 15, 1927, for reckless extravagance; Mr. Blight, an inspector appointed by the Government to investigate, said that able-bodied persons had been receiving relief unconditionally. One case he mentioned was of a man who had received £678 plus boots and clothing in the last seven years during which he had earned the sum of 15s. ! He was then receiving 41s. 3d. per week and had fathered four children during his seven years' enjoyment of public charity! "Another man, to whom the guardians had given £423 plus clothing, had been continuously on relief for four-and-a-half years and has not done one day's work in the period. Although he and other men are receiving for nothing more than local labourers earn,

it is pointed out, their incomes will not cease during Christmas week like those of many of their independent neighbours, but will actually be increased by the guardians."

The Woolwich Board of Guardians was the subject of a report on December 1, 1927, and Mr. Blight, the inspector, said that the "maximum payable under their scale is substantially in excess of wages earned by many persons in the Woolwich Union who are in full employment." Mr. Blight quotes the following:—

"A labourer, aged 46, wife and five children living in one room. He has been on out-door relief on and off since 1921 and continuously since December, 1925. His relief was at the rate of 42s. 6d. a week until October last, when it was reduced to 40s. When visited he was bundling firewood for sale, but he has apparently not disclosed this source of income to the guardians."

"A labourer, aged 43, wife and six children, of whom three have been born since he was on relief. . . . Except for borough council relief work he has aggregated only a few months' work in seven years. This man's outdoor relief was 50s. in 1923. At present it is 40s. He is physically a fine-looking man, and when asked why he did not maintain his family he replied, "It is up to you to find me a job."

"A ship's carpenter, wife and eight children. He has been on relief since 1921, with substantial broken periods. Unemployment benefit has been stopped on the ground that he is not genuinely seeking work. He is receiving unconditional outdoor relief at the rate of 50s. 6d. a week, representing £10 a month. His wages at sea would be £9 a month."

A case was reported on September 8, 1926, of a man described by the Chairman of the Northampton Guardians as an "absolute rotter" who had received in four years more than £1,000 in charity and doles, £214 of this amount coming from the rates.

On March 22, 1927, a man was sentenced to fourteen days' hard labour for assaulting the president of a relief committee at West Ham. The culprit had a wife and eight children, and had been receiving 55s. per week in relief, and his children had in addition for fifteen months

been receiving free meals at the school. When he was told the relief would be reduced, he struck his informant on the head, knocking him almost senseless. He pleaded guilty "under great provocation." A crowd waiting for relief, who had seen the assault, cheered the assailant.

Sir John Marriott, in the House of Commons, cited a case of a man drawing two war pensions, receiving relief from the Mayor's Fund, from an Infant Welfare Centre and from the Charity Organization Society simultaneously.

In Clerkenwell a man was convicted for having obtained from the Borough Council, under false pretences, milk to the value of £1 13s. 6d. He was in receipt of a war pension of £2 5s. 3d. weekly, £1 2s. unemployment dole, £2 5s. from the British Red Cross and 8s. 4d. in a pension, and 12s. 1d. weekly in relief from the guardians!

In Bradford, operative dyers in 1924, by working three days a week, could obtain sometimes £3, and also be entitled to half a week's dole. Some men employed for four days offered to do the work in three days so as to entitle them to draw half a week's dole.

Firms in London in 1925 were being asked to fill up forms so that girls who had left to get married to men in well-paid employment could draw the dole. Scores were found happily married with no intention of taking situations, who were drawing the dole.

In Glasgow, on July 10, 1926, 135 men and youths were charged with gambling. A gambling school with sentries posted to prevent those not prepared to gamble from entering a back court, had been organized, and Bailie Brown said, "Where you have got the money to gamble with God alone knows, because most of you are on the dole. . . . The Poor Rate has just been increased 1s. 6d. in the £ and the burden is so heavy the ratepayers cannot carry it."

The Shoreditch Board of Guardians was confronted, on November 30, 1927, with a report from Mr. Peterham, an inspector of the Ministry of Health, disclosing the fact that one person in twelve had been receiving Poor Law relief in their district. The report continues:—

'From a return obtained in June, 1927, it was noted

that more than 50 per cent. of the persons in receipt of able-bodied outdoor relief had been receiving relief continuously for more than one year, *while over 10 per cent. of the total had been a continuous charge on the parish for over four years.* One can only deduce from such figures that outdoor relief has in many cases become a means of livelihood, and that many recipients have settled down to this manner of life. It has been possible for a man to be in receipt of relief from this and a neighbouring parish for at least nineteen out of the last twenty-four years, during which time he has been convicted of five offences, three of which were against the guardians from which he was receiving relief. A man has also found it possible to receive continuous outdoor relief although both he and his wife have twice been convicted of being drunk and disorderly while in receipt of relief, and the man has also been twice convicted for assaulting the police. One man has refused regular work at £2 15s. per week, but continued to receive outdoor relief."

That criminality is no bar to lavish relief is further shown by the following five cases submitted to Scotland Yard in December, 1927, by Mr. H. W. W. Wilberforce, Deputy Chairman of the London Sessions. All had been receiving weekly incomes from the Shoreditch ratepayers when they were not in prison.

James Byron, aged 48, labourer, Bevenden Street, Shoreditch, thirteen convictions between 1906 and 1927. Has received relief of between 23s. and 28s. 6d. a week, and coal allowance from the Shoreditch Guardians since 1920.

James Edwards, aged 61, bookbinder, Mintern Street, Shoreditch, thirty-two convictions between 1887 and 1927. When not in prison last year was granted relief by the Shoreditch Guardians, and when it was suggested to him this year that he might enter the workhouse, he declined.

John Lyons, aged 34, labourer, Earl Street, Finsbury, twenty-two convictions between 1914 and 1926. Since January, 1926, has received about 21s. a week from the Shoreditch Guardians, and while he was in prison, a woman with whom he cohabited was maintained by them.

John Lampey, aged 50, tailor, Crondall Street, Hoxton, twenty-three convictions between 1897 and 1927. Has been on relief from the Shoreditch Guardians, receiving 22s. to 26s. a week, and his wife has been supported while he was in prison.

George Measures, aged 50, tinsmith, Westmoreland Place, Hoxton, seventeen convictions between 1904 and 1927. Has been receiving from 25s. to 30s. a week, plus coal, from the Shoreditch Guardians.

A case was reported in the *Daily Mail* for March 5, 1929, of a man in Sheffield who was charged with relief frauds. It was found that over £1,000 had gone into his house for the relief of his family since 1921.

Many grave scandals have come to light of recent years. Before the Socialist Guardians were superseded at Chester-le-Street in August, 1926, the following scales for outdoor relief obtained:—

Ordinary:—	s.	d.	
Man and wife	25	0	per week
Children up to 14 years	5	0	..
Over 14 years and unable to find employment	7	6	..
Single adults	15	0	..
Coal	2	6	..
Rent: three-quarters—maximum	55	0	..

The Report on Chester-le-Street Union, Cmd. 2818, said: "It is obvious from the figures that practically the whole mining population was in receipt of relief during July and August, 1926. In October, 1926, twenty-four persons were arrested on one day for obtaining relief to the total of £256 9s. 6d. by fraud."

One unemployed miner was receiving 23s. as a dole for himself and wife, while in the same family at the time were two unmarried sons who were in receipt of wages of 50s. and 36s. respectively, and a daughter receiving 16s. wages. The total income of the house was £6 5s. But the Committee on November 27, 1925, allowed the father 25s. in kind and 25s. in cash, bringing up the total income of the house to £8 15s. "This allowance was continued for seven weeks."

At the end of 1927 officials of the Ministry of Health were reporting that "outdoor relief, sometimes on a scale equal to a man's earning capacity, is being given

by the Southwark Guardians to persons who are no longer seeking employment and to men of bad character."¹

The following cases were given:—

Case A.—Newsagents' assistant, aged 30, with wife and two children. Had earned nothing since 1924. His unemployed benefit was stopped in May, 1925, because he was making no effort to obtain work. Since then he has received unconditional relief from the guardians at the rate of 30s. a week. In September the relieving officer reported: "This man and his wife are regularly found in bed when visited for the past three years, and I am of opinion that he is an idle, indolent man, and does not look for work." But the relief was continued and the second child was born while the man was on relief.

Case C.—A labourer, aged 33, with wife and five children, has been on relief since 1923, prior to which he received 48s. a week for regular employment. He is now receiving 45s. in addition to the school meals for two of his children; "*three children had been born while the man was in receipt of relief. The woman is epileptic.*"

Case 2.—A bricklayer's labourer had received relief on and off since 1923. Frequently in prison for burglary and other offences. *At the end of six months' hard labour received an increase of relief from 28s. to 33s. a week.*

Case 3.—A labourer, aged 29, with wife and four children. Received relief since 1922. Since 1925 relief of from 39s. to 45s. has been given almost continuously. Refused to seek employment. "His last three children have been born whilst he was in receipt of relief."

Another case was that of a carman employed in 1921 at 45s., who had since been receiving relief almost continuously at 45s. In September, 1926, was offered three days' employment per week but refused it as "he would have been out of pocket."

A concluding case from Southwark is that of a labourer with a wife and five children, who, when in work, earns

¹ See *The Times*, November 26, 1927.

42s. for a forty-eight hour week. Was relieved almost continuously since 1926, at 43s. a week. "*His last three children were born while he was in receipt of relief and in September, on the birth of the fifth child, the relief was raised to 47s. a week.*"

In West Ham, before the Socialist Guardians were deposed in 1926, relief was being granted up to a maximum of 60s., which was much more than the average weekly wages for the district. Before the appointment of the new guardians the cost of outdoor relief was £28,819 per week, and there were some 70,000 recipients. By May 26, 1928, after less than two years of the amended administration, the number of recipients had been reduced to 21,313, and the amount received to £5,769 per week. The effect of the reduced relief upon the number of unemployed in West Ham was significant. In April, 1926, under the Socialist Guardians, the number of out-of-works was 15,700. In May, 1928, it was only 2,806.

In the Poor Law Annual Report of 1928 were examples of the result of imposing conditions for the relief of the able-bodied instead of the unconditional relief granted by many Boards of Guardians. One Union offered admission to the institution as the condition of relief to 140 men. Only thirty accepted, but most soon left and ceased to be in receipt of any form of relief. In another instance admission orders were given to eighty-four men of whom sixteen accepted, yet all the remainder but one went off relief altogether. Another case was that of eighty married men who had received relief from periods of one to six years. When offered indoor relief fifty-four refused it and made no further applications. Only two or three of the rest remained inside. Inquiry showed that thirty-five of the eighty found regular employment and forty-four supported themselves by casual work and the earnings of other members of their family.

On the other hand, where no labour test is imposed for outdoor relief, the number of candidates increases. Sculcoates Guardians, after suspending the performance of test work in the majority of cases, found the number claiming relief jumped up from 781 to 1,318 between June, 1927, and January, 1928. The effect of dole-itis is seen in the children, who are being systematically

trained in habits of laziness and parasitism. Mr. R. E. Corder, who is in daily attendance at Police Courts all over the country, often refers to the evil effects of the dole, which, especially in the East End of London, has killed ambition and destroyed energy. Mr. Corder says: "These boys and girls catch the dole germ as easily as they catch measles, and from the same cause. They get it from infection. They see their fathers living without working, as thousands live in the East End, where I challenge anyone to discover any open signs of starvation. The pride of poverty keeps the real poor—and there are cases of acute poverty—in the background. They suffer in silence because they would sooner suffer than be ashamed. But there are the others: the children of the dole who know every turn and twist of the law that gives them insurance benefit and parish relief. Cheating the labour exchange is a recognized game involving no loss of social prestige. Cheating the Guardians is scarcely necessary in places like Poplar, where unskilled labourers demand a craftsman's wage and where continuous work is considered not to be respectable."¹

As late as January 23, 1931, 49s. a week were being granted in relief in West Ham to married men with large families. Barnsley in Yorkshire was allowing 30s. a week for a man and wife, and 45s. if they had more than five children. Other examples of substantial relief without any obligation to earn a penny of it are as follows:—

Area	ALLOWANCES PER WEEK FOR					
	Man and wife	Two Children	Three Children	Four Children	Five Children	Maximum
Battersea ..	24/6	29/6	32/-	34/6	—	40/-
Bermoudsey ..	22/-	30/-	34/-	38/-	42/-	44/-
Bethnal Green, Hackney and Stoke Newington	22/-	30/-	34/-	37/-	—	44/-
Birmingham ..	28/9	33/9	36/3	38/9	41/3	—
Bristol ..	18/-	25/-	27/-	29/-	31/-	38/-
Portsmouth ..	17/6	23/6	25/6	27/6	29/6	31/6
Swindon ..	17/6	31/6	38/6	45/6	—	—
York ..	25/-	30/-	35/-	40/-	—	—
Glasgow ..	26/-	30/-	32/-	34/-	36/-	40/-
Cardiff..	23/-	30/-	32/-	34/-	36/-	38/-
Monmouth (County)	20/-	25/6	27/6	29/6	31/6	40/6

¹ *Daily Mail*, January 21, 1929.

A mistake was made in extending the vote to paupers in 1918. It enabled those in receipt of public charity to exercise undue pressure. Their clamour for large grants had to be quietened somehow. That political bribery has been resorted to in connection with both the payment of high wages and extravagant relief is proved by the following statement made by Mr. Neville Chamberlain, when Minister of Health, speaking at Darlington on April 2, 1927: "I have found myself called upon to protect local communities from the activities of their own elected bodies. I have found, here and there, but only where Socialist majorities exist, these majorities have been used to debauch the electors. I have found relatives and friends of Councillors and Guardians being given jobs for which they had no previous qualifications. I have found the electors being bribed, whether by offers to pay wages which had no obvious relation to the services to be given or obvious connection with the standard prevailing in the neighbourhood: or, on the other hand, to pay relief at rates by which people doing no work were sometimes better off than those in full employment."

CHAPTER XV

WHY COSTS ARE HIGH: DOLE ANOMALIES
AND ABUSES

UNEMPLOYMENT INSURANCE.

THE principles of the original Unemployment Insurance Scheme of 1911 have been almost completely abandoned by relaxation on the part of the authorities and abuses on the part of the recipients. Prior to 1911 it was left to the individual workman to make provision for his periods of unemployment. In this connection, for a contribution of 3d. or so a week, the trade union would provide unemployed benefit at a maximum rate of 10s. per week for a limited period not exceeding six months in the year. After the claim had been exhausted the member would not be assisted again until he had been in work for a specified period.

It was obviously to the advantage of the trade unions that work should be found as soon as possible in order to safeguard the funds. If trade was bad and the employer was unable to obtain the usual prices the trade unions were prepared to enter into negotiations for the adjustment of wages to what the industry could pay, otherwise a large number of members would have been thrown on the funds.

With the introduction of State Unemployed Insurance it was no longer necessary to consider the trade union funds. Encouragement was therefore given to the union's resistances offered against any demand made by employers who wished to adjust labour costs to current prices offered by foreign consumers. As the sums granted by way of what is popularly and correctly referred to as a dole mounted up, less and less were the men prepared to consider the growing difficulties of the British industrialists faced by competition much more

severe than of yore. At last when the dole was equal in value to French and Italian wages and higher than what millions of British workers obtained in wages before the war, a point arrived when the dole almost completely eliminated any regard on the part of employees for the practical realities of the industrial situation. Obstinate and successful attempts were made to prevent money wages falling as prices came down and more and more inroads were made in British trade.

The dole is the chief cause of money wages being so much higher than is warranted by present prices, and is one of the main reasons why British unemployment has maintained such a consistently high level since 1920. It has, of course, fostered much laziness and parasitism, but the chief indictment against excessive unemployed benefits is that they are responsible for a vast proportion of British unemployment by maintaining labour costs at a prohibitive figure which has prevented our industrialists from placing their goods upon the market at prices corresponding to the world level.

Unemployed insurance was introduced in 1911 in recognition of the fact that through no fault of their own work-people from time to time were unable to find situations. It was felt that some contribution should be made by the community towards the maintenance of the reserve of labour. The idea was that the State and the employers combined should extend something similar to the trade union system. The benefit was to be limited to so many weeks in the year and to one week for every five contributions paid. The scheme was to be self-supporting, those who needed help for long periods being left to other agencies such as the Poor Law. Three-quarters of the cost were to be provided by employers and workers and one quarter by the taxpayers. The scheme at first applied only to a few industries. Those, such as coal and cotton, where short time was customary, were excluded, as were also the trades in which women were engaged in any numbers.

Since 1911 the whole scheme has been transformed. In 1920 it was extended to most manual workers, women and men, and also to non-manual workers earning less than £250 a year. There are now about 12,830,000

persons insured in the scheme, agriculture, railway workers and domestic servants, Civil Servants and permanent employees of Local Authorities being among the exceptions. Even in the 1920 scheme, benefit was supposed to be limited to claimants for a maximum period of fifteen weeks a year, and in the ratio of one week's benefit to every six contributions. But very soon a series of extensions nullified most of the protective provisions, and unemployed insurance degenerated into a mere fund for the provision of doles to millions of people with little regard to any obligation on the part of the recipients. As Sir William Beveridge, who took an active part in the organization of the original scheme, said in 1931:—

“In the course of twenty years, the original scheme has changed its character completely. It has become a system of practically perpetual relief, almost irrespective of the contributions paid by individuals, financed more and more by the State. We are now paying out nearly £120 millions a year for unemployment. £30 millions, or one quarter, is being found by employers and workpeople. £50 millions is being found by the State. £40 millions is being added to the debt of the insurance fund, which already stands at more than £80 millions.”¹

Since these words were written the debt has mounted to over £115 millions.

Great indignation is sometimes shown by the Socialists at the designation of the benefit as a dole. “Dole,” they say, “implies charity, whereas the workers have paid in what they take out.” It may be an unpalatable term, but “dole” is the correct one to use. Of the £119 millions received in benefits from the unemployed fund in 1931, only £14 millions were paid in contributions by workpeople. Thus 8½d. was taken out for every penny paid in contributions. A “dole” implying State charity is certainly a term most appropriate.

In 1931 benefits were paid in advance of contributions and further extensions continued to be made. “Uncovenanted benefit” was a privilege granted at the discretion of the Minister, but except for a period in

¹ *Causes and Cures of Unemployment*, p. 42.

UNEMPLOYMENT INSURANCE: RATES OF BENEFIT AND THE COST OF LIVING.

STATEMENT COMPARING PRESENT AND PAST RATES OF UNEMPLOYMENT BENEFIT HAVING REGARD TO THE CHANGES IN THE COST OF LIVING INDEX.

The statement compares the actual rate of benefit in 1931 with the rate paid in each previous year reduced to correspond to the "Cost of Living Index" on May 1, 1931, viz., 147.

Year 1	*Cost of Living Index 2	Single Man				Man with Wife and Two Children			
		†Actual rate in year 3	Rate in year reduced to correspond to "Cost of Living Index" in May, 1931, viz., 147 4	Actual rate in 1931 5	Excess of actual rate in 1931 over the rate paid in each previous year allowing for the fall in the "Cost of Living Index," i.e., excess of Col. 5 over Col. 4 6	†Actual rate in year 7	Rate in year reduced to correspond to "Cost of Living Index," in May, 1931, viz., 147 8	Actual rate in 1931 9	Excess of actual rate in 1931 over the rate paid in each previous year allowing for the fall in the "Cost of Living Index," i.e., excess of Col. 9 over Col. 8 10
1931 (May 1) ..	147	17 0	17 0	17 0	—	30 0	30 0	30 0	—
1930	158	17 0	15 10	17 0	1 2	30 0	27 11	30 0	2 1
1929	164	17 0	15 3	17 0	1 9	28 0	25 1	30 0	4 11
1928	166	17 0	15 1	17 0	1 11	28 0	24 9	30 0	5 3
1927	168	18 0	15 9	17 0	1 3	27 0	23 7	30 0	6 5
1926	172	18 0	15 5	17 0	1 7	27 0	23 1	30 0	6 11
1925	176	18 0	15 0	17 0	2 0	27 0	22 7	30 0	7 5
1924	175	15 0	12 7	17 0	4 5	22 0	18 6	30 0	11 6
1923	174	15 0	12 8	17 0	4 4	22 0	18 7	30 0	11 5
1922	183	15 0	12 1	17 0	4 11	22 0	17 8	30 0	12 4
1921:—									
Nov. 10—Dec. 31	226	15 0	9 9	17 0	7 3	22 0	14 4	30 0	15 8
June 30—Nov. 9		15 0	9 9		7 3	15 0†	9 9		20 3
Mar. 3—June 29		20 0	13 0		4 0	20 0†	13 0		17 0
Jan. 1—Mar. 2		15 0	9 9		7 3	15 0†	9 9		20 3
1920	249	15 0	8 10	17 0	8 2	15 0†	8 10	30 0	21 2

* Average for year, except that for 1931 the figure of 147 is that for May 1, 1931.

† In 1924, 1928 and 1930 there were changes in the rates. Those shown are those which were in force for the greater part of the year.

‡ At these dates, Married and Single Men received the same rates of benefit; and these rates do not, therefore, include any allowances for dependants.

1924, it was not a statutory right. In 1921 supplementary benefit for dependents was introduced, for which extra contributions were provided by all the three contributing parties. Without enumerating all the modifications in the scheme, we will now compare the rates of contribution and benefits at various periods, tabulating also the cost of living index. The table is taken from the First Report of the Royal Commission on Unemployment Insurance, 1931.

To the above table may be added the information that in 1914 the total amount a man could receive in weekly benefit was 7s., and this applied whether he was single or a married man with any number of children. The contribution paid per week by the insured person was 2½d. In 1930, when a man was receiving 17s. for himself, plus 9s. for his wife and 2s. upon each of his children, a total of 32s. for a married man with three children, the contribution was 8d. Thus if we assume an increase in prices of 50 per cent. (it was actually only 45 per cent. in the latter months of 1931), instead of receiving 10s. 6d. (the equivalent of the pre-war 7s.) he obtained 32s. And instead of receiving benefits only for a few weeks in the year, and those only if six contributions had been paid for every week's benefit, the benefits in 1931 extended the whole year through and the amount of contributions was practically ignored. By the time the first report of the Royal Commission on Unemployment Insurance was issued in June, 1931, the whole scheme had become a public scandal.

In 1925 it had been recommended by the Blanesburgh Committee that "extended benefits should be paid to those who had made thirty contributions in the preceding two years, providing the applicants were genuinely seeking work but were unable to find suitable employment." In 1927 this was amended, so that only eight contributions need to have been paid by those qualifying for "transitional benefit" in the two years prior to drawing the dole, or thirty contributions at any time.

In 1930 the Labour Government introduced an Act which repealed the "genuinely seeking work" clause, thus removing the easy qualifying check against imposition. All that was left then was a penalty to the effect

that if a claimant refused to apply for suitable employment after particulars had been notified to him, he lost his right to the dole for six weeks only. In February, 1930, there were no less than 120,000 receiving "transitional benefit." The Act of March, 1930, was immediately followed by an immense increase. By May of 1930 there were over 300,000 receiving transitional benefit, of whom 60,000 had not previously been registered for employment at any Exchange. By May, 1931, the number of those receiving transitional benefit had grown to 410,000. An investigation proved that a large number referred to people who had paid only irregular contributions, others who had only come into nominal employment of recent years, and others who did little work at any time, in addition to any other class whose age or physical disabilities made it unlikely that they would ever again be employed in industry. All these were receiving handsome doles. "In February, 1931, of those receiving transitional benefit, about 37 per cent. of the men were aged 50 years or over; 68·5 per cent. of the women were married, and of these 46·3 per cent. under 30 years of age." Further "nearly half of the men and more than half of the women had paid no contribution, and nearly three-quarters of both men and women had paid less than eight contributions in the preceding twelve months."¹ Although the ease with which the dole could be obtained by all and sundry lessened the pressure upon the Poor Law Authorities, millions of pounds a year were also paid in addition in outdoor relief to able-bodied unemployed.

The Insurance Fund of necessity got badly in debt and the taxpayers had to provide scores of millions in addition to the huge sums for which the State had been made normally responsible. In 1920 the Fund had £22 millions in hand. By July, 1921, all this credit had been exhausted. Borrowing was resorted to, and by 1923 a debt of £16,750,000 had accumulated. In spite of additions being levied in contributions, and the proportion of the Exchequer being increased as the benefits

¹ *First Report of the Royal Commission on Unemployment Insurance*, p. 19.

were increased still more, although prices were continually falling, the debt mounted, and by June, 1929, £36,873,000 were owing.

In 1930 the Labour Government saddled the taxpayer with the whole cost of the "transitional benefit," which in 1930-31 was estimated to be £22 millions. The following year the cost had increased to £30 millions. The Act of 1930 not only repealed the "genuinely seeking work" clause, but increased the rates of benefit for young men and young women, and the allowance for adult dependents from 7s. to 9s. By May, 1931, the "outstanding debit" Fund was £82,810,000, the interest upon which varied from $4\frac{1}{2}$ to $5\frac{1}{2}$ per cent., which absorbed 2d. of the weekly contribution of 1s. 10 $\frac{1}{2}$ d. In spite of the cuts that had been made and the millions which were being saved by the operation of the "means test," Sir H. Betterton, Minister of Labour, stated in the House of Commons on February 1, that on January 30, 1932, the total indebtedness of the Fund was then £111,407,000,¹ having increased £1,940,000 during the previous twelve months. Borrowing was still being resorted to at the average rate of £272,500 a week. This in spite of Sir Henry's belief that the savings on the dole for which Lord Snowden had budgeted would be effected. Lord Snowden's estimated reduction of unemployment fund expenditure was £25,800,000 per annum.

On a live register of 2,500,000, the total yearly receipts were £44,550,000, of which the workers paid only £13,650,000. They received in benefits £84,000,000 plus the transitional benefits of £35 millions, a total of £119 millions, the cost to the State being about £90 millions a year, and to employers £15,650,000. It was largely this excessive burden preventing the balance of the Budget which brought about the crisis of August, 1931.

The May Economy Committee recommended a reduction in the dole of 20 per cent., and justified this by showing that the benefit would even then be actually greater than that deemed suitable in 1925. The following table, taken from the May Report, indicates this clearly. It applies to a married man with two children:—

¹ It had grown to £115 millions by March, 1932.

Years in which rates have been fixed			Actual rate of benefit then fixed		Rate of benefit now re- quired to give the same purchasing power	
					s.	d.	s.	d.
1911	..	..	7	0	10	6
1920	..	..	15	0	8	10
1922	..	..	22	0	14	4
1925	..	..	27	0	22	7
1928	..	..	28	0	24	10
1930	..	..	30	0	27	11

Even if a cut of 60 per cent. had been made, it would have placed the recipients in a better position than in 1914, and considerably better than in 1920.

In the Emergency Budget of 1931, the dole was reduced by 10 per cent. in the case of a man and his wife, and for single adults, but no reduction was made in respect to children. Thus a married man with three children receiving only 7s. in 1914, in 1931 obtained 17s. plus 9s. for the wife and 2s. for each child—a total of 32s. The amended schemes of 1931 provided 29s. 5d., the equivalent of what was in the opening months of 1932 the pre-war £1. As in 1914 there were millions of married men with families working fifty-four hours a week for £1 or less, the unemployed, even after the cut of 1931, were over-lavishly treated. The average wage for manual labourers, skilled and unskilled, in 1931, was about 54s. The rates paid in Italy were about 43 per cent. of ours, and in France 58 per cent. The Franco-Italian weekly wages would average less than 28s. for a number of hours longer than those worked here. The unemployed Britisher with his 29s. 5d. was therefore perceptibly better paid than the Franco-Italian workman doing a long week's work. It is obvious, with handicaps like these, British industry can never compete with its foreign rivals.

After the crisis steps were taken to deal with certain "anomalies" against which even the Labour Government had decided to protest. The removal of these anomalies and also the application of a means test to those who had been receiving transitional benefit was responsible for the saving of £9,500,000 per annum in future years—or until the politicians once again remove the checks upon abuses.

One of the anomalies had to do with married women. It is customary when a girl of the working classes

becomes a wife for her to resign her situation. Nine out of every ten do so. But since the dole fund has been available as a kind of marriage dowry for life, working girls, with no intention of ever returning permanently to industry, still allowed their names to remain on the "live register" which enabled them to draw 15s. per week for years on end, without any real obligation to work. Although the ratio of married women is only $27\frac{1}{2}$ per cent. of all insured women the proportion of dole claimants mounted up to $47\frac{1}{2}$ per cent., the main increase following the slackening of the Act of 1927 which removed the previous restriction of benefit to one week for every six contributions. Many had worked in no insured trade since marriage and had no intention of doing so.

By January 31, 1932, 141,219 married women were prevented from drawing the dole out of 165,060 cases considered. A good number never presented their cases for examination, which was a plain admission that they had had no intention of returning to industry even if the opportunity had been presented. The bad state of the textile industry, where many married women are normally employed, had given them the requisite excuse whereby millions of pounds¹ had been drawn at the expense of the taxpayers, the recipients, however, being within the law.

In March, 1931, the Press reported how in consequence of a "marriage ban" in certain factories in York the women could go straight from church after the wedding and sign on for the dole which they would then draw for two years without any obligation to work. Out of 400 cases referred to, 60 per cent. went on to the fund. We saw that married women were similarly abusing the Sick Insurance Fund.

Other anomalies were concerned with dockers and other workers who sought employment for only a day or two per week, during which they could obtain the equivalent or more than the equivalent of a weekly wage, and during the other days draw

¹ Margaret Bondfield, Minister of Labour, on November 13, 1930, told the House of Commons that £159,000 per week were being paid in doles to married women.

the dole. Official figures quoted in the House of Commons in 1931 showed that in Cardiff, Barry and Penarth alone, 1,400 men were receiving a minimum of £4 every week for three days' work, and drawing the dole for the other three days. Short time was systematically organized so that a maximum amount of dole should be received. Some examples supplied by the Labour Correspondent of the *Morning Post* will be found illuminating if not particularly edifying.

In South Wales he was permitted to examine the books kept by certain firms for income tax purposes.

The correspondent wrote on October 27 and 28, 1930:—

"I am able to state without fear of contradiction that there are many men within twenty miles of where I am writing, receiving £300 a year in wages and drawing, all the year round, an average of 7s. a week from the dole."

He went on: "Let me give the facts regarding the coal trimmers in one of the ports to show the situation, which is typical of all the ports. There are 410 coal-trimmers registered at the docks. This particular port really needs about 200. The practice is for 200 of the men to work three days while the other 200 are on the dole and then for them to change about."

"No man dare work all the week, even if he is a first-class workman and the employer is willing to employ him all the week. He must play the game and take his turn on the dole like the rest. Yet it is these men working short time who are liable for income tax."

"They draw the dole for each day they are unemployed from the moment they are unemployed. If they are on piece-work for three days some of these men can earn anything between £5 and £6 and draw 4s. 4d. a day dole for the other three, in addition to 4d. a day for each child. For a man with three children that would be 16s. A skilled mechanic in London gets about £3 2s. 6d. for working hard a full week, yet some of these stevedores, with the help of the dole, can get anything up to £6 10s. for working only three days. So demoralising has this system become that the men simply don't want to work six days a week. Trade Union leaders with whom I

have discussed the matter admit that there are abuses, but they defend this system of share and share alike on the ground of 'chivalry.'"

He gives an actual case of a gang of eighteen men whose wages "worked out at £9 8s. per man for the seven days' work. It was piecework and they were paid in bulk for the job. For the other five days they drew doles."

Now let us see how it works out. The dole was 17s. a week for a single man and 17s. plus 9s. for a married man, or 2s. 10d. a day for a single man, and 4s. 4d. a day for a married man, and 4d. a day for each child. The case works out thus:—

			Single man	Married man
			£ s. d.	£ s. d.
Wages	..	..	9 8 0	9 8 0
Dole	..	..	14 2	1 1 8
			<hr/>	<hr/>
Total	..		£10 2 2	£10 9 8

In both cases the men were getting well over £5 a week for the fortnight and worked only seven days. This does not include the 4d. a day for each child on the days the father is unemployed. This is a typical case.

In Cardiff on November 13, 1930, a coal-trimmer was before the court and ordered to pay 2s. a week towards the maintenance of his father. During the previous three weeks the man had received:—

- 1st week £6 5s. in wages and 12s. 8d. dole.
- 2nd week £2 10s. in wages and £1 11s. 8d. dole.
- 3rd week £3 11s. in wages and 18s. dole.

On October 29, 1930, the following appeared in the *Daily Mail*: "Messrs. Guest, Keen and Baldwin employ labourers to discharge iron ore from ships to trucks. Up to a few weeks ago about 40 per cent. of them earned £5 for two and a half nights' work. For the remainder of the week they received unemployment benefit. Within the last month these gangs have been reduced, and their earnings have gone up to about £7 for the same time worked, because there are fewer to share the work. Each of these men, therefore, receives about £7 for two or three nights' work, and the dole of 17s., plus 9s. if he is a married man, and 4d. a day for

each child. Workers in the pottery industry who are paid on piece-work rates earn as much in three days as was formerly earned in four, and then go on the dole for the remaining three days. Mr. F. G. Hanham, of the Ministry of Labour, recently revealed in a report on casual labour in Liverpool that some men receiving relatively high wages for short periods of work claimed the dole for other days in the week. Mr. Hanham also revealed that in 1929, £45,083 were paid by Liverpool dock labourers as contributions to the Unemployment Insurance Fund, but £352,890 were drawn out in benefits."

With regard to the "Means Test," whereby those who had exhausted their claims to benefit were obliged to submit a statement of family receipts from other sources before receiving further doles, *The Times* on March 9, 1932, reported that in London alone a saving of nearly £1,000,000 a year would be occasioned without inflicting any real hardship upon those concerned. Of 150,992¹ cases examined in the County of London between November 12, 1931, and February 20, 1932, 34 per cent. were to receive no further dole, 16 per cent. less than the maximum, and 50 per cent. the maximum.

Many of the claimants were married women with husbands in full work, and the Committee found that a large number of other persons had also been drawing the dole when it was not really needed. A lot of misrepresentations were made. In eight applications involving fourteen persons the total weekly earnings were said by the claimants to be only £15 13s. Investigation proved the actual earnings to be £40 19s.

Among the instances supplied by the Committee as illustrating the need for the means test are the following. It must be remembered that all of them had been drawing the dole and had exhausted even the extremely wide provisions previously in force.

Single man, aged 61. Appropriate rate of unemploy-

¹ On January 1, 1932, of 1,629,009 examined, 802,339 were drawing normal benefit, 570,721 were given less than the usual rate, and 255,949 had their transitional dole suspended as the needs of the applicant did not justify its continuance.

ment benefit, 15s. 3d. a week. Possessed of means to extent of £1,167 14s. 10d.

Married man, aged 62, wife aged 68. Appropriate rate of unemployment benefit 23s. 6d. a week. Post Office Savings Bank, £630 ; National Savings Certificates, £163 ; total £793. Also one single daughter residing with applicant and earning £3 a week, and one boarder paying 30s. a week.

Single woman, aged 47. Appropriate rate of unemployment benefit 13s. 6d. a week. Resides with single sister, aged 51, disabled and in receipt of National Health disablement benefit 7s. 6d. a week. Applicant possessed savings and investments to the value of £1,177.

Single man, aged 53. Appropriate rate of unemployment benefit 15s. 3d. a week. Possessed War Stock £500.

Single woman, aged 58. Appropriate rate of unemployment benefit 15s. 3d. a week. Possessed £326 9s. 7d. in the Post Office Savings Bank.

Single man, aged 52. Appropriate rate of unemployment benefit 15s. 3d. a week. Service pension 18s. 5d. a week declared. Inquiries revealed applicant had £1,014 in Post Office Savings Bank and 53 National Savings Certificates.

Single man, aged 21. Appropriate rate of unemployment benefit 15s. 3d. a week. Residing with father and three single brothers. No other members in household. Rent 11s. a week. The total income to the household proved to be £14 16s. 6d. a week.

Married man, claiming benefit for self only. Appropriate rate of unemployment benefit 15s. 3d. a week. Rent 19s. 6d. a week. Wife owned newsagent's, tobacco and confectionery shop. Profits stated to be £10 a week. One daughter assisted mother in shop. One son gave 10s. a week for board.

Single man, aged 31. Appropriate rate of unemployment benefit 15s. 3d. a week. Residing with parents, one adult brother and three adult sisters. No other members in household. Rent 19s. 3d. The total income to the household was £10 2s. 11d. a week.

Single man, aged 28. Appropriate rate of unemployment benefit 15s. 3d. a week. Residing with parents. No other members in household. Father's income £5

a week. Applicant possessed £440 in War Loan and Treasury Bonds.

Single woman, aged 30. Appropriate rate of unemployment benefit 13s. 6d. a week. Residing with father, a brother, and two sisters. Father not working. Brother and sisters working with a total income of £14 7s. 6d. a week.

Single man, aged 20. Appropriate rate of unemployment benefit 15s. 3d. a week. Inquiries revealed that he resided with his father who was in receipt of a salary of £800 a year. The remaining members of household consisted of mother, three sisters and two brothers. Two of the sisters were earning (amounts not revealed) while the two brothers were both in receipt of unemployment benefit.

Sir H. Betterton, Minister of Labour, in the House of Commons on February 17, 1932, gave instances of what sufficed in the absence of a limit. One man had paid eight contributions amounting to a total of 5s. 4d. and had received £58 7s. 4d. in benefit. Another who had paid only £1 7s. 4d. received £210 4s. 8d. There were many similar cases.

Sir Alfred Watson, the Government Actuary, in 1931 drew attention to several ways in which the unemployed fund was being abused. In Lancashire, mills worked short time, and during the periods when not at work the operatives drew the dole, although the trade unions did not supplement their earnings in the same fashion. Women when married continued to draw the dole, even when they went with their husbands to districts where no work was available such as that for which they were qualified.

"These cases," said Sir Alfred, "are at variance with the conditions upon which the sufficiency of the contribution depends. Equally is the payment of benefit to the coal-trimmer who works regularly, and for very long hours, on two or three days in each week during which he earns from £5 to £7 a day, to the professional football player, who is paid £6 10s. a week and is "unemployed" for four days a week, to the girls and women who have a standing job as week-end assistants in stores and have probably been deterred from entering

domestic service by the attractiveness of such employment combined with unemployment benefit for the rest of the week, and to the sandwich men and bill distributors who work only one day a week and, week by week, come on the Fund for five days."

The above remarks were made while giving evidence before the Royal Commission on Unemployed Insurance. Mr. I. F. G. Price, Assistant Principal Secretary to the Ministry, told the same Commission that if a person had subsidiary employment which he followed in his spare time he could still draw 34s. per week dole, even while earning up to £1 a week and while his wife was also at work full time.

Cases were known in which wages from these spare time occupations had been somewhat reduced so that the dole might be drawn as well as the wages. There were also many cases where pieceworkers crowded into three days with longer hours, work that would normally take four days, so that they could draw three days' dole.

Miss E. S. Fraser, Deputy Divisional Controller of the Division, reported to the Commission that there was a constant unsatisfied demand for domestic workers, but the girl dole-drawers refused the work. In 1930, in connection with single women who had had experience of domestic work and were claiming the dole, 300 were interviewed. Of these 158 were considered suitable, but only 21 accepted posts. The Manager of the Newcastle Labour Exchange said that women refused domestic service at 8s. or 10s. a week (with food and lodgings extra) because the dole was 15s. per week. He said half the vacancies for servants had to be cancelled because the Exchanges could not fill them in spite of having hundreds of suitable unemployed women on their books. This manager also mentioned that seamen who left their thips in order to attend a nautical school to study for their Board of Trade certificates were allowed to receive the dole during this period.

An official of the Manchester Employment Exchange announced on March 16, 1931, that a professional footballer whose agreement with his club required him to work only one day a week, could draw the dole on the

other five days. And an official of the Rugby Football League said on the same day that a player could draw up to £10 a week. He referred to cases where men were earning "good money" in football and yet drawing the dole. He said: "It was recently decided in a test case that a footballer earning £3 or £4 a week was eligible for the dole."

On November 7, 1932, was published the Final Report of the Royal Commission on Unemployed Insurance, which was appointed in December, 1930. Its terms of reference were to make recommendations with regard to the future scope of the Unemployed Insurance Scheme and to indicate means by which it should be made "solvent and self-supporting," and to suggest arrangements to be made outside the scheme for the unemployed available for work. That something is badly needed to make the Fund "solvent and self-supporting" is proved by the following tables giving a summary for five years of the income, expenditure and debt of the Fund.

YEAR (1)	Live Register (2)	Contributions of Employers and employed (3)	Provided by the Taxpayer				Total Revenue of Fund during year (8)	Amount borrowed from the Treasury during year (9)	Total for year including both Revenue and Loans (10)
			Ordinary contribution (4)	Additional Grant to cover Trans. Pay'm'ts (5)	Deficiency Grant (6)	Total (7)			
	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions
1928-29	1.3	30.5	11.8	—	—	11.8	42.3	11.4	53.7
1929-30	1.3	30.9	15.4	4.0	—	19.4	50.3	3.0	53.3
1930-31	2.2	29.7	14.9	20.3	—	35.2	64.9	36.4	101.3
1931-32	2.65	33.6	16.8	32.3	0.5	49.6	83.2	39.6	122.8
1932-33*	2.85	38.2	19.1	52.5	8.9	80.5	118.7	—	118.7
								Total Debt at March, 1932	
								£115 millions	

* At rate of expenditure in September, 1932.

NOTE.—The total expenditure of each year is the total of Revenue and Loans shown in the last column.

The Majority Report made certain recommendations as to future arrangements.

The following statement offers a comparison between

the Exchequer liability under existing arrangements and the Exchequer liability under the Majority proposals for the financial year 1933-34 with a live register of 3,000,000:—

<i>Under existing arrangements</i>		£
Ordinary contribution to Unemployment Fund ..		19,700,000
Deficiency Grant		9,400,000
Cost of transitional payments, including administration		55,500,000
		<u>£84,600,000</u>
 <i>With changes recommended</i>		 £
Ordinary contribution to Unemployment Fund ..		19,700,000
Contribution in respect of Juveniles aged 14—16 years		470,000
Contribution to debt account		3,000,000
Amount transferred from Unemployment Fund to Ministry of Labour Vote for administrative costs (see paras. 682-4)		500,000
Exchequer contributions to cost of new service by Local Authorities		58,000,000
		<u>£81,670,000</u>

Also there was a proposal that Local Authorities should bear certain new costs of Unemployment Assistance to the extent of a uniform rate of 4d. in the £, yielding a total of £5 millions.

The principal recommendations were as follows:—

(1) The debt of the Insurance Fund is £115 millions (£76 millions of which were incurred between April, 1930, and April, 1932). The debt should be amortized, i.e., repaid by means of a sinking fund, and at a rate of interest of $3\frac{1}{2}$ per cent. (present average $4\frac{3}{4}$ per cent.) a charge of £4,500,000 would enable the debt to be repaid in sixty-five years. This charge should be borne as to two-thirds by the Exchequer and as to one-third by the Unemployment Fund.

The present approximate cost is as follows:—

	£
Transitional payments	50,000,000
Exchequer contribution to Fund	30,000,000
Employers' and workpeople's contribution	40,000,000
	<u>£120,000,000</u>

The workpeople contribute less than £20 millions to the cost, or slightly less than one-sixth of what is received in benefits.

(2) Contributions are to remain as now. The rates of benefits to be slightly modified as follows:—

For adult males 15s. a week (present 15s. 3d.), for adult females 13s. (present 13s. 6d.), young men 12s. (present 12s. 6d.), young women 10s. (present 10s. 4d.), juveniles—boys aged 17, 7s. (present 8s.), aged 16, 5s. (present 5s. 6d.), girls, aged 17, 6s. (present 6s. 9d.), aged 16, 5s. (present 4s. 6d.). Dependant's allowances: adults 8s. (no change), first child 2s. 6d., other children 2s.

(3) The age of entry shall be lowered from 16 years to 14.

(4) The income limit of non-manual workers should be raised from £250 to £350 if and when the same limit can be adopted for Health Insurance.

(5) Instead of a uniform limit of twenty-six weeks as at present, the period of benefit should be adjusted from a minimum of thirteen weeks to a maximum of thirty-seven weeks in a year for claimants who satisfy the first condition of thirty contributions paid in two years.

(6) An earnings test for workers employed less than a week so that when a claimant receives more than 20s. a deduction should be made from the amount of benefit to which he would otherwise be entitled. The deduction to be a sum one half the amount by which the earnings exceed 20s.

(7) The Anomalies Regulation respecting married women should not apply as regards the minimum period of thirteen weeks to a woman who has paid thirty contributions during the two years prior to the application, provided these were paid since her marriage. A woman permanently separated from her husband should be regarded as unmarried.

(8) The scheme for assistance reports from the Poor Law included provision in cases of need which was to be judged after assessment of the resources of the household, and the amount granted must be less than wages, the standard to be determined by what experience has shown to be necessary.

There has been much foolish abuse poured upon the "Means Test" by Socialists who regard it as a scandal that a recipient of charity shall be subject to an inquiry as to his financial status to which all the donors

have to submit. All income tax payers are obliged to give precise details of their means of revenue, which incidentally in their case they first must earn before they receive. In 1931 it was laid down that where an applicant had exhausted his legal claim after receiving unemployed benefit for twenty-six weeks, during which a married man with three children would have drawn £38, or the equivalent of *eighteen years' contributions at 10d. a week*, before receiving further benefits (known as Transitional Payments) he had to satisfy a tribunal as to other possible sources of income of himself or near relatives. In cases where the rest of the family was incapable of providing help, or where the claimant had no other means, the dole was continued as before, so that no justifiable grievance existed in legitimate cases of need. Claimants such as the following, given by Sir H. Betterton on November 9, 1932, had appeared hoping to be permitted to continue drawing benefits after their statutory right of twenty-six weeks' dole had been exhausted.

Married man with £240 in the bank, £240 in War Savings Certificates, and his wife £1,100 in the bank.

Single man with £1,503 in the bank.

Single man with £755 in the Post Office Savings Bank, £212 in Birmingham Corporation Stock, and £100 in Vickers Stock, making a total of £1,067.

Single woman with £1,700 invested, producing £60 a year in dividends.

Single man, father, brother and sister living in same house. Father owns house. Total income of four persons £13 5s. a week.

Single man residing with father and three brothers. Rent 11s. a week. Total income of household £14 16s. 6d. a week.

Single woman residing with brother and two sisters. Brother and sisters working. Total income of household £14 7s. 6d.

Such cases, which are only a few out of thousands similar, show the need of a means test. It has been proved that about 18 per cent. of the claimants had no need for benefit, 32 per cent. obtained a modified benefit and 50 per cent. still receive transitional payment on the full rates.

The Socialists are disingenuous about the means test. In opposition they criticize the application of the test and thus appeal to unemployed sentiment, but when in office they supported the principle.

When the Labour Government introduced its Education Bill a system of maintenance allowance was proposed for parents of children between the ages of 14 and 15 to be kept at school. The weekly allowance of 5s. was to be received only if the income was less than £3 in the case of parents with two children. If they had three children their income had to be £3 5s. and so on. This was a "means test" allowance, necessitating what is now described for purposes of political capital as "an inquisitional investigation."

Also in 1924 the Labour Government maintained the stringent means test regarding those who were to benefit by the Old Age Pensions Act. This "test" gave the full pension only to those whose yearly means after an allowance for thrift did not exceed 10s. per week.

And again may be mentioned the Slum Clearance Act of 1930, introduced by the Labour Government, which gave power to authorities to provide houses at a lower rent for displaced persons in other houses of a higher rent than Council houses. This was rent relief provided by the State only to those who need it.

And finally on November 13, 1931, Mr. George Lansbury, the present Parliamentary Leader of the Labour Party, speaking in the House of Commons, said: "As to the means test, the honourable member knows as well as I do what is our attitude on the subject. I am not prepared to give money year after year without knowing what is their own personal position; that is to say, that if a person has gone out of ordinary benefit and has means of his own to maintain himself, I am not prepared to give him State money."

The Socialists now say it is wrong that a father should be expected to maintain grown-up children who are out of work, or for children in work to maintain unemployed parents. But surely it is more just to expect the whole family, when it is able, to help one of its members who is out of work, than to levy toll by taxation upon the income of another household outside the scope of the

Act which has no claim to unemployed assistance even if the whole of its members are out of work.

It is perhaps sufficient answer to other demands made by Socialists that the unemployed should have work or maintenance at trade union rates to cite Lord Passfield, a one-time Labour Cabinet Minister, who in his evidence before the Royal Commission on Unemployment Insurance said: "All experience shows that it is fatal to offer as 'out of work pay' anything like the same sum as the workman would earn if he were employed. The nearer the unemployment benefit approaches the amount of customary earnings in employment, the greater becomes the insidious temptation to 'slack.'"

The following recommendations were made by the Commissioners in connection with the claimants for transitional benefit:—

The actual provisions of the Transitional Payments (Determination of Need) Act, 1932, are printed in italics after each recommendation.

A proportion of the earnings of the applicant should be ignored in order to preserve the inducement to work.

A reasonable proportion of the earnings of other members of the household should be excluded from the assessment of the household resources. This proportion should be larger than that allowed to the applicant—possibly one-fourth.

No account should be taken of capital assets of less than £50. Larger amounts should be taken into account at the rate of 1s. a week for the first £50 and 1s. a week for each additional complete £25.

All money and investments treated as capital assets and taken into account shall:—

- (i) *In so far as the value of all such money and investments considered in the aggregate does not exceed twenty-five pounds, be disregarded; and*
- (ii) *In so far as that value exceeds twenty-five pounds but does not exceed three hundred pounds, be treated as equivalent to a weekly income of one shilling for every complete twenty-five pounds.*

House property belonging to a member of the household, but not their residence, to be treated as a capital

asset. If the house is their residence account to be taken of the amount normally paid in rent.

In taking into account the value to any person of any interest in the dwelling-house in which he resides, any sum which might be obtained by him by selling, or by borrowing money upon the security of, that interest shall be disregarded.

Half the amount of disability pensions to be ignored—more in special cases.

Any wounds or disability pension taken into account shall be treated as if it were reduced by one half.

A discretionary allowance of a proportion of the amount received as workmen's compensation.

Any weekly payment by way of compensation under the enactments relating to workmen's compensation taken into account shall be treated as if it were reduced by one half.

The present statutory exception of the first 7s. 6d. of health insurance benefit to continue and likewise the exception of the first 5s. of friendly societies' sick pay, the latter being extended to Scotland.

A recipient of unemployment insurance benefit should not be regarded as a member of the household if he has no other income; if he has other income the appropriate part of income and benefit should be taken into account.

The assistance must be assumed to cover the cost of rent.

The Minister should take steps to reduce the variations in scales between different areas so that variations represent real economic differences, and should see that a proper relation is kept between relief scales and rates of benefit.

It is recommended that each local authority should appoint a new statutory committee—"The Unemployment Assistance Committee"—for the determination of the rate of payment in each case.

The Commission has failed to suggest any method of reducing the appalling burden of unemployed insurance. Indeed by extending it to children of 14 and 15, and to categories of workpeople not previously included, the evil will grow worse. The principle of insurance has been abused.

It was understood that the Government would in 1933 introduce a measure which would thoroughly reorganize Unemployed Insurance. With that object in view the Royal Commission was urged to hasten the presentation of the Report which has just been summarized. On March 17, 1933, it was announced that owing to the difficulties of the subject and the Governments' pre-occupation with other business the promised Bill would be postponed until a more convenient season, and a short Bill would be presented to provide for the continued payment of transitional benefits by Assistance Committees after the date is given when the operating system should have terminated. The much needed overhaul when it arrives should deal firmly with the situation.

Not only should the abuses be stopped, but a further reduction in the dole of 20 per cent. is urgently needed. If this cannot be accomplished because the politicians have helped to familiarize the British workman with the idea of well-subsidized idleness, then the contributions of those in employment should be raised at least three-fold to 2s. 6d. per week. Even then the dole-drawers would be receiving twice the amount paid in contributions by the insured workers. And surely if £259,500,000 a year can be spent upon drink, and scores of millions of pounds per annum upon tobacco, cinemas and other luxuries, most of them enjoyed by the working class, the rest of the community has a right to demand some lessening of the burden which is breaking the taxpayers' back and is crippling British industry as a whole. The sum of £2,625 millions standing to the credit of the small investor and accumulating at the rate of over £130 millions a year testifies to democratic prosperity which is being enjoyed at the expense of a small minority taxed almost to the point of exhaustion.

The schemes for social services in general sound very attractive when mooted by Socialists—indeed the arguments seem sometimes irresistible, but there is a penalty. As Mr. Lloyd George, himself not averse to excessive expenditure, said in the House of Commons on November 21, 1929: "If you put each individual proposition like that, as the Government puts it in the

House of Commons, it is very difficult to say 'No.' But the net result is that we are undoubtedly piling up a tremendous bill which this country ultimately cannot bear." He went on: "The placing of heavier burdens on already overweighted industry in order that larger benefits and more doles may be paid will permanently endanger twelve homes and only temporarily lighten the misery of one."

As reported in *The Times* for October 18, 1930, Mr. Lloyd George also said: "One heard every day tales of unwarranted cadging on the dole—millions could be saved without infringing one meritorious claim. Economy—relentless economy was an essential condition of industrial recovery. There were resolutions passed by the Labour Congress at Llandudno for additional pensions and family allowances which in the present industrial and financial condition of this country would be sheer lunacy."

Actually each of the three political parties has competed with the others in a system of political bribery in order to obtain votes and none can justifiably throw stones at its rivals. Even the judicious members of the May Committee felt obliged to report that "the electoral programme of each successive Party in power, particularly when it was formerly in opposition, has usually been prepared with more regard to attracting electoral support than to a careful balancing of national interests."

The abuses resulting have been so great that even Mr. George Lansbury, an unrepentant supporter of Poplarism, has been moved to protest against what he calls "the wretched, miserable dole system." In a speech made at an Aldwych Club luncheon, he said: "Masses of British people are now living on the cinemas and the dole. The land is going to ruin and masses of men are also being ruined mentally, physically and morally."

A month before in the House of Commons on March 9, 1925, he said that instead of giving doles to men who did no work the money should be used to provide settlements on the land where labour could be utilized when needed. "I would stop giving any of these young men a farthing for doing nothing right away, and unless he was prepared to earn money in the country or some-

where under decent conditions, he could starve. You are ruining the whole character of tens of thousands of our young people, and any state of society—Socialist Government or anything else—that trains people to believe they should live by doing no work, is committing a crime against the individual and against society.”

We are driven to the conclusion that in addition to bringing the whole industrial activities of Britain to a state of parlous insecurity, our reckless expenditure upon social services, unemployed doles, and other political bribes since the Armistice has seriously undermined the self-reliance, the habits of industry and the general morale of British democracy.

Sir William Beveridge in his book on Unemployment roundly declares: “Our present insurance scheme, in providing for unemployment, is adding to the volume of unemployment, of genuine misery-making, soul destroying idleness. . . . Insurance as we have it to-day . . . is making human life in some ways not better but worse; it is playing down to the slacknesses and carelessnesses of human nature, not playing up to what is best in it.”¹

The Macmillan Committee in 1931 deprecated Great Britain giving a lead in the direction of international wage-cutting. The members were apparently unaware that other nations before them had already set the example. For instance, on November 18, 1930, the Italian Cabinet announced an all-round cut of 12 per cent. in the remuneration of all public employees from Cabinet Minister down to apprentices. This saved over £14 millions a year. On the same date Germany announced reductions in the salaries of State servants from the President downwards by which £25 millions a year were to be saved.

On the moral side a changed attitude is needed on the part of the politicians who make any promises in order to obtain popular support; and on the part of the citizen who has become increasingly anxious to throw his own responsibilities more upon the State. On the economic side it must be recognized that pensions, doles, public

¹ *Unemployment: Its Causes and Remedies*, pp. 44 and 49.

assistance and grants are at least 25 per cent. too high in relation both to the reduction of prices and to the state of trade;¹ while hourly wages, especially those paid by public bodies, are in the bulk of cases at least a similar percentage in excess of what industry can reasonably bear.

Although Socialists have set the pace in this orgy of political extravagance which has brought industry to the verge of bankruptcy, their rivals have not been far behind. In February, 1930, Mr. Baldwin as head of the Conservative opposition was denouncing the Labour Government for extravagance and promising that if returned to power he would institute an era of economy. This was a repetition of a claim made in his election address of October, 1924, when he declared: "The most rigid economy in administration is essential." He then piled on the nation capital liabilities for widows' pensions of £746 millions. In April, 1925, Mr. Winston Churchill as Conservative Chancellor of the Exchequer claimed he would secure a net annual reduction of £10 millions in Governmental expenditure. But the Budget of the Conservatives was £827 against that of their Socialist predecessors of £799 millions.

In reply to Mr. Churchill's criticism of socialistic extravagance, Mr. Lloyd George in April, 1930, made devastating reference in the House of Commons to a leaflet, the imprint of which shows it was issued by "The National Union of Conservative and Unionist Associations" on the occasion of the 1929 election. As Mr. Lloyd George said, it was illogical to complain that the Socialists had been demoralizing the people by extravagant expenditure and then to boast of having spent more in the same connection, which was exactly what the leaflet claimed.

I need only add that the critic, Mr. Lloyd George, was himself prepared to have spent hundreds of millions a year in impracticable schemes for finding temporary

¹ In 1913 the value of British exports exceeded public expenditure by £222 millions, but in 1929 our public expenditure exceeded the value of our exports by £365 millions, and 1929 was a much better year for trade than the three years following.

work for the unemployed. All leading politicians are tarred with the same brush. During the lifetime of a Conservative Government, expenditure on Social Services by the State and Local Authorities increased by £50 millions, from £332 millions in 1924 to £382 millions in 1927. In 1928 the Conservative Government spent £1 million more on Education, £3 millions more on Housing, £1 million more on Health Services, and £13 millions more on Pensions, than the Socialist Government spent in 1924. The Conservative Government gave Pensions to widows and orphans for the first time.

Defenders of squandermania refer to the improvements in health which have been occasioned by the heavy expenditure since the war. This claim is largely fictitious. The Ministry of Health was appointed in 1919. The estimates allotted to the Ministry for that year were £19,224,200. Between 1919 and 1930 £217,411,170 had been spent by this Ministry presumably in preserving the health of the nation. Between 1900 and 1913 there was no Health Ministry, yet the death-rate per 1,000 dropped from 18·2 to 13·8. The following list shows that practically no improvement was reflected in the general death-rate during the period when the Government spent hundreds of millions of pounds on the Health Ministry.

FROM TABLE I OF THE REGISTRAR-GENERAL'S STATISTICAL REVIEW.

For 1921	..	..	12·1	per 1,000 living persons		
For 1922	..	..	12·8	"	"	"
For 1923	..	..	11·6	"	"	"
For 1924	..	..	12·12	"	"	"
For 1925	..	..	12·12	"	"	"
For 1926	..	..	11·6	"	"	"
For 1927	..	..	12·3	"	"	"
For 1928	..	..	11·7	"	"	"
For 1929	..	..	13·4	"	"	"
For 1930	..	..	11·4	"	"	"
For 1931	..	..	12·8	"	"	"

The death-rate for 1931 was actually higher than that of ten years before. It can scarcely be contended that we are getting health-value for money, while it is fairly obvious that our methods are undermining the national character.

CHAPTER XVI

WHY COSTS ARE HIGH: WAR DEBTS AND REPARATIONS

THE war proved to be far more expensive in money to this country than to any of the Allies. The following figures are taken from J. W. Wheeler-Bennett's *Reduction of Armaments* :—

THE COST OF THE WAR.

	£
British Empire .. .	10,054,000,000
France	8,126,639,000
U.S.A.	5,519,594,000
Italy	3,502,200,000

Even in killed and wounded the price paid by the British Empire was colossal, a total of over one million dead and well over two millions wounded being our contribution to the slaughter. The following list is taken from *Whitaker's Almanack*, 1933 :—

CASUALTIES OF THE GREAT WAR.

Country	Dead	Wounded
Great Britain and Ireland ..	812,317	1,849,494
Canada	62,817	166,105
Australia	60,456	154,722
New Zealand	18,212	45,946
South Africa	9,032	17,843
Newfoundland	1,609	3,628
British Colonies	52,044	78,535
India	73,432	84,715
France	1,393,388	1,490,000
Belgium	38,172	44,686
Italy	460,000	947,000
Portugal	7,222	13,751
Rumania	335,706	(no returns)
U.S.A.	115,660	205,690
Serbia	127,535	133,148
Germany	2,050,466	4,202,028
Austria and Hungary	1,200,000	3,620,000
Bulgaria	101,224	152,400
Turkey	300,000	570,000

It will be noticed that the total killed was nearly seven and a quarter millions including both the Allies

and the enemy. The figures for Russia are unknown. If added they would doubtless bring the grand total of killed to 10 millions!

A Swiss authority, Professor Hersch, estimated that in addition the war was responsible for the deaths of 28,379,000 among the civil populations. Ten millions killed, twice as many wounded, many permanently incapacitated, nearly 30 millions of deaths among civilians, added to a total of nearly £40,000 millions expenditure, followed by almost complete world economic dislocation, is a ghastly price to pay for human folly. And the tragedy is not lessened by the recognition that, as will be seen in the next chapter, colossal preparations are again being made for war, showing that the lesson has still to be learnt that armed conflict is of all forms of criminal stupidity the most disastrous.

One of the chief factors responsible for the high costs of production is the debt left by the war. In the year 1913-14 payments for interest and management of the British National Debt and payments to Sinking Fund amounted to £24,500,000. In 1932-33, £262,305,000 had to be found for interest with an additional £32,500,000 for the Sinking Fund. To this may be added the £47,200,000 needed for war pensions. To find these immense sums heavy taxation has been levied which has had obvious repercussions on industry.

The following table gives particulars, excluding the New Sinking Fund:—

EXPENDITURE ON NATIONAL DEBT SERVICES (excluding New Sinking Fund).

£ (thousands)			£ (thousands)				
1913-14	19,272	1927-28	..	..	313,816
1922-23	323,989	1928-29	..	..	312,509
1923-24	307,308	1929-30	..	..	307,252
1924-25	312,161	1930-31	..	..	293,170
1925-26	308,229	1931-32	..	..	289,493
1926-27	318,583	1932-33	..	..	262,305
1933-34 (Budget estimate)			..	£214,000,000			

Altogether about £440 millions had in 1932 to be raised by this country in taxation to pay for past wars and to prepare for those of the future.¹ In this sum is

¹ The Conversion Scheme reduced the amount by £30 millions for future years but only by taking that sum from the pockets of those who had money invested in Government Stock.

included the cost of the fighting forces, some of the details of which will be considered later.

The war debts of the various countries are so burdensome that many responsible students argue there can be no amelioration of the world's economic troubles until the debts have been cancelled. Mr. Lloyd George, for example, in his book, *The Truth about Reparations and War Debts*, issued in the spring of 1932, contends that reparations and war debt payments are chiefly to blame for the disastrous condition of the world. As he says, France and America have been the nations which insisted upon the continuance of the payments, while Great Britain and Italy wished to obliterate international indebtedness.

The position of Great Britain was officially stated on February 2, 1932, in the House of Commons, when Mr. Neville Chamberlain, Chancellor of the Exchequer, said: "The policy of the Government is that a comprehensive and permanent settlement of the reparations question must be reached as soon as possible. We believe, as successive Governments have believed in the past, that this aim could best be realised by the general cancellation of reparations and war debts."

In the famous Balfour Note of 1922 Great Britain declared that she would exact no more from her Allies and Germany than would be sufficient to pay her own debts to the U.S.A., Britain desiring neither to gain nor lose by these payments. That British representatives have been unduly generous will be seen by a consideration of the facts.

Our original debt to America was £815 millions. Our Allies had borrowed from us £1,600 millions including loans of over £420 millions made to Russia. We were also entitled to 22 per cent. of the reparations to be paid by Germany. Even if the loans to Russia are omitted, Great Britain would make a considerable sacrifice by a general cancellation of war debts and reparations.

The terms of repayment were such that Great Britain had to transfer to America practically the whole of the amount she received annually from the Allies in discharge of their debts to us and also whatever was received in

reparations from Germany. We were to receive about £33 millions and to pay £32,800,000. In spite of the greater amounts due to us these terms were accepted. Even in theory they were unjust; in practice, as Mr. Lloyd George points out: "We are at present in the paradoxical position, for the second largest creditor nation on war account, of being the only one of the victors which has paid more than it received. We have actually paid out £133,700,000¹ more than our total receipts from reparations and war debts, whereas France has received £163,300,000 more than it has paid, and all the other Allies similarly have balances on the other side."

The following table is taken from page 7 of the supplement on *The War Debts*, published by the *Economist* on November 12, 1932:—

BRITISH WAR DEBT SETTLEMENTS.

Debtor	Original Advances (net)	Total Debt as Funded	Total Annuities Payable	Present Value of Annuities on 4½% Basis	Percentage of Present Value to Total Debt	Date of Funding Settlement
	£ millions	£ millions	£ millions	£ millions		
France ..	392·7	599·6	799·5	255·7	42·6	July, 1926
Italy ..	347·6	560·0	248·0	87·0	15·5	Jan., 1926
Yugoslavia ..	22·4	25·6	32·8	9·7	37·9	Aug., 1927
Greece ..	16·4	21·4	23·5	8·1	37·9	Apr., 1927
Rumania ..	16·4	18·4	31·2	8·0	43·4	Oct., 1925
Portugal ..	15·6	20·1	24·0	7·9	39·0	Dec., 1926
	811·1	1,245·1	1,159·0	376·4	30·2	

The £90 millions Britain loaned to Belgium were included in Germany's reparation debt, and the amount lent to Russia, totalling over £420 millions net without interest, has been practically repudiated.

The total amount of the war debts covered by funding

¹ Since these words were written the situation has gone worse. Mr. Neville Chamberlain stated in the House, on April 4, 1933, that British payments to the U.S. Government for war debts then amounted to £355,200,000. Our receipts from foreign debts were £71,100,000, and from reparations £121,300,000, leaving us £162,800,000 behind.

agreements was £1,245 millions, the interest at 5 per cent. being £62½ millions. The total annuities payable under the agreement amount to only £17½ millions. On this basis, which leaves out any provisions for repayment, the British taxpayer has thus to provide £45 millions a year in consequence of the remissions of war debts to countries in addition to Russia. Whereas America was to receive £4,553 millions for loans of £2,055 millions, Great Britain was to receive only £1,245 millions having a capitalized value of only £376,400,000 for loans of £1,600 millions.

Even when reparations from Germany to Britain are included we were to receive no more than we paid to America, although we had loaned nearly twice as much as we borrowed and had spent more upon the war than any other nation. On the basis of a rate of interest of 3 per cent. Mr. Lloyd George asserts the arrangements made by Mr. Baldwin in 1923 penalized us by an overpayment of 7 per cent. of the total, whereas Italy and France by more skilful negotiations secured terms far more favourable.

An aspect of the settlement still further penalizing Great Britain was that although we had received American goods during the war, America will only accept re-payment in gold dollars, and she demands full value even when the rate of exchange as now adds over 30 per cent. to the payments to be made by us.

Mr. Lloyd George quite rightly castigates the two men responsible, Mr. Montague Norman and Mr. Baldwin, the latter being in 1923, according to his critic, "casual, soft, easy-going and at that time quite raw." Mr. George goes on: "A business transaction at that date between Mr. Mellon and Mr. Baldwin was in the nature of a negotiation between a weasel and its quarry."

"Mr. Baldwin proceeded, contrary to his instructions and in the teeth of the most express protests of his chief, to fix the terms of a most onerous settlement. He was backed in this by Lord Cave and in the end Mr. Bonar Law (then Prime Minister) gave in to the settlement—mainly because he did not want to split the Government so soon after its formation. . . . But on the last occasion when I ever saw Mr. Bonar Law before his death

... he told us how much he regretted that he had not insisted on resigning sooner than approve the terms which Mr. Baldwin had arranged."

The British agreement to terms so much more onerous than those other nations were willing to accept "amazed the business community of America. . . . The Treasury officials were not exactly bluffing, but they put forward their full demand as a start in the conversations, and to their surprise Mr. Baldwin said he thought that the terms were fair and accepted them. If all business were as easy as that there would be no joy in its pursuit."

Equally severe criticism of our foolish war debt settlements has emanated from the Labour Party. On April 16, 1929, Mr. Philip Snowden, as he then was, during a debate in the House on the Budget said: "No more scandalous transaction has ever been carried out by a British Minister of State. We have never subscribed to the policy of the Balfour Note. I think it was infamous, and we hold ourselves at liberty to repudiate the conditions of that Note."

Mr. Snowden continued:—

"Talk about Russia having confiscated property. They have done no worse than some of the European countries. France has repudiated four-fifths of her national debt, and there are many British people who patriotically lent to France during the war and who have been practically ruined by France bilking her national obligations. During the past year she has been the most prosperous country in Europe. Industry there is flourishing; there is no unemployment in France; yet it is with a country like that that Mr. Churchill has made such a shameful settlement."

The United States, contended Mr. Snowden, had made better debt settlements with both France and Italy than we had. Italy, for instance, had a total debt to us of £610 millions, and Mr. Churchill had commuted it for £270 millions.

The defence of the supporters of Mr. Baldwin, taking the form of a statement issued in 1931 to the Conservative members of Parliament by the Conservative Central Office, is as follows. The British Debt to America was £850 millions, upon which interest had been paid in cash

till May, 1919. The U.S. Government had agreed to postpone interest for three years, the postponed interest increasing the total to £957 millions. The U.S. Government held formal obligations signed by Lord Reading on behalf of Britain whereby we were to pay on demand in gold dollars bearing interest at the rate of 5 per cent. per annum. By February, 1922, the U.S. Congress had passed a law to fund the war debts and to provide for repayment not later than 1947, the rate of interest to be not less than 4½ per cent. Great Britain was invited to send representatives to open negotiations with the Debt Commission. On April 30, 1922, in the Budget Speech it was announced that Great Britain was going to pay interest at the rate of £50 millions a year, payments to start with a contribution of £25 millions in October, 1922.

As the American Debt Funding Commission insisted upon £65 millions a year for twenty-five years, this had to be accepted or £50 millions had to be paid each year in interest with the debt still left intact. Eventually the Debt Commission agreed to recommend 3½ per cent. interest and repayment over sixty-two years, and finally it accepted a reduction to 3 per cent. for the first ten years.

The defence concludes: "Thus the result of Mr. Baldwin's negotiations was that, instead of an annuity of £65 millions our annuity is £33 millions till 1932 and £38 millions thereafter."¹

A note appended to the statement announced that in line with the proposal made by Lord Balfour in 1922, that our total receipts for allied debts and reparations should be only equivalent to what we paid the United States, Great Britain had received for the current year £34,500,000 and had paid to the U.S. Government £33,038,000. This position will continue until the year 1966, after which the receipts and payments are to balance.

Sir Robert Horne, in a letter to *The Times*, January 20, 1931, supported the result of Mr. Baldwin's negotiations and says he, in company with Sir Auckland Geddes and

¹ *Gleanings and Memoranda*, February, 1931, p. 83. (Issued by The National Union of Conservative and Unionist Organizations.)

Lord Burnham, signed a telegram informing Mr. Bonar Law that America would make no further concessions in the terms offered.

On the other hand, Mr. Lloyd George, in an interview reported in the *News-Chronicle* of January 14, 1931, says: "The Americans were absolutely amazed at the readiness with which he (Mr. Baldwin) put the noose around his own country's throat."

On this issue reason seems to be with Mr. Lloyd George. Since the Armistice British statesmen have allowed other nations, particularly France, to get innumerable advantages at the expense of this country. There is no justification for allowing America to impose terms upon us when her arrangements with the other Allies were so much more favourable; and our terms to them were generous to the point of folly.

Our payments to America are unconditional, while those of France to us rest upon whether Germany first pays reparations to France. If all payments had been made the various agreements would have enabled America to receive in 1931, 233 million dollars, 160 millions of which would have been provided by Great Britain from sums received from Germany and the late Allies. In 1936 America was to receive 313 million dollars, 180 millions of which were to come from Great Britain. France was to pay to America 40 million dollars rising to 90 millions in 1936, but reparation payments from Germany were expected to much more than cover the contributions of France, who calculated upon receiving a handsome surplus. But in 1931 various developments interfered with international payments and the whole of the arrangements were temporarily suspended. To understand these developments it is necessary to consider the question of the German reparations.

Immediately after the Armistice there was a general agreement that Germany must be made to pay for all the damage occasioned by the war. At first fantastic amounts by way of reparations were demanded, but these demands had to be scaled down as their impracticability was realized. In 1920, at Boulogne, it was agreed that a yearly payment of £350 millions should be made by

Germany. At Paris, in 1921, this was reduced to £300 millions, and in 1924 the Dawes Plan had still further reduced the sum to £125 millions. Even this was found too much for Germany's capacity, and the Young Plan, in 1929, scaled down reparations payments to £100 millions per annum. The Germans, who themselves had at first suggested the payment of a capital sum of £2,500 millions, later in 1931 declared their complete inability to pay any further reparations.

The Treaty of Versailles forced Germany to surrender Alsace-Lorraine to France, and a large part of Schleswig to Denmark. East Prussia was cut off from the rest of Germany by the Danzig "corridor," and the whole of the German colonies had to be surrendered. A large amount of movable property was also turned over, including the whole of the Germany Navy, her mercantile marine, 5,000 railway engines, 150,000 motor cars, 5,000 goods trucks and all the railway equipment in Alsace-Lorraine.

The Rhineland was to be occupied for fifteen years, and a huge money indemnity was to be paid. In 1921 half the Silesian coal and iron basin was taken away. Altogether 13 per cent. of her pre-war territory in Europe, which had provided 15 per cent. of her products and contained 15 per cent. of her population, was lost to Germany, in addition to a colonial empire five times the size of pre-war Germany. France obtained Alsace-Lorraine, which had provided Germany with 40 per cent. of her total supply of iron, and the Saar coal-producing area was also placed under the control of France. Poland obtained an important agricultural area, and in the Silesian area devoted to coal, iron and steel, Germany was left with only one-half which was badly in need of reorganization.

The Allies finally presented their demand for 136,000 million marks by way of indemnity. For two years attempts were made by Germany to pay the annuity of 2,000 million marks. Her export trade flourished as the mark depreciated and large sums of money were borrowed from abroad, the interest of which was paid in depreciated currency. Payments of reparations became more difficult until, in 1921, the Reparations Commission had to agree

to a partial moratorium. By the end of 1922 it was calculated that Germany had paid about 8,000 million gold marks. The currency continued to depreciate and France accused Germany of being responsible in order to make default inevitable. The French accordingly occupied the Ruhr in spite of the protests of Great Britain, and pressure was put upon the Germans. The mark became practically worthless, and semi-starvation reduced Germany to complete impotence by September, 1923.

A committee under General Dawes worked out a scheme known as the Dawes Plan, which reduced the amount of reparations and enabled a loan to be raised to set Germany upon her feet. A great deal of money was advanced to Germany, especially by American investors, and much of this was used to re-equip German industries. By the end of 1928 Germany had borrowed £1,250 millions, and out of this sum she had paid by way of reparations since the Dawes Plan only about £400 millions. Germany therefore not only paid her reparations after 1923 on borrowed money, but reorganized her industry at the expense of foreign investors. Germany depended upon the willingness of her creditors continually to feed her with capital. If they were unwilling or unable to continue this practice Germany would at once collapse.

While the Dawes Plan was in force, from 1924 to 1930, Germany paid in reparations 7,434 millions of gold marks, the mark being the equivalent of an English shilling. Of this amount France took 3,939 millions, Great Britain took 659 millions, Italy 555 millions, Belgium 527 millions, America 300 millions, and 459 millions were divided among Poland, Greece, Japan, Rumania and Czecho-Slovakia. It will be noticed that France obtained more than all the other Allies put together. What was called the Young Plan displaced the Dawes Plan. The Young Plan reduced the reparations by about a fifth, France as before being allowed to take more than half the total amount. A part of the debt was to be funded and commercialized, and one-third was to be paid regardless of exchange conditions. A Bank for International Settlements was established to deal with the work of transfer.

In the meantime events in America were developing in such a manner as to affect not only herself and Germany, but the whole of the world. There was a boom of speculation in 1929, and the American investor found it more profitable to gamble in Wall Street than to loan further sums to Germany. The supply thus cut off, Germany was compelled to obtain money on short term at relatively high rates of interest. When in 1929 there came the Wall Street crash prices fell and the trade of the world was restricted. Germany was seriously affected, having to reduce imports considerably in order to achieve a surplus of exports with which to pay her debts. Her position became once more precarious and with the failure of the Credit Anstalt Bank in Austria, Germany found herself involved in a serious crisis which involved the whole of Central Europe. In the summer of 1931, President Hoover, of America, proposed a moratorium on all war debts and reparations until June, 1932.

Germany was faced with the need to discharge her reparations debt, and to provide interest upon her commercial borrowings, while her precarious condition prevented her from obtaining more loans from abroad. To make matters worse, tariffs were raised and America refused to have payment in goods, which is the only means available to countries whose money capital has been exhausted by war and depreciation. The Americans naturally insisted that commercial debts should be paid before reparations, while France demanded that reparation payments must have precedence. Great Britain and Italy preferred to cancel war debts and reparations entirely, while Germany maintained she was unable to pay any more reparations either then or in the future.

In spite of the manifest inability of Germany to discharge her obligations, France firmly refused to consent to any further reduction in reparations, payment for which must come before commercial debts, unless America was first prepared to cancel the European debts.

America, faced with serious financial troubles of her own, was not prepared to make the sacrifice, contending that European troubles are not her concern and advising

the European nations to reduce their expenditure on armaments if they are so financially embarrassed as is contended. This good advice will be considered later, as will also the effect of a general cancellation of debt.

France has consistently demanded the lion's share of whatever compensation has been obtained for the devastation of the war, just as France has held up proposals for disarmament which America and Great Britain have been willing to accept. The statement made by M. Tardieu, the newly elected French Premier in the Chamber on February 23, 1932, is somewhat ironical when considered in the light of French diplomacy since 1918. As reported in the English press he said:—

“The whole of France is overjoyed at the agreement reached by M. Laval (the ex-Premier) with Great Britain for the preparation of the Lausanne Conference on reparations and other matters. France aspires to a general entente with that noble country. Both countries desire to ensure peace by justice, and France and Great Britain ensure with their unity the strongest possible guarantee for both these aims. Those people who opposed us in the war which was inflicted on us, know that they can count on a loyal and generous attitude on our part, which, properly reciprocated, will permit of a rapprochement of interests and ideas.”

The “loyal and generous attitude” has so far not been very obvious to any observer outside France. It is true that France has suffered. Part of her land was devastated, and some 30,000 million francs were lost in loans, chiefly to Russia, which have since been repudiated. But she made very favourable settlements of her debts to America and Great Britain, she has drawn the bulk of the cash reparations, and her devastated areas have been restored and more than restored, for new houses have replaced the old, and up-to-date equipment has replaced the plant, much of which was obsolete before it was destroyed. She received Alsace-Lorraine, an area of 5,600 square miles, which contains rich iron and potash deposits and good agricultural land, and was the centre of an important textile industry. This increased the economic resources of France by 5 per cent., and in addition she obtained the valuable coalfields of the Saar.

Although between 1919 and 1924 the French foreign debt increased and each year the Budget was unbalanced, business was good and there was next to no unemployment. After 1924 Governments rose and fell as a result largely of the reluctance of the French citizens to submit to the payment of taxation similar to that which the British nation was shouldering without much protest,¹ and eventually the franc had to be stabilized at one-fifth its pre-war value. This not only shook off most of her burden of debt at the expense of her own investors, but her favourable rate of exchange enabled her to capture much foreign trade and her foreign debts were funded on very favourable terms.

Between 1926 and 1930 France was prosperous, her Budget was balanced, productivity increased, unemployment was rare, and by April, 1932, she had collected over £614 millions in gold in her banks, while the Young Plan entitled her to 52 per cent. of all reparations payments which had ensured a surplus each year after she had paid interest, &c., upon her debts to America and Great Britain. In 1926-27 she had a balance from reparations over her own payments of 21 million francs, in 1928-29 of 47½ million francs, and from 1932-35 she was to have a surplus of 19,600,000 francs. Although by 1932 France was feeling the effects of the world slump she was in a position safely to modify the Shylock attitude which has characterized her behaviour for many years.

America also, whether she is willing or not, will be forced by the pressure of events to reduce the payments now due to her for loans. She has been receiving 160 million dollars per annum in war debt payments in addition to large sums in interest upon her commercial loans. But in 1931 she was faced with budgetary difficulties, and for two years before she had been badly hit financially.

If America is unwilling to receive goods in discharge of debts which were incurred in goods, and if she maintains her tariff restrictions, it is obvious that the other

¹ By February, 1933, France had had 27 different Governments in office since the war.

nations will be unable to continue their annual payments, especially now that Germany has been relieved of reparation payments with the exception of £150 millions. Although America has loaned much of her wealth abroad, she has not done so to the extent necessary if world trade is to extend. By insisting upon payment in gold she has accumulated over £1,000 millions' worth of bullion in her vaults, and this, taken in conjunction with the £665 millions cornered by France up to January, 1933,¹ has seriously restricted the currency so essential if the commercial relations of the world are to be harmoniously adjusted. It would probably be to the interest of America, as well as the rest of the world, if steps could be taken to reduce the funded obligations of her debtors to the actual amounts they borrowed instead of about 125 per cent. more.

It is unlikely that the American public will be willing to forego completely payment on debts; it is unfair to ask them. And there might be drawbacks from the standpoint of Great Britain on the top of the initial surrender of claims which in strict justice entitle us to receive twice as much as we pay, quite apart from reparations on a war expenditure greater than that of any of our Allies. We loaned twice as much as we borrowed, and on French precedent, would insist on the full discharge of other nations' obligations.

On January 13, 1932, Sir Walter Layton, who was the representative of Great Britain on the committee appointed by the Bank for International Settlements to consider Germany's capacity to pay reparations under the Young Plan, explained the financial situation regarding war debts, when speaking at a dinner at the Eighty Club. In this speech, and in subsequent letters to the *Daily Mail*, Sir Walter contended that the war debts of Germany should be wiped out. He argued that efforts to pay reparations have resulted in mal-distribution of gold and the fall of world prices, and have encouraged the raising of tariffs which were strangling international trade. He thought no further loans would be made to

¹ On January 31, 1933, the Bank of France was reported to have £984 millions' worth of bar gold in its vaults, but a large proportion of this belongs to international financiers.

Germany merely to enable her to pay her war debts. She cannot pay in gold because she has none and must pay in goods which would intensify competition with those of Britain. He believed, after the depression had passed, Germany would be in a position to make further payments, for nothing short of a collapse of civilization would prevent her becoming one of the leading industrial nations aided as she is by "highly skilled technicians" and "magnificent industrial equipment." If further payments are insisted upon, they should be sums so modest as not seriously to disturb the normal course of the world's trade.

Certain other facts were given which demonstrate how the other nations, especially Great Britain, will suffer if all reparations and war debts are cancelled. Even in the event of complete international cancellations, Great Britain would be obliged to pay to her own nationals interest and sinking fund upon £1,600 millions which were raised in this country to lend to the Allies.

The general position would be as follows if war debts and reparations were cancelled. Great Britain would be left with an internal debt of £6,600 millions, or £150 per head of its population. France would have a debt of £2,300 millions which is £56 per head; the United States would have a debt of £3,200 millions or £27 per head; while Germany would have a debt of only £500 millions or £8 per head. Even if Germany had been made to pay the full Young Plan reparations, these if capitalized amounted to only £32 per head against our debt of £150 per head, and considerably more if our debt to America is included.

It is obvious that if Germany's war debts were completely cancelled, aided by her "skilled technicians" and "magnificent industrial equipment" (the latter largely the result of money borrowed from the victors) she would have a tremendous advantage in the fight for international markets against nations heavily handicapped with a huge burden of taxation necessitated by a war in which Germany was generally considered to be the aggressor. M. Laval, who was the French Prime Minister in January, 1932, definitely announced the unwillingness of France to forego reparations or to agree to a financial

policy on war debts which would place that nation in a position of inferiority "in the international competition" for trade. Among the points urged by those who were not prepared to cancel reparations, in addition to the advantages Germany would have in lessened taxation while ours remained exorbitant, were the following.

While in 1931 British imports were £408 millions more than exports, or if invisible exports are included, we were £104 millions to the bad, Germany in the same year was £128 millions to the good. To this Sir Walter Layton replied by pointing out that the surplus, which was £124 millions, not £128 millions, was the result of reduction of wages and salaries, and of restriction of imports and home consumption in general (German imports fell from £672 millions in 1920 to £336 millions in 1931). Such a surplus was in excess of that ever achieved before or likely to be achieved again.

Against Sir Walter Layton's position it may be mentioned that in December, 1931, while Germany was contending she was bankrupt and unable to make further payments, the Young Plan Advisory Committee issued two reports which presented another side of the picture. It appears that between 1926 and 1929 German State expenditure increased by £168 millions per annum, of which only £25 millions were due to reparations payments. The other items were as follows: Increased salaries for lower grade Civil Servants, £75 millions; unemployed relief, £50 millions; miscellaneous, £35 millions. It was contended that whole towns had been rebuilt with money borrowed from abroad. Roads, factories, municipal buildings, schools, baths and theatres had been rebuilt and great quantities of raw material had been purchased. Between 1924 and 1931, £900 millions had been borrowed by Germany, bringing her total foreign borrowings to £1,500 millions, out of which only £550 millions had been paid in reparations, leaving nearly £1,000 millions that had been spent on improvements which under the circumstances were extravagant and unjustifiable. A committee of foreign bankers after some months of investigation reported that £50 millions of banknotes were hoarded in Germany in the opening months of 1932, and that a third of this sum

placed in circulation would bring substantial relief to the money market.

The position of France was very definite. In 1931 she had an adverse trade balance of £90 millions, having suffered a decrease of over £70 millions in imports over the previous year while exports were down by well over £90 millions. Her Premier, M. Laval, in January, 1932, said: "There can be no cancellation but only a moratorium for Germany, broader perhaps than that provided for in the Young Plan, but one which leaves the Allies free to profit from the financial and economic recovery of Germany, which I look upon as certain. France will exact the payment of the unconditional annuities from Germany, and will only consent to reductions in reparations payments in so far as equivalent reductions of her own debts are consented to by her creditors. The Bale experts, in their report on Germany's financial position, underlined the fact that she would enter an era of unparalleled prosperity after the crisis. It is quite certain that she will recover her economic stability, and one can, therefore, admit no cancellation of debts."

The reply came definitely from Washington. Even if Germany does not pay, the American Government stated it would expect Great Britain, France and other countries to pay America. On April 7, 1932, Mr. Ogden Mills, Secretary of the U.S. Treasury, said that the United States expected the European debtor nations to resume payments to the United States when the moratorium expired on June 30, 1932. Estimated receipts from Europe of £54 millions had been included in the American Budget for the forthcoming year.

All things considered, in spite of the arguments of those who urge a cancellation of reparations, it is obvious that if America will not make equal concessions, her debtors cannot afford to run the risks of leaving Germany relatively unembarrassed while they continue to pay heavy charges to America and to their own nationals. And even if America were willing, the cancellation would give Germany an undue advantage.

That Germany has paid large sums, of which France has been the chief beneficiary, there can be no doubt, although on the other hand Germany has spent extrava-

gantly in re-equipment of her industries, &c., from the money borrowed from abroad, upon which she now finds herself unable to pay the interest. Mr. Lloyd George contends that if the cost of the Armies of Occupation is included Germany has paid a total of nearly £2,000 millions out of the £6,600 millions originally demanded. The cost of restoring the devastated areas to their pre-war standard would have been about £650 millions. They were actually rebuilt in a greatly improved state and by 1928 £860 millions had been spent for this purpose, France, by the way, refusing to accept the German offer of labour and materials direct, and demanding cash instead.

Mr. Lloyd George rightly argues that if Germany cannot borrow money from her creditors she can only pay in goods which must compete with those to whom payments have to be made. In any case some industrial prosperity is essential if the debts are to be discharged. But instead of encouraging German prosperity and building bridges across their frontiers "the frightened nations set to work to increase their armaments and in international policy to cripple their enemies and ring them with hostile States." France is directly accused by Mr. Lloyd George of bullying Germany at the point of the bayonet into compliance with impracticable conditions.

At the Lausanne Conference, a provisional agreement was signed on July 8, 1932, whereby the annuities to be paid in connection with reparations amounting to £1,600 millions owing by Germany were cancelled, and all that remains is the payment of a final sum of £150 millions under the ægis of the International Settlements Bank. Inter-Allied debts are to cease completely as soon as a satisfactory agreement can be reached between European debtors and the United States.

The United States had not been a party to this agreement and her statesmen speedily repudiated any assumption that the release of Germany from her obligations committed America to paying compensation for the losses of reparation payments to France, Italy and Britain. These latter nations, especially France, on the other hand, regard their sacrifices at Lausanne as constituting an irresistible claim, if not for actual cancel-

lation of their debts to America, at least to a considerable scaling down of the amounts outstanding. The Lausanne agreement indeed was conditional on the generous treatment that America is prepared to extend to her debtors.

The U.S.A., involved in industrial depression and budgetary difficulties, insisted on the payments suspended by the Hoover moratorium being resumed on December 15, 1932. Italy was willing to pay the small amount due, but both France and Britain urged the necessity of a further moratorium and of a reduction of the debts. Britain had an especial claim to favourable consideration, not only because of the onerous terms of settlement agreed to by Mr. Baldwin, but for other reasons, one of which was that the unfavourable ratio of the British pound to the American dollar would oblige us to pay about 34 per cent. more than the sum of £19,750,000 to which we were nominally committed.

After fruitless Notes and replies, Great Britain honoured her obligation, but France refused to do so, something amounting to riots of protest against payment being witnessed in the last named country. Not only did France refuse her annual payment to America of £12 millions, but she did not pay the £12,500,000 due to Britain. The British Government did not insist upon the payment as it had no wish to endanger the spirit of the Lausanne agreement. It was vainly hoped that our forbearance would encourage a similar attitude in America.

In President Hoover's declaration of refusal, he intimated that no justification had been put forward by the debtors, and moreover the problem of debt is associated in the mind of America with the problem of disarmament. He said that he was prepared to recommend a re-examination of the debt question, treating each country individually, and the prospects of possible treatment would be greatly increased by the December payment, upon which he insisted. Accordingly, Great Britain, on December 15, handed over £19,750,000 in gold, not as a resumption of the annual payments, but as a contribution to the final settlement.

Many vital points were broadcast as a result of the

exchange of Notes between Britain and the United States. In reply to the first British Note, Mr. H. L. Stevenson, United States Secretary of State, said : " Reparations are solely an European question in which the United States are not involved."

In the second British Note it was pointed out that America had made loans to the Allies totalling £2,055 millions, and France had made similar loans of £460 millions. America and France, by refusing to accept payment in goods for goods sold during the war, and insisting upon gold, had led to a drain on the gold reserves of other countries, and this had forced up the price of gold, or in other words had forced down the price of commodities, which in turn had brought widespread ruin to producers in both debtor and creditor countries, with disastrous social and political repercussions. Among other things it had seriously increased the burden of commercial debts and had rendered intolerable the load of unproductive war debts.

The U.S.A., which had lent £2,055 millions, was entitled to receive from its debtors £55 millions a year. Great Britain loaned to the Allies £1,600 millions, but concluded terms whereby she should receive no more in repayments or reparations combined than should pay her indebtedness to America of £815 millions. Great Britain, before the payment of December 15, had contributed £325 millions, of which, however, only £42 millions had gone to the reduction of the debt, the remainder being interest. The Note dated December 1, 1932, goes on : " The fact that His Majesty's Government were the first to fund their debt to the United States of America, and that some time elapsed before their debtors completed funding arrangements, has resulted in their receipts from their debtors being less than half their payments to their creditors. The relative position is that the U.S.A. made loans amounting to £2,055 millions ; the U.K. made similar loans amounting to £1,600 millions ; the U.S.A. has received for the benefit of their taxpayers £434 millions and the U.K. have received for the benefit of their taxpayers nothing, have passed on all their receipts to the U.S.A. and have paid out of the pockets of their taxpayers to the U.S.A. £134 millions. In fact when

interest has been taken into account some £200 millions has been found by the British taxpayer. . . . While the British share of the total indebtedness to the U.S.A. is only 40 per cent. of the total debt-payments made to the U.S.A., 80 per cent. has come from Great Britain."

The Note went on to say that the British debt being expressed in terms of gold, but the burden on the British taxpayer being measured in terms of sterling, the payment due on December 15 was increased from £19,750,000 to about £30 millions. The average price index in the United States during the period when the debt was incurred was 189 and is now only 94, the year 1913 being taken as a basis in each case; "the debt therefore represents to-day, in terms of goods, not less than twice the amount which was borrowed."

The effect of the American tariff had restricted the import of manufactures from Great Britain. In 1923, when the debt was funded, the annuity due from Britain to America was £33 millions or just over half the value of British domestic exports to the United States (£60 millions). From 1933 onwards the annuity would be £60 millions at the present rate of exchange, while the British domestic exports had dwindled to £18 millions in 1931 and to about £16 millions in 1932. The exports into the U.K. from the U.S.A. had also fallen from £211 millions in 1923 to £104 millions in 1931, and to only £59 millions in the first nine months of 1932. Thus the total trade between the two countries had fallen from the time of the Funding Agreement from about £300 millions a year to £100 millions. If, therefore, war debt payments were to be resumed the exchange position of Britain would have to be strengthened by a reduction of the heavy adverse balance of visible trade amounting to £78 millions in 1931. This would further restrict our purchases of American goods and the American producer would seriously suffer. Also we should have to take action in order that the sterling proceeds of other imports were used more largely for British markets. In other words rates or tariffs would have to be imposed which would add to the economic instability of the world.

Further, if America remained obdurate, the Lausanne Agreement would have to be shelved and the whole

question of payments by Britain's debtors would have to be re-opened. These countries in turn, in company with Britain, would be obliged to insist upon Germany's old obligations under the Young Plan being resumed, and all the good work of Lausanne would be undone, and the world's political and financial problems would be accentuated.

In a further note on December 11 the U.K. Government said: "The payment to be made on December 15 is not to be regarded as a resumption of the annual payments . . . H.M. Government propose accordingly to treat the payment of December 15 as a capital payment, of which account should be taken in any settlement."

Further particulars were emphasised in the discussions surrounding war debts and reparations which took place in December, 1932. France had, up to December 14, received in reparations £295 millions in cash and kind, in addition to receipts for her Army of Occupation. Alsace-Lorraine, it appears, was not appropriated but only mandated. Great Britain's reparation receipts amounted to only £122 millions.

The whole of our debt to the United States was incurred after that country entered the war. We spent with them £1,440 millions, of which we paid £258 millions from our own resources, and received £371 millions from our Allies for the expenditure on their behalf. The remainder of the £1,444 millions, £815 millions, was financed by a loan from the U.S. Government. At the time of the Balfour Note offering total cancellation all round, Germany was owing us in reparations £1,450 millions, Russia £650 millions, and France, Italy and other European debtors £1,300 millions, making a total of £3,400 millions. Our debt to the U.S.A. at that time amounted to £850 millions, for although we had paid large sums these had not been sufficient to cover the interest at 5 per cent. Great Britain, therefore, in the Balfour Note suggesting total cancellation, offered to the world a present of £2,550 millions.

It is hoped that the circulation of the British viewpoint in America will have a favourable effect, so that

when new terms are to be discussed in 1933 between the U.S.A. and those nations which have honoured their obligations, American opinion will tolerate a very drastic reduction on the amounts levied in future from this country. America hopes that France and Belgium, which, so far, have not paid the sums due on December 15, will place themselves in a position whereby they may be included in the discussion.

One factor being recognized in the United States is that the value of American exports to Europe fell from £525 millions in 1925 to £220 millions in 1931. Also it has been calculated by American authorities that the income of the U.S.A. has shrunk by £6,000 millions since 1928, a sum three times the total owed by the Allied nations to her. If a new financial crisis is set in motion by American insistency upon her pound of flesh (with another pound and a quarter added for interest), a worse slump than the one which has been experienced will be suffered by Americans. As a high American authority, Dr. B. M. Anderson of the Chase National Bank, reminded his countrymen: "If we could collect the 260,000,000 or 270,000,000 dollars a year due from our debtors, of what use would that be if it perpetuates a world disorder which, reacting on ourselves, reduces our own tax receipts by 2,000,000,000 dollars or more a year?"

A writer in the *New York Times* calculates that forgoing the debt would cost Arkansas £30,000 at par. But if this would raise the price of cotton by one cent., Arkansas would profit by £1,200,000, or by twice that sum if cotton, as is probable, rose by two cents. For the whole of the cotton-producing States the cost of forgiveness would be £140,000, and the profits £24 millions a year.

In April, 1933, President Roosevelt had conversations with the British Premier and with M. Herriot, the representative of France. Although no details have been published it was agreed that side by side with the negotiations during the sittings of the World Economic Conference, which opened on June 12, there should be independent negotiations regarding a permanent settlement of war debts. On June 15 Great Britain made a

“token payment” of £2 millions in acknowledgment of the American debt. In the meantime, the United States have gone off the gold standard and Mr. Roosevelt has definitely announced his intention of raising commodity prices to such an extent “that those who have borrowed money will on the average be able to repay that money in the same kind of dollars which they borrowed.” In his view it is not fair that the farmer or miner should now receive 80 or 40 per cent. less than he obtained in 1928 for the same amount of produce. To compensate for the heavy fall in prices Mr. Roosevelt is prepared to depreciate the dollar by reducing the quantity of gold it contains. This policy, while it may remove the extra load placed upon Great Britain by the rate of exchange, which forced us to pay £10 millions extra on the December payment, will not remove the main burden, which needs drastic lightening.

Although there are considerable drawbacks for Britain if the principle of the Balfour Note is ever accepted, nevertheless, if the Lausanne Agreement is ratified and Germany is to be allowed to escape with a payment of merely £150 millions, it would be better to cancel all international war debts and reparations, as otherwise we should probably continue to honour whatever obligations were heaped upon us by America, while it would be next door to impossible to collect the sums owed by our late Allies to us, the people of France especially being apparently prepared to have a revolution before submitting to increased taxation for any purpose except armaments.

Perhaps the most that can be expected is that the war debts shall be reduced to the capital sums actually borrowed by France and Britain from America, and by France from Britain, while Germany pays the £150 millions agreed upon at Lausanne. In this case Italy will pay probably an even less amount than the trifling proportion of sums borrowed previously demanded by America and Britain, while Russia will escape absolutely free of the huge debts owing to France and Britain unless something comparable to a financial miracle happens.

It is to be hoped that for once in a way our representatives will not follow the post-war precedents of

British statesmen and agree to onerous terms being imposed in other directions, in return for whatever relief is granted in respect to the debt. It is obvious that whatever may happen in connection with future war debt and reparation payments, in the past Great Britain has allowed all the other nations concerned to gain perceptible advantages of various kinds, while we have been almost broken under the load of taxation occasioned by the war and our statesmen's foolish generosity since.

It was refreshing to find that in the exchange of Notes associated with the payment of £18,500,000 to America on June 15, the British Government made it quite clear that we could not continue to pay immense sums to America while the claims upon our debtors remained suspended under the Lausanne provisional agreements. President Roosevelt accordingly accepted the nominal sum of £2 millions worth of silver as proof that there was no desire to default, and agreed to take the payment into account when a final settlement could be arranged at a convenient date. As the current price of silver was only 1s. 7½d. per ounce and America agreed to accept it at the rate of 2s. 5d. per ounce, the cost to the British Exchequer for the payment of £2 millions was only £1,600,000.

Two last points may be considered. As the Southern States of America have never paid either capital or interest upon the loans made by Britain to them during the Civil War, the U.S. Government might very well collect what is due with compound interest and deduct that amount from the sum we owe.

And perhaps it would be a good idea, as suggested by Lord Melchett in a work on *Modern Money*, published in 1932, if we offered to transfer some of our many Pacific or West Atlantic possessions to America in return for a cancellation of the debt.

Let us now turn to the question of armaments, especially as America has pointedly suggested that she is not prepared to cancel debts in order that the money she needs may be used by Europe in competition upon armaments.

CHAPTER XVII

THE COST OF ARMAMENTS

ACCORDING to the speech made by Mr. Arthur Henderson on February 2, 1932, when presiding at the Disarmament Conference in Geneva, during the previous four or five years the average total military expenditure of the sixty-one countries represented amounted to £800 millions per annum. Obviously this colossal sum must be an immense burden upon the taxpayers of all the nations.

And a consideration of the evidence demonstrates that after a war nominally fought to end war, many of the nations are spending greater sums upon war preparations than before 1914, even if deductions are made for the increase in general prices which of course has affected the cost of armaments. Certainly of recent years increases have been registered. In 1925 world expenditure on national defence amounted to £699,400,000; in 1927 to £774,600,000; in 1929 to £821,500,000; and in 1930 to £825,000,000.

The following list showing increased expenditure during a period of rapidly falling wholesale prices is taken from the *League of Nations Year Book*, 1932, the figures as to falling prices being taken from the *Statist*. To convert the £ sterling at par rate of exchange, divide by five.

GROWTH OF WORLD EXPENDITURE FOR NATIONAL DEFENCE (in dollars).

Year	Wholesale prices 1913 = 100		Amount
1925	..	160	3,497,000,000
1926	..	148	3,557,000,000
1927	..	144	3,873,000,000
1928	..	141·2	3,950,000,000
1929	..	135·8	4,107,000,000
1930	..	114·1	4,125,000,000

The following details are taken from the *Financial Times*, February 11, 1932. It should be remembered that rates of pay differ very considerably, as do systems of defence. In some cases the estimates include various sums for military and war pensions.

	Estimates	
	1929-30 £ millions	1930-31 £ millions
United Kingdom	99,000	94,900
India	33,466	32,953
U.S.A.	142,780	141,900
Russia	98,595	118,431
France	88,450	93,545
Turkey	63,000	60,454
Italy	50,617	53,740
Japan	49,490	47,370
Spain	41,964	40,704
Germany	34,550	35,060
Poland	23,786	24,125
Mexico	19,540	18,540
Czecho-Slovakia	12,300	11,762
Rumania	10,997	12,365

According to Vernon Bartlett, writing in *Labour Research*, March, 1932, 14 per cent. of the British Budget of 1930 was allocated to armaments. In the same year America spent 16.5 per cent., France 21.9, and Italy 23.6 per cent. of their respective Budgets on armaments.

It would be difficult to ascertain precisely how much each nation has increased its expenditure upon armaments since pre-war days, but a few details supplied by Per Jacobssen in his *Armaments Expenditure of the World* may be worth considering, although we are warned that these figures must not be used for the purpose of comparison between the different countries. General costs have risen in various degrees since 1914, those of Britain being in 1930 about 57 per cent. (retail prices) above 1914.

Per Jacobssen says: "From 1908 to 1913 the armaments expenditure of Europe rose by more than 50 per cent."

Excluding pensions the following list indicates the trend since 1909-13, although the reader must not overlook the general rise in prices.

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		Average 1909-13	£ millions 1930	Increase since 1909-13 Average per cent.
Great Britain	..	64	95	48
France	.. ..	60	94	57
Italy	.. ..	25	53·6	114
U.S.A.	.. ..	61·7	145·4	135
Japan	.. ..	19·7	48·0	143
Russia	.. ..	76	118·9*	56
Germany	.. ..	70	35·1	50 (decrease)
Total	..	376·4	590·0	57

* The actual figures for Russia were certainly higher than £118,900,000. It is difficult to obtain accurate figures for Soviet expenditure on Armaments as Russia has no clear division between what other countries distinguish as "civil" and "military" expenditure. The Soviet Budget for 1932 made provision for a military expenditure of £130 millions in addition to £12 millions for "special arms" (chiefly police). Altogether in 1931 about £212 millions were spent by the Russian War Commissariat and its associated organizations.

If Germany is excluded from this list the expenditure between the years indicated increased by over 92 per cent., even if the omissions in the 1930 estimates for Russia are forgotten. This increase represents more than that of general costs, so marks a definite extension of expenditure upon armaments, although if the year 1913 had been taken as a basis of comparison instead of the average of 1909-13 the increase would not be so noticeable.

But during the last few years there have been definite increases except in Britain in spite of a fall in prices. On June 29, 1931, Mr. J. R. MacDonald said in the House of Commons that although between 1924 and 1930 British naval expenditure had been reduced by £3,500,000 (Sir Bolton Eyres-Monsell in 1932 put the reduction at £8 millions) that of the U.S.A. had increased by £8,709,000, that of France by £10 millions, that of Italy by £7 millions, and that of Japan by £3,500,000. Since 1914, allowing for changes in the value of money, British naval expenditure had been reduced by £23,700,000, French by £5 millions, Italian by £1,250,000, while that of Japan had increased by £11 millions, and that of the U.S.A. by £36 millions.¹

¹ The expenditure is evidently not a conclusive test, for according to an article in *Labour Research*, March, 1932, the total combatant vessels of the seven chief Powers were reduced as follows: year 1926 1,928 vessels; 1931, 1,882 vessels; and January, 1932, 1,741 vessels.

The position of the Armies since 1925 was as follows:—

EFFECTIVE ARMY EXPENDITURE FROM 1925 TO 1930.

	1925-6	1929-30	Increase or Decrease
	£ millions	£ millions	£ millions
Great Britain	36½	32	— 4½
U.S.A.	51	59	+ 8
Italy	18	28	+ 10
Germany	20	25	+ 5
France	34	53	+ 24

With regard to the Air Forces, while between 1925 and 1931 British expenditure fell by 1 per cent., that of Italy increased by 40 per cent., that of France by 139 per cent., and that of America by 159 per cent. It is obvious that no nation has followed the lead towards disarmament given by Great Britain.

But other nations make claims of reductions. For example, M. Tardieu, speaking on February 8, 1932, said France since 1913 had diminished her effectives by a quarter, her units by half, and the duration of military service by two-thirds. Japan also claimed to have eliminated four divisions and reduced the number of its effectives by 35 per cent. since pre-war days. But the French Budget of 1932 provided for an increased expenditure on armaments, and a new programme passed on December 18, 1931, provided for eight new ships, including more cruisers for the French Navy.

One of the ironical features is provided by America, which gives advice to Europe on the need for lessened expenditure on armaments while increasing its own spending since 1914 more than any other nation. In 1933 the United States Naval Estimates allocated 35,500,000 dollars for construction and repairs, a sum 14,500,000 dollars more than that spent in the previous year. Mr. Swanson, the new Naval Secretary, said he was in favour of building up to the full ratio permitted to America by the London Treaty. In 1932 Italy announced that £7,800,000 were to be allocated for new construction, the reason given being an increase of naval forces on the part of France.

Let us glance more particularly at the expenditure of

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Great Britain. The following list shows the increase between 1913 and 1933:—

DEFENCE SERVICES EXPENDITURE (000's omitted). (Pensions included.)

	Navy	Army	Air Force	Total
	£	£	£	£
1913-14	48,833	28,346	—	77,179
1924-25	55,625	44,765	14,310	114,700
1928-29	56,920	40,500	16,050	113,470
1929-30	55,750	40,500	16,750	113,000
1930-31	52,574	40,150	17,800	110,524
1931-32	51,060	38,520	17,700	107,280
1932-33	50,476*	36,488*	17,400*	102,990†
1933-34 (estimate) ..	53,570	37,950	17,426	108,946

* Budget estimate. † Actual.

In March, 1933, the increase in the cost of living was 39 per cent. above that of 1914. The increase in the cost of the armaments of Britain was 40 per cent. On these figures no reduction in expenses on armaments has been made if the rise in prices is taken into account. But it must be remembered that the real reason for an increased money cost of 40 per cent. (in addition to the cost of the Air Force, which in 1913 did not count) is the very marked improvements which have been made in conditions of the personnel of both Army and Navy, the remuneration of which has increased to a degree far ahead of the rise in the general cost of living. We should expect to see, therefore, a considerable decrease in the numbers of men, ships and guns which constitute our defence forces.

The following table shows how substantial has been the reduction in the British Army:—

	July 1914	September 1932	
Regular Army {	Home	125,000	99,804
	India	75,000	61,000
	Elsewhere Overseas ..	33,000	39,000
Army Reserve	145,000	122,383	
Special Reserve	64,000	<i>nil</i>	
Supplementary Reserve ..	<i>nil</i>	19,061	
Territorial Army	272,000	127,239	
	<u>714,000</u>	<u>466,487</u>	

We have made a reduction of the very modest Army of 1914 by 247,713 men, so that it is less by over one-third.

The Navy has suffered a similar reduction. In 1913 we had 146,000 men; in 1932 we had only 91,410, and the 1933-34 estimates provided for only 90,300, a reduction of 56,700 since 1914. This number may be compared with that of the American Navy which before the war was far less than ours. In 1932 the personnel of the American Navy had increased to nearly 121,000 men (including 12,000 in Coastguard service). It is now over 30,000 more than that comprising the British Navy. The effective expenditure (excluding retired pay, &c.), of the British Navy in 1931 was £46,100,000; that of America for 1932-33 was in British currency £95,000,000 (including votes for naval aircraft). The number of men employed in British dockyards has also decreased from 45,500 in 1913 to 29,700 in 1932, although the total wages bill has risen by more than one-third.

There is no question of the tremendous reduction Britain has made in both Army and Navy. No expert doubts that our sacrifices in the interest of world peace have gone far enough—indeed beyond the limits of British security. *Brassey's Annual* for 1932 contains an article by Commander Robinson who says: "It is not only that in numbers and personnel the British Navy is being reduced, while other Powers are completing new ships and increasing the numbers of their officers and men. For years to come also this country must rely upon a growing proportion of obsolete tonnage, since new construction lags far behind the rate of wastage."¹

The same authority asserts that "while Great Britain is lagging more and more in the programme of replacement, France and Italy continue to build against each

¹ On March 30, 1933, France announced that her new destroyer, *Cassard*, is the fastest in the world. During recent trials she averaged 42·9 knots per hour, with a maximum speed of 43·4 knots. Eight more destroyers even faster than the *Cassard* are under construction or about to be laid down in French dockyards. The first of these, the *Mogador*, is expected to attain 45 knots. The fastest destroyer in the British Navy is the *Codrington*, with a maximum of 40 knots and an average of 38 knots per hour.

other navies which threaten to upset the whole balance of sea power in European waters."

In a speech made on April 28, 1933, at a dinner given by the London Press Club, Admiral Sir Reginald Tyrwhitt, Commander-in-Chief at the Nore, said: "What we want are cruisers. We haven't enough to defend our trade routes. I wonder if you know that at the present moment one-third of our cruisers are obsolete and ought to be scrapped?"

In the House of Commons on March 3, 1932, Sir Bolton Eyres-Monsell, First Lord of the Admiralty, stated that the restriction in Naval Estimates for that year had gone beyond the limits of safety. He said: "It would be impossible to frame future estimates on the same basis as had been adopted this year without making the most serious inroads into the strength and efficiency of the Fleet."

Viscount Hailsham, Minister for War, on the same occasion, said the saving on the Army had been achieved "only by the greatest difficulty by resorting to a drastic suspension or retardation of many services which are essential to the well-being and efficiency of the Army."

On March 8, 1932, Mr. Duff Cooper, Financial Secretary to the War Office, in introducing the Army Estimates, gave the following details showing how far economy had been carried in the British Army:—

Rats infest Carlisle Barracks.

White ants are eating through the walls of the barracks in Malaya and may cause at any moment the collapse of the building.

Pontefract barracks, owing to mining operations, are on the point of falling down.

Armagh Barracks have actually fallen down.

At Larkhill and Colchester soldiers can push umbrellas through the walls (*sic.*).

Soldiers at Chichester live in huts built in 1803.

At other places there are huts that were used in the South African War, and many that were used in the last war.

At Aberdeen the barracks are so bad that the Government had to waive any idea of economy and put up new buildings in place of those erected in 1789, the year of

the French Revolution. "If they had remained any longer they might have caused a revolution in Aberdeen," drily remarked Mr. Duff Cooper.

However lavish British Governments have been in increasing the civil staffs devoted to the Defence Forces, and in increasing pay and pensions of those forces, certainly in reductions in numbers of ships and men, it is time we called a halt until the other nations follow the British lead.

While British expenditure on armaments has been decreasing since 1925, the Navy costing less by £8,000,000, world expenditure, according to Sir Bolton Eyres-Monsell in the speech before mentioned, increased by £126 millions between 1925 and 1930. Britain, he said, had built no capital ships for ten years, and only seventeen cruisers since the war (in the previous four years only five cruisers), whereas we need three cruisers a year.

Sir B. Eyres-Monsell, on December 12, 1932, gave the following particulars of naval armaments:—

NAVIES OF THE WORLD.

	British Empire	U.S.A.	Japan	France	Italy	Germany
Battleships	12	15	10	9	4	4
Battlecruisers	3	—	—	—	—	—
Cruisers	51	20	27	19	20	6
Aircraft Carriers	8	3	4	3	1	—
Flotilla Leaders	17	—	—	19	20	—
Destroyers	135	251	99	61	67	—
Torpedo Boats	—	—	—	4	4	10
Submarines	54	82	60	75	42	—
Sloops	30	—	—	8	22	—
Gunboats and Despatch	—	11	4	46	6	2
Vessels						
River Gunboats	17	9	10	6	2	—
Minesweepers	28	45	10	22	47	36

The British Navy had, in 1914, 704 warships of various categories with a total tonnage of 2,160,000 tons. At the end of the war the total tonnage was 3,250,000 tons. By 1927 the number of ships had been reduced to 395, with a total tonnage of only 1,440,000 tons. By 1936, under the London Treaty, the tonnage will be still further reduced to 1,151,000 tons. The reductions in the

various categories between 1914 and 1936 were to be as follows: battleships from 69 to 15; cruisers from 108 to 50; destroyers from 258 to 117; submarines from 74 to 38. The tonnage of the U.S.A. Navy, on the other hand, would be increased from 881,000 tons in 1914 to 1,139,000 tons in 1936. For Japan the figures were 522,000 tons in 1914 to 720,000 tons in 1936.¹

Thus, by the end of 1936, the British Navy would be reduced by 47 per cent., while that of the United States would have increased by 29 per cent., and that of Japan by 37 per cent.

The French Ministry of Marine has made an elaborate calculation of the defence needs of the leading Powers according to area of territory, length of coasts and of communication to be safeguarded, as well as their external trade and seaborne traffic. With Italy considered as the unit the ratios should be: Italy 1, Japan 1.6, France 3, U.S.A. 4.2, the British Empire 10. How far from this ideal arrangement are the present ratios is seen by the details of the above list.

The Air Forces of the leading nations in 1932 were as follows:—

AIR FORCES.

Aeroplanes	First Line	Immediate Reserves	School Machines	Total
France	1,687	430	883	3,000
United States ..	1,752	—	599	2,351
Japan	1,385	554	—	1,939
Italy	800	(not known)	(not known)	1,507
Russia	1,000	500	—	1,500
Great Britain ..	706	353	375	1,434
Yugoslavia ..	627	—	297	924
Rumania	773	—	—	799

The Air Correspondent of the *Observer*, writing on February 2, 1933, said:—

¹ In April, 1933, it was announced that Japan was building warships for its protégé, Manchukuo, as well as between twenty and thirty cruisers for Brazil. These ships will take two years to complete. At any time during this period, if necessary, Japan can retain the partially built ships, which would add considerably to her Navy.

“ Since 1925 we have reduced expenditure on the Air Force by 2 per cent. In the meantime, France has increased hers by 714 per cent., the United States by 140 per cent., and Italy by 31 per cent. Russia is building aircraft and training military pilots faster than any other country, and behind her air forces, training schools and factories, stands the Russian Air League, an organization with many military activities and with a membership exceeding five millions.”

The Air Estimates for 1933-34 provided for a reduction of the personnel from 32,000 in 1932 to 31,000, and a net reduction in expenditure of £340,000.

The following list gives the total numbers of the personnel in the leading Navies in 1914 and 1932 :—

NAVIES OF THE WORLD (PERSONNEL).

	1914	1932
Great Britain.. .. .	146,047	91,410
United States	67,258	121,000
Japan	50,645	80,000
France	69,585	58,050
Italy	40,023	51,000

The following list refers to the Regular Armies :—

ARMIES OF THE WORLD (ON PEACE BASIS, LESS RESERVES).

	1914	1932
Great Britain.. .. .	253,000	199,804
France	763,000	577,000
Italy	270,000	241,000
Japan	234,000	276,000
U.S.A.	98,000	138,817
Russia*	1,210,000	562,000
Rumania	85,000	270,000
Turkey	231,000	140,000
Poland	—	266,000
Yugoslavia	—	190,000
Czecho-Slovakia	—	160,000

* In *Red Russia Arms*, 1932, by J. Baker White, are details based on Soviet sources which show that the Russian military budget increased from 244,000,000 gold roubles in 1922-3 to 1,372,000,000 in 1932—an increase of 450 per cent. While the “ active ” units are said to number 562,000 the actual armed forces total 1,185,000 and no expense is being spared to make them up-to-date and efficient. A gigantic steel plant to turn out 3,000,000 tons per annum is being built under American supervision to provide artillery, armoured cars and other military equipment. Chemical works to produce poison gas have been erected and an intense military propaganda is maintained, nominally for purposes of defence, although there is not a particle of evidence that any nation intends to attack Russia. Part of this propaganda functions in the incessant Communist exhortations in the *Daily Worker*, published in Britain, to the workers to prevent the war which British capitalists are said to be preparing to launch on Soviet Russia at any moment. This lying rubbish is then quoted in Russia as evidence of British intentions.

A brief history of the attempts to come to grips with the armaments problem is as follows. The disarmament imposed upon Germany by the Allies ensured that 100,000 men should be voluntarily enlisted in the Army, no compulsion being permitted. The German Navy was reduced to six battleships with a maximum displacement of 10,000 tons, 6 light cruisers with a maximum of 6,000 tons, 12 destroyers and 12 torpedo boats. No submarines or aircraft were permitted. Tanks and heavy artillery were forbidden. The personnel of the Navy was limited to 10,000. In spite of these restrictions and their alleged bankrupt condition the Germans managed to spend £35½ millions in 1931 on armaments.

The chief nations promised to limit their armaments after the Armistice. Article 8 of the Covenant of the League of Nations reads: "The Members of the League recognize that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations."

In 1921-22 the Washington Conference, composed of representatives of Britain, America, France, Japan and Italy, came to an understanding which led to the scrapping of 70 war vessels with a total tonnage of 1,645,000 tons by Japan, Britain and America.

Between 1918 and 1923 Great Britain voluntarily scrapped 1,500,000 tons of her Navy, and the Washington Conference added 473,000 tons to the sacrifice.

In addition, Britain, Japan and America agreed at this conference not to lay down any new ships (except for replacements) until 1931. Maximum tonnages were agreed to as follows:—

				Battleships	Total tonnage
Britain	..	..	..	15	525,000
U.S.A...	..	..	..	15	525,000
Japan ..	..	..	..	9	315,000

France and Italy made no sacrifices.

In 1927 a conference, called by President Coolidge of the U.S.A., met in Geneva. Invitations were sent to the five nations which attended the Washington Conference, but France and Italy would not take part. Britain proposed to reduce the maximum size of battleships from

35,000 tons to 30,000, and their guns from 16 in. to 13.5 in. Also to extend the life of capital ships from 20 years to 26, so as to reduce the number of ships by extending the period of their service. Submarines were to be abolished, and we wished to extend the ratio agreed upon at Washington for capital ships to cruisers of 10,000 tons carrying 8 in. guns. The U.S. delegates would not agree. They wished to build large cruisers with 8 in. guns which would not have suited the requirements of Britain. After this abortive conference, as a proof of good faith, the British between 1927-29 cut out of their reconstruction programme three cruisers which under the agreements we were entitled to build.

In 1928 was signed by the representatives of over sixty countries the famous Briand-Kellogg Pact. Each nation agreed that: "They condemn recourse to war for the solution of international controversies, and renounce it as an instrument of national policy in their relations with one another." Also that: "The settlement or solution of all disputes or conflicts, of whatever nature or of whatever origin they may be which may arise among them, shall never be sought except by pacific means."

The cynic may comment on the fact that China and Japan, whose soldiers were killing each other in 1932-33, were both signatories to this Pact which agreed never again to resort to war, and that since it was signed armament expenditure continued to increase outside the British Empire.

In 1930 was held the London Naval Conference of the five chief Naval Powers to discuss reduction of those armaments the Washington Conference had not touched. Britain, America, France, Japan and Italy all agreed to renounce their right to lay down capital ships which they were empowered by the Washington Conference to replace between 1931 and 1936. This applied to the following number of ships:—

British Empire	10
U.S.A.	10
Japan	6
France	3
Italy	3

Great Britain, Japan and America agreed to limit the total tonnages of cruisers, destroyers and submarines,

but Italy and France refused to sign this undertaking. In all the attempts at disarmament France has proved most difficult, rivalry with Italy apparently being one of the chief factors. Italy and America have also provided obstacles, Japan and Britain being the most pliant of those concerned.

In Geneva in February, 1932, commenced the first World Conference on Disarmament. The following summary of some of the proposals is taken from the *Illustrated London News* of February 20, 1932.

"The most distinctive and somewhat surprising plan was that suggested on behalf of France by her War Minister, M. Tardieu, for the establishment of an international force that would, in effect, make the League a super-Power able to coerce any aggressive nation. The abolition of submarines was favoured by Great Britain, the United States, Italy and Soviet Russia, while the same four Powers, besides France, Belgium and Japan, also advocated the abolition of gas warfare. With regard to air warfare, Italy, Soviet Russia, Belgium and Sweden proposed abolition of heavy bombing aircraft, and Japan the abolition of air bombardment, while France was for limiting air bombardment, and the United States urged the protection of civilian populations. Regarding surface vessels, Italy and Soviet Russia desired abolition of capital ships and air-craft carriers, while Great Britain, the United States and Japan would reduce the size and gun-calibre of capital ships. Speaking for Germany, Dr. Brüning claimed equality of treatment. For Soviet Russia, M. Litvinoff advocated total disarmament, or failing that, the complete destruction of the most aggressive types of armaments. Among the more recent speakers, Dr. Benesh said that Czechoslovakia favoured international supervision of effectives, armaments and trade in arms, with prohibition of chemical warfare and aerial bombardment of civilians. The Chinese delegate, Dr. Yen, said that China had shown in the Manchurian dispute her readiness to support proposals such as the French."

The Russian suggestion of total disarmament is not yet practicable, nor is that of France that the League of Nations shall act as a military police force with the aid

of armed forces placed at its disposal by the other nations. A police force is effective only when it is willing to obey orders and is united by a collective discipline. The Sino-Japanese dispute proved that not only could two nations have differences they would not bridge, but the members of the League were unable to institute any effective action likely to be found acceptable to all the nations concerned.

The Italian delegate, commenting on the French plan for an international force under the League, remarked pertinently that if nations were willing to break peace pacts such as that previously signed, they would also break their obligations to place their heavy weapons at the service of the League. He proposed instead the abolition of heavy artillery and tanks of every description, and the simultaneous abolition of all capital ships, submarines and bombing aircraft.

More to the point was the proposal made by Sir John Simon, on behalf of Britain, that a maxima of armaments for each nation should be agreed upon, and then should follow a 25 per cent. reduction all round.

Fruitless discussion has been waged regarding these and other proposals, but up to June, 1933, sixteen months after the opening of the Disarmament Conference, nothing tangible had been agreed upon. In the meantime various factors have arisen which seem hostile to the likelihood of disarmament.

Japan and China became embroiled in a dispute chiefly concerned with the establishment of the new Government of Manchukuo, which, in defiance of China, is prepared to grant military and other concessions to Japan in Manchuria although this territory is claimed by China. The League of Nations being appealed to, published the Lytton Report which on the whole was critical of the Japanese tactics. Censure was poured upon Japan by several of the smaller nations represented on a Committee of Conciliation, including Columbia, Portugal, Hungary and Sweden, who were in favour of the findings of the Lytton Committee being acted upon. America, which is not a member of the League, also protested vigorously against Japan's recognition of the Manchukuo Government. Japan threatened to leave the League if the vote

of censure favoured by the smaller nations were carried. The Conciliation Committee appointed by the League, on February 13, 1933, drafted a report stating that the efforts for conciliation had proved a failure. The attitude adopted by the Lytton Committee was reaffirmed and further conclusions and recommendations were made. In particular, members of the League were forbidden to recognise the existing régime in Manchuria. Japan was asked for a definite "yes" or "no" to the question: "Are you going to stop operations against Jehol?" According to Sir Eric Drummond, the Secretary-General of the League, the Japanese reply was "No." Mr. Matsuoka, the chief Japanese spokesman, said that as Japan was allied to the new State of Manchukuo she could not refuse military aid if that state were attacked by the 180,000 Chinese troops then concentrated on the Jehol frontier. Mr. T. V. Soong, Acting Premier of China, in turn announced that any Japanese attack on Jehol would be met with the united force of the entire Chinese nation. In justifying Japan's attitude, Mr. Matsuoka, in an interview given to the Press, said that Japan wanted to negotiate directly with China without any interference from foreign Powers, which would not be tolerated. He said that both Great Britain and the United States had been obliged to use force in their dealings with China and had been employing their ships on the Yangtse River against Chinese bandits and soldiers for the last seven or eight years. Japan had greater interests in China and more people to protect. China's disordered state, he mentioned, was the cause of the troubles, and misguided foreign support and sympathy had only encouraged China to fruitless opposition. Mr. Matsuoka went on:—

"Our interests are both material and political. Japan is situated in close proximity to the two largest nations in the world—Russia and China—both of which are going through revolutions, the consequences of which no one can foresee. . . . We Japanese are people with proper national pride. Under great hardships we have made a modern country of our islands. We can be influenced by friendliness. We cannot be dictated to. We would not attempt to dictate to a Western Power,

and the time is past when Western pressure can bring us to terms. This is not the way to deal with us."

Heavy fighting broke out as a result of Japanese attempts to drive the Chinese troops from Jehol, a border province adjacent to Manchuria. The Japanese were successful. The League of Nations, by a unanimous vote on February 24, 1933 (Siam alone abstaining), condemned Japan's attitude in Manchuria. The Japanese delegate thereupon left the Conference, and on March 27, Japan formally gave notice of withdrawal from the League.

Hoping the other nations would follow her example, Great Britain declared an embargo upon all munitions leaving this country for either Japan or China. As this gesture failed to win any supporters the embargo was withdrawn later, by which time the fighting had been temporarily suspended. At the time of writing the matter is at a deadlock, Japan having practically defied the League of Nations which has been unable to prevent Manchuria being dominated by Japan. The Japanese Budget passed on February 14, 1933, set aside £18,600,000 for operations in Manchuria, and at the end of March it was announced that Japan had spent since September, 1931, when the trouble commenced, £24 millions. For the year commencing April 1, 1933, Japan was budgeting for an expenditure of £11,500,000 in Manchukuo. After two more years it was thought that £3 millions a year would suffice to guard Japanese interests in these provinces. As a recompense Japan expects to extend her trade and to safeguard her military position which it is apparent she is prepared to defend at all costs.

Sir John Simon was reported to have said that failing conciliation the British Government was prepared to see the Lytton Report adopted. One hopes that this does not imply any intention to use force against Japan. In this event the smaller nations making the clamour, having no navies, will take no action, and as usual Great Britain will be expected to be the world's policeman at the expense of the British taxpayer and British life and limb. If a resolution of the Oxford Union Society, carried in February, 1933, by 275 votes to 153, affirming

that the members of that Society will in no circumstance fight for King and country, reflects the temper of the young men of England, any British martial activities against Japan, or on the Continent, would be distinctly unpopular and might lead to grave internal embarrassments.¹ In any case until this dispute is satisfactorily settled Japan is not likely to favour reduction of armaments for herself, nor will America weaken her forces while a powerful rival and potential enemy is driven to a position of desperation which may end in war.

In the meantime other complications with Russia have arisen. In May, 1933, Japanese airships bombarded railway stock belonging to Russia, on behalf of Manchukuo, who asserted that the U.S.S.R. had retained thirty-three locomotives belonging to the Chinese Eastern Railway, which Manchukuo claimed belonged to them. Japan indicated that she was prepared to take further action unless satisfaction can be obtained by Manchukuo. There was even talk of war. Luckily the Soviet Government, recognising its military inability to defend the railway against seizure by Japan, offered to sell its control of the railway to Japan. It is believed that Japan will eventually claim and occupy, on behalf of Manchukuo, the Eastern Maritime Provinces of Siberia, a step made easier from a strategic standpoint by Moscow's cession of the railway. China has protested against the deal, and France, on behalf of her shareholders, has supported the protest.

The accession to power of Hitler in Germany in January, 1933, gave a fresh fillip to militarists of that country, who, imbued with a strong national spirit, are willing to risk everything to throw off the shackles of French domination, and to re-connect Prussia, now sundered by the Polish corridor, with the rest of Germany.

¹ This resolution should not be taken too seriously. The Oxford Union Society, in consequence of being dominated by Socialist officers, is regarded with indifference by the large majority of the 3,600 undergraduates at Oxford, who are mainly Conservatives. All the same, short of resisting invasion, it would be criminal folly for British statesmen to permit this country to fight once again the battles of other nations, and it is to be hoped the British people will say as much when necessary.

Germany also protests against the acquisition by Denmark of Upper Silesia. The Hitlerites are demanding, with intense determination, the right to a powerful Army and Navy which will once again place Germany on an equality with other Great Powers. This has led to a fresh outbreak of restiveness on the part of France and her satellite Poland, and both these nations have accordingly demanded more security, while announcement has been made of the danger of weakening their forces in face of awakened militancy in Germany.

At the end of 1932 reports were published of the encouragement given by France to the militarism of Poland, Czecho-Slovakia and Yugoslavia, who were already spending a colossal proportion of their national Budgets upon redundant armies. Yugoslavia adopted a very provocative attitude to Italy, and outrages were committed against Italians and Yugo-Slav citizens of Italian nationality. Slav hooligans destroyed Italian sculptures at Trau and committed arson and murder. It is said, by Italian sympathizers, that the Yugoslavian Government employs terrorist organizations for the purpose of provoking Italian reprisals. There is keen jealousy between France and Italy, and France has certainly assisted Yugoslavia with armaments and money. The statesmen of Yugoslavia find it necessary to conduct an anti-Italian agitation, partly for the purpose of welding into unity the secessionists in the Triune Kingdom, who are not in favour of the present policy of ferocious Pan-Serbism. Although Mussolini has behaved with exemplary patience under these provocations, they are not calculated to encourage a reduction of Italian armaments.

On the other hand Great Britain, France and the Little Entente (Rumania, Yugoslavia and Czecho-Slovakia) have been somewhat agitated about the smuggling of armaments through Austria and Hungary. In February, 1933, France accused Italy of deliberately stirring up trouble in the Balkans and supporting Hungary with arms. In that month 50,000 rifles and 200 machine guns which had been originally taken from Austria-Hungarian troops in 1918 were sent by an Italian firm to an Austrian firm to be cleaned and

repaired. An Anglo-French Note, described by the Italian Press as an "ultimatum," was sent to Austria demanding that the arms be returned to the original shipper or destroyed within fourteen days, as their retention in Austria or Hungary would be an infringement of the Treaty of St. Germain's. The *Giornale d' Italia*, regarded as being inspired by Mussolini, described the Note as "an attempt to humiliate Austria in a violent manner," and the Italian *Tribuna* said: "The Note touches the height of impudence since the traffic in arms between France and Czecho-Slovakia, Yugoslavia, and Rumania has never been so open, hurried, and heavy as at the present time."

After the war, Austria was isolated from the areas in which she used to sell her manufactures and from which she bought her food. France prevents Austria from uniting with Germany, and the Little Entente will not allow her to unite with Hungary.

The Yugo-Slavs have annexed a portion of what was Hungary, namely Slavonia, and the Banat of Temesvar which is between their capital, Belgrade, and the frontier of Hungary. Yugoslavia is prepared to make war rather than accede to the Hungarian demand for restoration.

Czecho-Slovakia has obtained a position on the Danube between Vienna and Budapest, at the expense of Hungary, and is prepared to defend her position with arms.

Hungary has also suffered the loss of Transylvania which has been annexed by Rumania. All Hungary's appeals to the League of Nations for the restoration of territory have so far proved abortive.

The Turks are disgruntled because they cannot get the demilitarised zone of the Dardanelles abolished.

Russia objects to Rumania's claim to ownership of Bessarabia which is still marked on Russia's map as part of the Soviet Union. Arms will be used by Russia on the first opportunity to vindicate its claim.

Confronted with the failure of the Five-Year Plan, in order to keep the mind of its people from dwelling upon their semi-starvation, Russia has embarked upon a policy which is admittedly that of building up a powerful military State on the plea that the capitalist

world, particularly Britain, is preparing to launch an armed attack upon the Soviet Republic, probably the most ridiculous excuse for militarism now insulting human intelligence.

There is upon the horizon the possibility of a world being divided into two militaristic camps, with Japan, Russia, Austria, Hungary, Fascist Germany and Italy on the one side, and France, Poland, Czecho-Slovakia and Yugoslavia on the other, with America brought in on the side of the latter combination, through jealousy of Japanese expansion in Asia, and Great Britain supporting it because of the Locarno undertaking to protect France in the event of a German attack which can be easily provoked.

It was in such an unstable world that on March 16, 1933, Mr. Ramsay Macdonald made the fifty-seventh proposal considered by the Disarmament Conference, in order to ensure some tangible results before the Conference becomes a fiasco.

The following is a short summary of the British proposals.

SECURITY.

This part declared that any war undertaken in breach of the Kellogg Pact is a matter of interest to all the parties and a breach of obligations previously assumed. If such a breach occurs there is to be a Conference between the parties if any five of them, including at least one of the Great Powers, so requests. Any conclusions reached regarding the guilt of any nation must be agreed to by all the Great Powers and a majority of the other participating Governments. The object of the Conference will be to decide what steps shall be taken if a breach of the Pact is threatened or has occurred.

DISARMAMENT.

Army effectives are computed by the average of the number of days of service. The whole of the Continental armies are put on a comparable basis. The following list of average daily effectives is proposed as the maximum for the European nations.

	Stationed at home	Total including overseas
Germany	200,000	200,000
Belgium	60,000	75,000
Bulgaria	60,000	60,000
Spain	120,000	170,000
France	200,000	400,000
Greece	60,000	60,000
Hungary	60,000	60,000
Italy	200,000	250,000
Holland	25,000	75,000
Poland	200,000	200,000
Portugal	50,000	60,000
Rumania	150,000	150,000
Czecho-Slovakia	100,000	100,000
Russia	500,000	500,000
Yugoslavia	100,000	100,000
Each other Continental Euro- pean State.	(No separate figure) ..	50,000

With regard to mobile land guns a limit of 105 mm. (exception being made for countries with a standard gun slightly above that figure) is imposed for the future. It is proposed that States shall retain their existing armament up to 155 mm. (6 in.), but that all future construction shall be within the lower limit of 105 mm. (4'5 in.) approximately.

The maximum limit for tanks is to be 16 tons.

The destruction of all prohibited material on the basis of one-third within one year and of two-thirds within three years of the coming into force of the Convention.

With regard to Navies, proposals are made to extend the truce on capital shipbuilding agreed upon by the London and Washington treaties to Italy and France, except that Italy, if she wishes, is to lay down one ship as an equivalent to the *Dunkerque* laid down by France in 1932.

Germany would, under the proposed Convention, be free from the naval limitation clauses of the Treaty of Versailles, though the draft, in fact, stabilises her naval position for the period up to the end of 1936 at what it is to-day. Under the draft she is required to conform to the truce in capital shipbuilding, and to limit her other shipbuilding purely to replacement, the qualitative limitations of the Treaty of Versailles being removed.

It is proposed to set up a Permanent Disarmament Commission to examine the further naval qualitative limitations which have been before the Conference,

with a view to their consideration by the 1935 Naval Conference.

Bombing from the air is completely prohibited (except for police purposes in outlying regions). All principal Air Powers—Great Britain, France, Japan, Italy, Russia and the U.S.A.—are to be limited to 500 aeroplanes, none to exceed three tons in unladen weight (except troop-carriers and flying boats).

Aeroplanes exceeding the quantitative and qualitative limitations imposed must have been disposed of, half by June 30, 1936, and the rest by the end of the period of the Convention. Civil aviation is to be dealt with on the lines proposed by the United Kingdom Delegation on June 30, 1932.

The Permanent Disarmament Commission is to draw up a scheme for the complete abolition of naval and military aircraft, conditional on an effective supervision of civil aviation in order to prevent its misuse for military purposes. Alternatively, if such effective supervision is not found to be practicable, they are to prepare a scheme to determine the minimum numbers of naval and military aircraft required by each High Contracting Party.

The following table gives the number of aeroplanes allotted to the various Powers:—

Belgium	150	Norway	75
China	100	Poland	200
Czecho-Slovakia	200	Portugal	25
Denmark	50	Rumania	150
Estonia	50	Siam	75
Finland	25	Spain	200
France	500	Sweden	75
Greece	75	Switzerland	75
Italy	500	Turkey	100
Japan	500	Russia	500
Latvia	50	United Kingdom	500
Lithuania	50	U.S.A.	500
Netherlands	150	Yugoslavia	200

Chemical, incendiary and bacterial warfare are prohibited on the lines already accepted by the Conference.

The Convention, together with the subsequent ones to be concluded, will replace the provisions of the Peace Treaties which at present limit the arms and armed forces of Germany, Austria, Hungary and Bulgaria.

These proposals were followed by a meeting between

Mr. Ramsay MacDonald and Signor Mussolini. The Italian Premier proposed a Four-Power Pact between Great Britain, Germany, Italy and France, which provided for a revision of the Peace Treaties which had been framed in the heat of post-war passion and are now providing irritating spots which may easily provoke a European war on the great scale.

The proposed pact was to operate for ten years, and then unless denounced by one of the signatories on one year's notice was to continue for another ten years. It made provision for a revision of the Peace Treaties, and announced that the time had come for the practical application of the principle of full equal rights for Germany, recognized in December, 1932. Austria, Bulgaria and Hungary were to be similarly treated. The four Powers were to try to follow a common policy outside Europe and on colonial affairs.

The usual discordant comments were made upon the proposals, which on the whole were welcomed by Germany, but opposed by the Little Entente and Poland who believe the Four-Power Pact would relegate them to the background in European affairs. The French Press was also hostile to the proposals in view of the new menace provided by the bellicose attitude of Hitler in Germany.¹

The British idea was that some drastic measure of disarmament must be accomplished at once without reference to "security" plans in themselves upon which France is so insistent, lest the evil of war descends upon a bickering and inflammable world. In spite of all efforts, however, the Whitsuntide recess of 1933 arrived, and the Disarmament Conference was temporarily suspended, with sixteen months of discussion having failed to arrive at any decision which had achieved any practical reduction of armaments.

In the meantime the very definite pronouncement made to the League of Nations on February 3, 1933, by Mr. Eden, to the effect that Great Britain could undertake no further commitments for the purpose of ensuring

¹ After some modification the Pact was initialled by the representatives of the Four Powers on June 7, 1933.

the security of other countries, while being belated, is nevertheless a welcome sign that our statesmen are getting tired of shouldering the military and other burdens of the rest of Europe. By the treaty of Locarno Great Britain pledged itself to France, Germany and Belgium to protect any one of them against any aggressive act committed against her by one of the other two. But as Sir Walter Layton, who is a keen supporter of the League of Nations, very pertinently mentioned on March 16, Great Britain signed the Covenant of the League on the definite understanding that all the Continental nations would genuinely endeavour to live at peace with each other. If they make no such effort, as he insists, the contract must be declared null and void, otherwise our position would become intolerable. In the opinion of many Britons that is our present position. While the other nations of Europe are perpetually snarling at each other and resisting any attempts to do more than talk about disarmament we are practically committed to fighting the battles of three nations, any one of which manages to provoke an attack. And we are also expected to be patient while the French newspapers, as, for example, "Pertinax" in the *Echo de Paris*, describes the latest British attempts to bring reality into the Disarmament Conference as a MacDonald "trick," and the French Government imposes a special 15 per cent. surtax on lace machinery imported from Britain. Great Britain would be justified in declaring the Locarno undertaking to be cancelled unless within six months substantial reductions in armaments are made by certain Continental armies.¹

In any case, until the other nations follow our example we cannot hope to reduce our own taxation much more

¹ A welcome announcement was made on March 16, 1933, to the effect that a cut of £23 millions was to be made in credits allotted for armaments in the French Budget for this year. The sum provided for National Defence was to be reduced from £159 millions in 1932 to £136 millions in 1933, which gesture, let us hope, will not be lost upon Italy and Germany. President Roosevelt also has intimated that if France will satisfy America on the question of war debts America would probably agree to help in the guarantee of the much coveted security.

by merely cutting down the number of ships and men. Along these lines we have already gone too far.¹

It was accordingly found necessary to provide for increases in the expenditure of the British Army and Navy in the 1933-34 Budget. As a large part of the normal expenditure on shipbuilding in 1932 was postponed in view of the crisis, some of the arrears are to be made up in the following year's programme.

The increases in the Army estimates were mainly due to expenses in connection with the Territorials whose training had been limited the previous year by the necessity for economy. In addition, certain restorations of cuts made in the pay and pensions of men in the Army, Navy and Air Force entailed additional expenditure. The need of the moment is actually for reductions instead of increases in pensions, pay and perquisites of the fighting as well as other Governmental services. Also the inflated staffs now ministering to a depleted Army and Navy might very well receive the ministrations of the pruning hook in the interests of the British taxpayer in particular and of industry in general.

¹ Incidentally, the reductions in the man-power of the Army, Navy and Government dockyards, have added 100,000 men to the numbers unemployed.

CHAPTER XVIII

PROTECTION *VERSUS* FREE TRADE

THERE is not space available in this volume to do more than summarize some of the essential points in the tariff controversy. Both opponents and supporters have attached undue importance to the imposition of protective tariffs. As events have proved the effects have been neither so beneficial nor so harmful as the controversialists alleged would be the case.

The Free Traders maintain that the experience of other protected countries does not warrant Great Britain's resort to Protection. Under Free Trade, it is said, our own country rose to unparalleled prosperity; and tariffs have not saved America and the other protected countries from unemployment, which is now worse than our own.

To this it may be replied that prior to the war all the leading nations made stupendous progress which was due, not to Free Trade or Protection, but rather to the extension of the methods of industrialization called capitalism. Great Britain went ahead of the nations because of its earlier application of capitalistic principles, and the other advantages mentioned in an earlier chapter, some of which advantages have now been lost.

Even before the war other nations were overtaking us. Since the Armistice several of them have increased their exports, yielding very favourable balances of trade, while our exports declined by 38 per cent., until we had in 1931 an adverse trade balance of £104 millions. While the other protected nations have been afflicted with unemployment mainly during the last three or four years (France having practically no unemployment until 1931), Great Britain has had an extraordinarily high percentage since 1920.

Also it may be that just as an individual while young and vigorous may subject himself to certain risks while at work and play, as he gets older and his reserves are exhausted (perhaps by some severe illness or accident

corresponding to the effects of war in the social organism) he is afterwards obliged to utilize chest protector or electric belt to safeguard his waning powers. Or, using another analogy, a man might for a time conduct his business very successfully on a peaceful basis until certain armed competitors develop the habit of appropriating his stock or intimidating his customers by their use of revolvers. While the man of business carries no weapon he is at the mercy of his unscrupulous rivals. Rather than resort to methods of violence he may choose for a time to suffer his losses, but if some catastrophe such as a fire or a bad speculation reduces his reserves to half, he may be obliged to sling a gun in self defence while still preferring that all weapons should be scrapped.

Great Britain in matters military has led the world in the direction of disarmament; and in matters economic she has carried on without a tariff weapon in a world armed to the teeth. It would appear that in self-defence we are justified in resorting to Protection if only for the purpose of having a weapon to oppose those presented at the commerce which is indispensable to our national existence. The weapon may encourage other nations to redoubled commercial violence as Free Traders allege, or it may persuade them to rely less upon weapons, the use of which endangers their security, and instead be prepared to come to some more satisfactory and peaceable arrangement. As Great Britain's lead towards military disarmament so far has not encouraged much emulation; and as our Free Trade has not led to the abandonment of Protection by others as earlier exponents of Free Trade expected, on the whole the tariff experiment made by the National Government was justified. Indeed, almost immediately the Imports Duties Act was effective, for after March 1, 1932, several nations (such as France, Belgium and Germany) which had not been over-eager to modify previously their tariffs in favour of Britain, expressed themselves as being very willing to come to terms. ¹

¹After the Ottawa Conference a large number of countries, including Argentine, Belgium, Denmark, Finland, France, Germany, Iceland, Lithuania, Netherlands, Norway, Peru, Poland, San Domingo, Sweden, Switzerland and Hungary expressed their desire to enter into tariff negotiations with Great Britain.

France, for example, which when we departed from the gold standard in 1931, had placed special embargoes upon British coal, decided to remove these prohibitions to escape the retaliatory measures which Great Britain could have adopted.

Some of the arguments for tariffs are that although open markets all round are the best, while other nations have prevented the importation of British goods, they have dumped their own at slaughter prices in this country, thus undermining the trade of home producers. For example, Great Britain imported from Russia goods to the value of £137,750,000 during the five years ending in 1931, while in the same period our exports to Russia amounted to only £25 millions. Between 1922-1932 we paid to Russia for goods £185 millions more than we received.

The Protectionist argues that duties are necessary to prevent the home market from being flooded with the wares of countries paying sweated wages while our costs are of necessity greater through the maintenance of a high standard of living for British workers. To this the Free Trader replies by contending that wages buttressed by the State, when in excess of efficiency, are charitable rather than economic. Also the importation of cheap goods raises the level of real wages.

The maintenance of tariff barriers by other nations has seriously lessened our export trade, while our open ports have encouraged the growth of an undue proportion of imports, the effect of which has been to throw our own people out of work and to force us to sacrifice gold to square trade accounts which should have been balanced by the exchange of goods.

A tariff will give us bargaining power whereby we shall be able to modify our restrictions against those nations prepared to offer us the same advantages, and to penalize those nations whose tariff barriers unduly interfere with our importations.

What is called Reciprocity or fair trade is often advocated as midway between the two extremes of Free Trade and Protection. Free Trade is to be permitted to those countries which grant us the same privilege, and Protection is to be imposed on the imports of

countries that are protected. This kind of retaliation is opposed by Free Traders on the grounds that it leads to international friction, and that Great Britain would suffer in consequence of our dependence on imported foods and raw materials.

Protectionists contend we need something to offer to the Dominions to encourage trade within the British Empire. Imperial Preference and Empire Free Trade have been widely advocated in this connection. The idea is that preferential import duties shall be granted to units of the Empire as against the imports of foreign nations, either that the duties in the case of Empire production shall be remitted altogether or that a remission of so much per cent. of the duties imposed upon foreign imports shall be made, Great Britain, of course, expecting similar preferential treatment to be applied to goods imported into the Colonies and Dominions from this country. Some of the more thoroughgoing advocates argue that while increasing the home-grown production we may depend upon the Empire for practically all the foodstuffs and raw materials we now import from foreign sources. It is believed that this would not only economically benefit all the units of the British Empire, including the homeland, but would give greater political cohesion.

Against this idea is the fear that we might antagonize other nations, while in any case our trade with the Dominions is only a small part of the total of foreign trade. Furthermore it would be difficult, if not impossible, to persuade some parts of the Empire such as Canada to boycott American goods and to transfer their orders to Britain. The Colonies are not prepared to admit cheaper British products beyond a given point as they have their own manufacturing industries to develop.

A point used by both sets of controversialists is the fact that America, which applies the principle of Protection against external countries more thoroughly than any other nation, between her own states, covering a vast amount of territory, adopts the principle of unrestricted Free Trade. It will be difficult, if not impossible, to get all the members of the British Empire or even the Dominions so united, although definite steps

towards greater fiscal unity would probably be to the advantage of all concerned. Out of a total of £2,200 millions annually imported into all the countries within the British Empire, only £900 millions are Empire products. Most of the large margin could be supplied by the Empire. Even in 1927, since when the situation has grown worse, the self-governing Colonies (excluding India and Egypt) imported £252 millions of merchandise, only one-quarter of which came from Great Britain.

Canada in a good year produces 550 million bushels of wheat, her chief available market being Britain. In 1929, Canadian wheat was out-competed here by wheat from the Argentine, subsidized wheat from East Prussia, and subsidized flour from France. In 1930 French wheat was imported at 38s. a quarter, 12s. less than it costs to produce wheat in Britain. Canada in turn imported 346 million dollars' worth of iron, steel and machinery each year, only 20 million dollars' worth of which came from Britain. Surely some arrangement was needed whereby British goods could exchange for Canadian wheat. It seems as if we shall be increasingly dependent upon the Empire for custom, for the supporters of Empire Free Trade remind us that between 1919 and 1929, while our exports to foreign countries shrank from £593 millions to £405 millions, our exports to the Empire increased from £205 millions to £328 millions.¹ The Imperial Conference, opened at Ottawa on July 18, 1932, it was hoped, would enable the units of the Empire to come to some satisfactory agreement. The British Government decided to offer the Dominions a guaranteed quota of wheat, subject to certain conditions.

Another argument is that tariffs will guarantee a greater trade to the home market by increasing the price of imports. An increased output will enable the costs of production to be lowered and will offset the higher price we may have to pay for raw imported materials.

As a matter of fact the imposition of a tariff in 1932

¹ But the British Empire, which purchased £328 millions of goods from Great Britain in 1929, had by 1931 reduced its purchases from us to £171 millions.

did not lead to a general increase of prices, which instead decreased by ten points between January, 1932, and May, 1933. This was probably because the foreign importer had such large stocks available and trade was so bad that he was willing to pay the 10 per cent. duty which was imposed without passing it on to the British buyer.

Even if the wholesaler found he had to pay some part of the duty transferred by the importer, prices to the public need not increase for some time as there is a very handsome margin of retailers' profit in consequence of falling wholesale prices during the last few years not having been fully passed on to the British public. Many raw materials are wholesaled at pre-war prices, but the cost of living was in May, 1933, 36 per cent. above 1914, one reason being that payment for distributive services has increased far more than the level of prices. Thus, even if foodstuffs can be obtained either from home or foreign sources at pre-war prices, if the cost of handling them is double, the sale price will need to be higher, although not 36 per cent. higher, than before the war.

Even if prices do eventually increase, as is probable in consequence of imports costing more through a partial transfer of the tax to the consumer, it does not follow that wages and salaries will be immediately adjusted to the higher levels. As we have seen, the level of remuneration of the working classes is from 35 to 45 per cent. higher than is justified by the cost of living. Prices might very fairly be increased, the assumption being of course that unemployment is reduced by the imposition of a tariff, to the full extent of a ten per cent. or even a twenty per cent. tariff without money wages rising at all. This would be an alternative, on the whole less likely to meet with opposition because somewhat disguised, to a policy of wage reductions to the present level of prices.

The revenue yielded by the tariffs (expected to be about £33 millions during the first full year but which was actually only £22 millions) could be used to reduce income taxes and to lower, or at all events check, the increase in the costs of production. Although in conse-

quence of considerable falls in the receipts from income and sur-taxes Mr. Chamberlain in his two Budgets was obliged to absorb the forthcoming revenue from tariffs without thereby relieving the income tax payer, as conditions improve and necessary economies are introduced the taxpayer should experience some benefit.

Even if prices are somewhat increased, it is argued by the Protectionist that we should save on the lessened amount of doles to be paid in consequence of a much reduced number of unemployed. And even if the general cost of living did increase with the usual time lag in the increase of wages, the workers, like the rest, should be prepared to make their contribution towards the reduction of unemployment. All the same, if the cost of production is allowed to increase either by an increase in wages corresponding to an increase in general prices, or through the revenue derived from tariffs being turned over to the unemployed, the teachers or Government servants who are clamouring for a restoration of their cuts, or by an extension of social services, the possible advantages of tariffs will be lost and our unfavourable position will be aggravated through the increased ability of the foreigner to undercut the price of British exports. The need of British industry is a reduction, not an increase in prices if badly hit foreigners are to be encouraged to buy our goods.

In view of facts given in earlier chapters of the decline in our agriculture, it is high time that in addition to thinking of those farmers who have been ruined of recent years by foreign competition and inability to obtain prices¹ compensating for the doubled wages that

¹ The Agricultural Index figures issued in April, 1932, showed that prices obtained for farmers' produce were only 22 per cent. higher than those of 1911-13 in January, 17 per cent. higher in February and only 13 per cent. higher in March than in the corresponding months in the pre-war years. Fat cattle were at pre-war prices; barley, 4 per cent.; oats, 5 per cent.; pork, 9 per cent.; eggs, 4 per cent. and butter 7 per cent. higher. But the following were sold below pre-war prices: bacon pigs, 3 per cent.; store sheep, 9 per cent.; wheat, 19 per cent.; wool, 24 per cent. and hay 30 per cent. below the prices of 1911-13. By April of 1933 the index figure of primary agricultural products was down to only 5 per cent. above the prices of 1911-14. Wages were still 100 per cent. higher.

have to be paid for labour, we considered the dangers of increasing our reliance for food upon the foreign producer. Even in peace this reliance has its disadvantages; in war it may easily bring about a disaster. In the event of America being unwilling to supply us with food, in the present state of the British Navy we might not be able to secure enough for our needs from the Empire or friendly Powers when the food has to be transported hundreds and sometimes thousands of miles, harassed by the submarines and aircraft of the enemy. Furthermore it is most unwise for us to exhaust our reserves of coal and iron which can never be replenished in order to obtain food from abroad, some of which could be produced at home. It might be worth the annual cost of a battleship or so to safeguard a little more our raw materials and our national security, by help given to the home producer.

The formation of the Agriculturalist Party in 1932 by Lords Rothermere and Beaverbrook should draw the attention of the nation to the need of safeguarding agriculture. Something more substantial than the Wheat Quota is needed, according to the spokesmen of the new party. Still, some benefit has been achieved. A report issued by the University Department of Agriculture shows that in connection with 400 farms surveyed in 1931 and 1932, but for the wheat "deficiency payments," the farm income for 1932 would have shown a loss averaging £37 per farm, which meant the income was down by £45 as compared with the previous year. The prices were 25 per cent. too low to yield a fair return. The "deficiency payments" more than off-set the deterioration on the year, and incomes were therefore, with this help, £20 per farm higher than in 1931. In spite of this assistance, however, gross incomes of farming in the eastern counties were over 16 per cent. behind the amount needed to give a fair return for the capital and unpaid labour involved. The British dairy industry was so badly hit that on May 11, 1933, the Minister of Agriculture held a consultation with representatives of all the countries supplying us with butter, cheese, and other milk products, with a view to arranging some form of restriction of imports or even production.

On the other hand, although a deal has been said in the tariff controversy about our balance of trade which in the two years preceding 1932 went against us to the extent of £200 millions, we must not overlook the fact that only £27 millions of this amount were due to an increased balance of merchandise imports over exports, the rest being attributable to a fall in the favourable balance of invisible exports.

Mr. Neville Chamberlain, on February 4, 1932, said in the House of Commons that in 1929 the surplus of imports of merchandise over exports was £382 millions. Invisible exports amounted to £482 millions. This gave a balance of £100 millions. In 1931 the surplus of imports of merchandise over exports was £409 millions, while invisible exports were only £296 millions, leaving an adverse balance of £113 millions. The adverse balance was later estimated at £104 millions. It is in consequence not of increased imports, though these have been considerable, but of a decline in exports to the extent of 38 per cent., that we have suffered.¹

A tariff can do little or nothing to help to regain our losses on the "invisible exports" which are concerned with shipping services, banking commissions and income from foreign investments. Indeed, if trade between nations is lessened, there is less need for ships. As we do a considerable proportion of the carrying of the world our position would be made worse. Even the reduction of trade between Britain and the rest of the world will hit our shipping and so affect employment. The yield from our investments abroad will be lessened by keeping foreign goods from British markets, and there may be some reduction of the amount made from banking and other services we perform which are largely dependent upon the amount of our foreign trade. The reductions in the amount received from invisible exports during 1932 proves the truth of the above assertions. British

¹ But it must not be overlooked that the imports of 1931 were much greater in volume than in previous years. If the prices of 1930 are taken the volume of imports in 1924 was worth only £842,483,000, that of 1930 about £958 million and that of 1931 was £985,823,000. Thus on 1930 prices the imports of 1931 were in volume over £27 millions more than those of the previous year.

invisible exports totalled £414 millions in 1930, £304 millions in 1931, and £255 millions in 1932.

Other arguments used by Protectionists are that their system would develop the national spirit, which would be of great efficacy, especially in time of war, while dependence upon a few industries is dangerous.

To this the opponent replies that the need of the moment is the development of international good-will to avoid the risk of war. Protection, it is alleged, encourages the bickering spirit.

Infant industries, says the Protectionist, must be encouraged in the face of severe foreign competition.

The Free Trader replies that it is economically unwise to force the growth of an industry incapable of justifying by its success its own existence. A trade once protected always needs the shelter of duties and vested interests, and monopolies harmful to the public are thus encouraged. An infant industry that cannot thrive without protection, it is argued, is monopolizing capital which can be better applied in more beneficial directions.

The once popular argument of the Free Trader that exports pay for imports is useless in the light of modern tendencies. Of recent years exports have failed to keep pace with imports. In 1931 we imported more than before the war, but our exports were down by 38 per cent. In 1913 we exported to foreign countries 73,000,000 tons of coal. In 1929 this had declined to 53,000,000 tons. In 1913 we produced 10,300,000 tons of pig iron, but only 7,700,000 tons in 1929. France, during the same period, increased her production from 5,200,000 tons to 10,300,000 tons. Our exports of iron and steel manufactures declined from 5,000,000 tons in 1913 to 4,500,000 in 1929. Those of France increased from 600,000 tons to 4,300,000 tons.

	United Kingdom		Germany	
	Imports	Exports	Imports	Exports
	Millions of £			
1923	978	767	320	318
1924	1,137	801	493	356
1925	1,167	773	609	434
1926	1,116	653	490	479
1927	1,095	709	696	528
1928	1,075	724	687	602
1929	1,119	729	658	660
1930	958	571	520	602

The preceding table compares the foreign trade of Germany with that of the United Kingdom.

Prices have fallen rapidly since 1923, so that imports have really increased perceptibly. For example, the total retained imports which in 1924 had a money value of £1,137,469,000, in 1931 had a money value of £798,140,000. But if the volume of imports in these two years is estimated in terms of 1930 prices the volume of 1924 goes down to £842,483,000, while that of 1931 goes up to £985,323,000. In other words, we imported more by nearly £143 millions in 1931 than in 1924. Between 1924 and 1931 our total retained imports rose by 17 per cent., the imports of manufactures rising by 32 per cent. During the same period British exports declined by 34 per cent., manufactures by as much as 36 per cent. The figures for the United Kingdom show a decrease in money values of only £20 millions in imports which relate to home consumption, but a decrease of nearly £200 millions on exports which relate to domestic produce and manufactures, excluding re-exports. German exports, on the other hand, have more than compensated for her great increase in imports.¹

According to Sir Robert Horne, speaking in the House of Commons on February 16, 1932, in 1913 our visible exports paid for 82 per cent. of our imports; in 1929 for 71 per cent., and in 1931 our visible exports paid for only 52 per cent. of our imports. In 1931 we purchased £70 millions more of manufactured goods than in 1924, but £12 millions less in raw materials, and we exported £187 millions less of manufactured goods.

If the total balance of trade is given so as to include "invisible exports," we should have to include our income from shipping, overseas investments, and receipts from commissions, together with the excess of Government receipts from overseas. The following details given by the Board of Trade supply the estimated balance of expenditure over income, the totals for 1924 and 1925,

¹ The advent of the Hitler régime and the subsequent persecution of the Jews led to a boycott of German goods by Jews elsewhere. This helped to reduce German exports during 1933. In April German exports were only £19,090,000, compared with a monthly average of £28,915,000 in 1932, £40,000,000 in 1931, and £50,150,000 in 1930.

however, being, according to Sir Arthur Steel-Maitland, one-time Minister of Labour, probably under-estimated:—

	In millions of £			
1913	181
1920	254
1922	154
1923	153
1924	86
1925	54
1926	9
1927	114
1928	152
1929	151
1930	39
1931	104 Debit
1932	59 ..

Exports have failed to pay for imports, for, 1931 and 1932 apart, the favourable balances since 1920 are far less than that of 1913, especially when the increase in the cost of living is taken into account.

The usual argument between Free Traders and Protectionists as to the degree of unemployment and wages paid in protected and unprotected countries can be dismissed very briefly. Neither wages nor unemployment is a direct reflex of the fiscal system, and in any case the facts are inconclusive.

With regard to unemployment, if the period from 1920 to 1929 is taken it can be shown that Free Trade Britain suffered more than the protected countries, especially France. If the period since is taken it is possible to show that protected countries, such as America and Germany, have suffered even more than Britain.

With regard to wages, if Free Trade Britain is compared with Protectionist France, Italy or Germany, Free Trade has the advantage; but if compared with highly protected America, Protection wins.

The following details relate to real wages prevailing in the chief cities of the countries mentioned in July, 1930. They relate to the hourly rates of a limited number of occupations, except in the case of countries marked,* where actual earnings are given. If the actual earnings in Great Britain, which are higher than hourly rates, are taken, the index number of the countries with an asterisk would be somewhat lower.

Country	Real Wages, being money based on Food, Fuel, Light and Soap	Index Number of Money Wages
Great Britain	100	100
United States	190	272
*Denmark	113	123
*Sweden	109	126
Netherlands.. ..	82	86
*Czecho-Slovakia	74	65
Germany	73	83
France	58	56
Italy	39	49

No satisfactory argument either way can be obtained from a comparison of unemployment or wages. Protected countries are on uneven levels which make comparison with Free Trade Britain impossible.

On the whole the decision of the National Government to impose a tariff of 10 per cent. upon certain imports, with power to increase the tariff against countries in respect to British exports unfairly penalized, was wise. While British industry has been so badly hit that, in 1931, 38 per cent. of our export trade had been lost, the volume of world trade increased by 24 per cent. between 1913 and 1929, although that of Europe, it should be said, was up by only 7 per cent.

Leaving theory, let us now consider what steps have been taken towards the ideals of the Protectionists. The defenders of tariffs differentiate between Safeguarding and Protection. The latter implies a general system of import duties imposed by a Government with the object of excluding the whole or a part of certain imports from the home market and in order to obtain revenue from the duties. Safeguarding is more limited, having as its chief object the sheltering of an industry against what is considered unfair or unduly severe competition on the part of the foreign producers. It may be applied to an infant industry or to one that is admittedly declining. The motor industry is an example of an expanding industry, while lace-making is in process of decline.

In 1915, during the war, it was considered necessary to build up certain key industries so as to be independent of enemies' sources of supply after the war. Even Free Traders supported this idea. In 1918 Mr. Lloyd George signed the Coalition Election manifesto, which contained a clause in favour of protection against the dumping of

goods from abroad and offered in Britain below their actual cost of production. Mr. R. McKenna, as Chancellor of the Exchequer, introduced what were afterwards called the McKenna Duties merely as a temporary expedient during the war, but they were continued after, the reason given in 1919 being that they were essential for purposes of revenue. But it was not until 1921 that the first Act was passed dealing with the real safeguarding of industries. A duty of $33\frac{1}{3}$ per cent. was imposed upon certain imports, being directed largely against Germany. These duties were repealed in 1924 by the Labour Government. In 1925 a new safeguarding scheme was introduced by the Conservatives, laying down conditions under which an industry might obtain the benefits of protection. The chief idea was to prevent dumping and to guard against the competition of countries with a depreciated currency. Actually only eight industries succeeded in fulfilling the conditions, the duties to apply for five years. Benefits of increased employment and decreased prices were obtained as a result in the following industries: Lace, leather and fabric gloves, cutlery, gas mantles, packing and wrapping paper, pottery, buttons and enamelled hollow ware. It was not until 1925 that it was finally admitted (by Mr. Winston Churchill) that duties of a general character were to be imposed instead of merely discriminative duties against particular countries.

The original McKenna Duties of 1915 applied to motor-cars, watches, musical instruments and films; in 1926 commercial cars, and in 1927 tyres were added to the list. Silk, petrol and sugar had duties applied to them for purposes of revenue, but later a definite protective tariff was imposed of nearly 20 per cent. An oil tax was added in 1928. An inverted form of Protection was given to sugar by a bounty offered to the growers of home-grown sugar beet.

We need not follow the rival contentions of the advocates and opponents of the Safeguarding Duties. On the whole they were successful, but the majority of the British electorate was not converted to the principle of Protection until the crisis of 1931. The National Government then elected included Free Traders in the

Cabinet, but in spite of their opposition, in 1932 duties of 10 per cent. were imposed upon certain imports, after a preliminary tax on "abnormal imports" had been previously applied.

The objects of the Imports Duties Bill, as stated by Mr. Neville Chamberlain, on February 4, 1932, were to correct the balance of payments by diminishing imports and stimulating exports; to raise revenue; to effect an insurance against any rise in the cost of living which might follow an unchecked depreciation of our currency; to decrease unemployment by transferring to Britain work now performed abroad; to make the methods of production and distribution more efficient; to use it as an instrument of negotiation with countries which have hitherto not been amenable to British suggestions; and to offer advantages to the rest of the British Empire in return for advantages they now offer or may be persuaded to offer.

Provisions were included in the Bill whereby the tariff could be lowered to foreign countries offering similar advantages, or it could be raised to 100 per cent. of the value of the goods (in addition to the 10 per cent. tariff) of countries showing unfair discrimination against British imports.

Agriculture was assisted by a tax of 10 per cent. on foreign products, except wheat, wool and meat, and products already chargeable with a customs duty.

Mr. Runciman, President of the Board of Trade and a one-time Free Trader, on April 14, 1932, was able to announce the experiment had been a huge success. The abnormal import duties had kept down imports by £8 millions directly and by £17 millions indirectly. Our purchasing power had accordingly been reserved for raw materials and food, while at the same time our industries, in the words of Mr. Runciman, received "such an impetus as they had not received since 1921." Mr. Runciman showed that whereas between September, 1930, and March, 1931, the number of employed British workers had declined by 250,000, between September¹ 1931, and March, 1932, the number rose by 250,000,

¹ The increase of the number employed in April, 1932, was 486,000 as compared with the number in 1931.

whilst in almost every other country during the latter period unemployment had been increasing. It appears that 390 foreign firms had been considering the advisability of starting works in Britain, and production had already commenced in 43 factories devoted to textiles, electrical and leather goods, &c., while 70 British firms were extending their works or setting up new ones with the assistance of foreign experts. On January 28, 1933, Mr. Neville Chamberlain was able to announce that 218 new undertakings had been actually started with the help of foreign firms since the introduction of the tariffs. Consumption of cotton had also increased 9 per cent. during 1932.

Mr. Runciman referred to France having dropped the imposition of the coal quota, but said that Germany, in spite of our protests, had not yet abandoned her discriminatory activities against British coal.

In addition to the restriction upon British coal imposed by Germany, Belgium also had reduced our quota from 175,000 tons a month to 125,000 tons in March, 1932, and in April a further reduction to 100,000 tons was imposed. The imports of British coal to Belgium, in April, 1931, were 191,496, and 298,549 tons in April, 1929. On the other hand, the amount of imported coal permitted to Germany by Belgium had been raised between March and April, 1932, from 276,000 tons to 282,000 tons. In this connection it is pleasing to remember that the Import Duties Act enables the British Government to retaliate by imposing duties up to 100 per cent. against offending countries.

On March 1, 1931, Mr. Runciman said that certain British goods imported into France, such as machinery, iron and steel and leather goods, &c., were still subject to a surtax of 15 per cent., but 60 per cent. of our trade with France was then free of the surtax specially imposed by France to correct the depreciation in the British pound. We had raised an objection to the whole principle of a surtax, and its removal was to be the subject of further negotiations. In April, 1932, France imposed new quotas for imported cotton and other goods, to the disgust of our own manufacturers, some of whom demanded retaliatory measures. The

imposition by France, Germany and Belgium of quotas upon British goods affects our trade, and obviously if no accommodation is made, measures of retaliation will have to be imposed by Britain. The position had become so acute that on March 30, 1933, Colonel Colville, Secretary of the Department of Overseas Trade, announced that if France did not remove her discriminating duties on British imports we would refuse to negotiate a new trading agreement with her. British goods were then subjected by France to a special surtax which was not levied on all other foreign imports. An instance was given of a case of lace machinery from Nottingham which would be charged £646 duty, whereas the same machinery from Germany would be charged only £265—a discriminatory duty of £381 against Britain, which invites severe retaliatory measures.

The *ad valorem* duty of 10 per cent. upon certain imports came into operation on March 1, 1932. The Board of Trade reported that as a result of the first month's operation of the Act our imports in March were £61,119,414 compared with £70,202,570 in February, a drop of £9,083,156, and our exports were £36,620,375 as against £35,463,602, an increase of £1,156,774. Compared with March, 1931, there had been a reduction in imports from £70,601,585, the exports in March, 1931, being £39,427,954. The slight difference in money values should be remembered when comparing 1931 with 1932.

The unemployed figures had been affected, for on March 21, 1932, there were 166,000 more in employment than a year before and 146,000 more than a month before, the number of unemployed being 12,786 fewer than a year before and 133,841 fewer than a month before. The difference between the increase in the employed and the decrease in the unemployed is due to increasing population bringing more entrants into industry. The trades beneficially affected were building, coal mining, textiles, tailoring, engineering, metal goods, pottery, motor vehicles, cycles and aircraft.

The following month of April showed further improvements in trade. The imports showed a fall of over £16 millions below those of April, 1931, and exports had

increased by £22,299,390. Cotton, vehicles, woollen goods and machinery chiefly benefited. Also the cost of living showed a decrease of 4 per cent. below that of a year before.

In his Budget speech on April 19, 1932, Mr. Chamberlain gave the financial results realized and anticipated of the new duties.

	1931-32 Receipts £	1932-33 Estimated Receipts £
Abnormal Importations	1,165,000	250,000
Horticultural Products	164,000	750,000
General <i>ad valorem</i> Duty	760,000	27,000,000
Additional Duties	—	5,000,000
	<hr/>	<hr/>
	£2,089,000	£33,000,000

In the speech it was pointed out that had it not been for the £33 millions anticipated from the new duties, in consequence of the serious fall in income and sur-taxation anticipated for 1932-33 we should have been once again in serious difficulties.¹

On April 21, 1932, additional duties, amounting in many cases to full-blooded Protection, were recommended by the Government's Advisory Committee and were in operation on April 26. For most manufactured goods an additional 10 per cent. duty was imposed, making 20 per cent. in all; for a limited number of other goods there was a total duty of 15 per cent., and for certain articles of luxury such as toilet preparations, jewellery and fur goods, the total duties ranged from 25 to 30 per cent. Semi-finished steel goods were to be subject to a duty of 33½ per cent.

Following the aforementioned modifications in the system of Free Trade came the Imperial Economic Conference held at Ottawa in August, 1932. Agreements were made with the Dominions, which are to remain in force for at least five years, which ensure that the general *ad valorem* duty of 10 per cent. imposed under the Export Duties Act on foreign goods competing

¹ The increase in Customs and Excise revenue as a whole in 1932-33 was actually £32,083,000 over the previous year. But less than £22,000,000 of this was the result of the imposition of tariffs. The fall in income and surtaxes was nearly £52 millions.

with those of the Empire, shall not be reduced except with the consent of the Empire Governments concerned.

Canada was granted preferences on various commodities, and duties were to be imposed on foreign wheat, butter, cheese, apples, pears, dried fruits, eggs in shell, condensed milk, unwrought copper, &c. Canada was also granted free entry of 2,500,000 cwt. of bacon and ham per annum, and the existing preference on Empire tobacco was to be continued for another ten years. Canada in turn agreed to revise her import duties on British textiles, guns, leather, tablewear, toilet accessories, &c., and to abolish all existing surcharges on British imports when finances permit.

Australia, New Zealand, Rhodesia, South Africa and Newfoundland were granted somewhat similar preferences to those of Canada, while in turn Australia agreed to limit her exports to Britain of frozen mutton and lamb for the following year to an amount equivalent to the total in the year ending June, 1932, and restrictions on imports of British goods were to be removed; New Zealand will grant new preferences on certain British imports and exempt all from the surtax previously levied, while similar advantages were promised by the other Dominions concerned.

While it cannot be said that the various measures adopted to modify our fiscal system have resulted in any sensational improvements, nevertheless, if we compare our position with that of some of the other countries during the recent periods, we shall find reason for self-congratulation that in a world of falling trade Great Britain is now at least suffering far less than her chief competitors.

The values of world trade, measured by prices, fell 50 per cent. between 1930 and 1932. Measured by commodities the quantum of world trade fell by 7 per cent. in 1930, 9 per cent. in 1931, and 11·5 per cent. in the first half of 1932 as compared with a similar period of 1931. The reduced values were 54 per cent. for France, 57 for the United Kingdom, 60 for Germany and 67·5 for the United States.

But if we make comparisons since the experiment of tariffs by Britain and the agreements at Ottawa, we

shall find our position more satisfactory. During 1932, if we leave out of calculation our invisible exports, our adverse balance of trade, which was £408,975,545 in 1931, had been reduced in 1932 by about £120,000,000, the imports and exports in the two years being as follows:—

BRITISH TRADE, 1931 AND 1932.

			Imports £	Total Exports £
1931 ..	..	..	862,175,000	453,199,000
1932 ..	..	..	703,133,000	416,052,000

The exports were less by just over £37 millions, but the imports had been reduced by nearly £160 millions. As an example of the changing positions we find that French imports from Britain in 1932 were £19,656,976 as compared with £29,794,760 in 1931, but British imports from France had been reduced from £40,347,384 to £15,692,336, giving Britain a favourable balance in 1932 of £3,963,640, as against the unfavourable balance in 1931 of £10,552,624.

The United States have suffered to the following extent:—

TRADE OF U.S.A., 1930-32.

			Imports Millions of £ at par	Exports Millions of £ at par
1930 ..	..	..	612	768
1931 ..	..	..	418	485
1932 ..	..	..	264	323

The position of Italy for the first eleven months of 1932, as compared with a similar period in 1931, was as follows:—

ITALIAN TRADE FOR 11 MONTHS IN EACH YEAR OF 1931 AND 1932.

			Imports £	Exports £
1931 ..	..	..	118,490,000	102,788,000
1932 ..	..	..	83,148,000	68,741,000

For the first eleven months of 1932 France had an unfavourable trade balance of £73,000,000, imports being £217,000,000 and exports £145,000,000. Taking the first eight months of each year French trade shows the following decline:—

FRENCH TRADE FOR FIRST 8 MONTHS OF 1931 AND 1932.

			Imports £	Exports £
1931 ..	..	..	341,378,000	238,087,000
1932 ..	..	..	226,834,000	147,000,000

Comparing the period January-April, 1932, with January-April, 1931, the value of British imports fell by only 12 per cent., as against a fall of 30 per cent. in U.S.A., 35 per cent. France, and 36 per cent. Germany. For the same periods the value of British exports fell by only 7 per cent., as against 35 per cent. for Germany, 36 per cent. for U.S.A., and 38 per cent. for France.

During January-May, 1931, Great Britain exported only £24,561,000 worth of manufactures more than she imported, but during the same period of 1932 she exported £50,224,000 worth more than she imported, an improvement which its supporters claim was due to the adoption of the tariff policy.

During the whole twelve months ending in December, 1932, while the value of British exports declined by only 6·9 per cent., that of France declined by 31 per cent., Italy by 33·3 per cent., of U.S.A. by 35·7 per cent., Germany by 41 per cent. During 1932, Britain once again took the lead it had previously lost with regard to export trade, although unfortunately, this was achieved, not by increased British trade, but by reductions suffered by our rivals. The depreciation in the British pound and the change in our fiscal system gave us certain advantages. The excess of imports over exports in the first four months of 1933 was lessened by more than £21 millions as compared with a similar period in 1932.

In April, 1933, trade agreements were announced which guaranteed Britain 80 per cent. of the entire coal trade of Denmark in addition to Danish orders being doubled for iron and steel, in return for concessions regarding Danish agricultural imports to Britain. Another agreement secured an increase of orders from Germany, whereby 180,000 instead of 100,000 tons of British coal and coke per month were to be imported, Germany in return being granted lowered tariffs on toys, musical instruments and other commodities. The Argentine also agreed to give nearly the whole of its coal trade to Britain, in return for a guaranteed quota of meat and permission to raise a loan of £10 millions on the British market. All these agreements, made possible by our adoption of the tariff weapon, will increase the British export coal

and iron trade by 4,000,000 tons of coal a year, finding employment for an extra 16,000 miners, in addition to the additional workers needed for the production of iron and steel. During May agreements were also made with Norway and Sweden, with the probability of further agreements with the Baltic countries. These agreements did not satisfy all the supporters of the Government as they were considered to offer much too favourable terms to Germany and Denmark.

Altogether, Protection, as so far applied by Britain, seems to have been a successful experiment. Certainly the gloomy prophecy made by Lord Snowden when opposing the Imports Duties Bill that, "The new duties will raise the cost of living," has so far not been realized while tangible trade benefits have.

What is now needed is an International Tariff Conference for the purpose of lowering the tariff barriers of the world which prevent free interchange of commodities between nation and nation. This may be brought about by the World Economic Conference which is to be held in 1933. As with armaments, it is better to reduce by mutual agreement rather than engage in a competitive increase.

The Prime Minister was able to announce on May 9, 1933, that Great Britain and the United States had agreed as to the advisability of a tariff truce so that no new modifications might increase the difficulties now arresting international commerce, before the Conference meets, in an effort to lower the barriers not absolutely necessary for national protection.

Another matter which has handicapped British industry is that of the subsidies on shipping granted by the American and other Governments, which have had the effect of reducing the tonnage of the United Kingdom by 16 per cent. during a period when the tonnage of the world has doubled. This artificial stimulation of foreign shipping harms our merchant fleet and is regarded as unfair by those who suffer. At the end of 1932, Lloyd's Register of Shipping showed that during the previous quarter the total tonnage of merchant vessels under construction in British yards was only 225,496 tons, the lowest for any quarter yet recorded, being a decrease of

175,008 tons on the last quarter of the previous year. The tonnage abroad—540,223—was about 122,000 tons less than in 1931, being the lowest recorded since 1910. It included:—

	Tonnage		Tonnage
France	101,675	United States	59,628
Germany	80,310	Italy	59,113
Japan	63,345	Sweden	58,530

Sir Alan Anderson, Chairman of the Orient Line, during an attack made on the U.S.A. Government on December 20, 1932, estimated that American shipping companies had received from their Government a total of £600 millions at par during the previous twelve years, a figure exceeding by £50 millions the total payments for war debts made to the United States by all her debtors. America was accused of dumping shipping services on the world's market below cost and thus preventing Great Britain from paying her debt by shipping services. The American taxpayer had paid the losses in operating subsidized ships amounting to twice the cost of building the 17,500,000 tons of British merchant ships engaged in foreign trade. As one example was given the Matson Line, an American company which was placing on the route San Francisco—Honolulu—New Zealand—Australia—three new vessels, the capital cost and running expenses of which would not be repaid by the trade, while the competing British Line, devoid of Governmental assistance, was unable to provide such costly vessels. In addition, the British Line is excluded from the voyage between Honolulu and San Francisco, while the Matson Line competes freely between New Zealand and Australia.

In the approaching Conference with America on the subject of War Debts and economic revival in general, the American statesmen should have their attention drawn to the unfairness of expecting payments while one of Britain's chief means is being rejected and undermined by methods comparable to the dumping of unduly cheapened exports upon a rival market.

About five weeks after the speech of Sir Alan Anderson, gratifying news of what may be a revival in the world of shipping was reported by the Shipbuilding Employers' Federation. After about ten months of almost complete

stagnation, in November, 1932, the position began to improve, and between November 1 and January 26, 1933, the following orders for vessels were booked by British shipyards :—

Cargo .. .. .	..	..	..	..	..	20
Passenger-cargo .. .. .	..	..	..	..	..	2
Small passenger .. .. .	..	..	..	..	..	2
Coasters, colliers, trawlers, tugs, and other small craft .. .. .	..	..	..	..	..	30
Gunboat (British) .. .. .	..	..	..	..	..	1
Destroyer (Foreign) .. .. .	..	..	..	..	..	1
Naval sloops (Foreign) .. .. .	..	..	..	..	..	2

“As a result of these orders,” the Shipbuilding Employers’ Federation announced, “it is extremely probable that the figures for new tonnage begun in British shipyards for the March quarter will exceed the tonnage begun during the whole of 1932.”

“The orders have been secured by shipbuilding firms in Aberdeen, Dundee, Burntisland (Fifeshire), Leith, on the Clyde, the north-east coast of England, and at Hull. While there is no desire to raise false hopes that British shipbuilding and ship repairing is on the eve of any boom, it would be a mistake to minimise the change for the better which the recent widespread placing of orders indicates. The efforts of the shipbuilders to attract new orders are being supported by British steel makers, with whom, since July, 1931, they have established closer co-operative arrangements which enable shipbuilders to obtain their principal raw material on terms that permit them to supply ships to British or foreign clients at tempting prices.”

It was calculated that these orders would provide work for 50,000 men, half in the shipyards and half in the iron and steel industries. In the shipbuilding industry 63 per cent. were previously unemployed. Besides the fillip given to shipbuilding this activity implies that an improvement is anticipated in general trade. Those providing the orders must have good cause to expect cargoes will be available to fill the holds. The Admiralty, during 1933, will also place orders for various ships which should help in the revival, over a score of cruisers, destroyers, submarines, sloops and smaller craft being included in the building programme for the year, at a cost of £2,355,000.

In March, 1933, official figures showed that more new businesses had been started in January and February than in similar months for the past three years. More than 1,750 new businesses had been opened up in these two months as compared with only 1,650 the first two months of the previous year. The total capital represented in new businesses in the two opening months of 1933 was more than £9,500,000 as against £8,750,000 in 1932. Nearly 60 per cent. of the total had begun operations in London, Manchester being the next most popular city for new enterprises.

The 1933 revival in trade was reflected in a substantial reduction in the number of unemployed. After January the monthly decreases were as follows: February 20, 46,427; March 20, 80,454; April 24, 78,520; May 22, 114,755; making a total reduction of 320,186 in the last four months. The total on May 22 was 2,582,879. The improvement occurred chiefly in building, public works contracting, tailoring, brick and tile manufacture, dock and harbour work, road transport, hotel and boarding-house services, and in the distributive industries. Ship-building and repairing, iron founding, marine engineering, cycle and motor vehicle industries also shared in the improvement.

In the meantime, one regrets that in the Budgets of 1932 and 1933 there was no indication that income taxation is to be seriously lessened. If the country's support of the tariff policy merely permits of the same lavish expenditure which has helped to make British industry nearly bankrupt, and now that direct taxation has reached its limits, indirect taxation is to be employed in order to continue the present extravagance, we shall have reason to curse rather than bless the imposition of tariffs that will merely have postponed the policy of economy which alone is likely to help fundamentally the industry of the nation. And postponing this inevitable reform will land us in difficulties which will offer fertile soil for the Communist agitator and permanently undermine the present industrial régime.

We were reminded by Lloyd George, on April 9, 1932, that since the war, British Budgets have aggregated over £5,000 millions more than those of France, which

has now a population nearly as large as our own, and £1,500 millions more than those of the U.S.A., which has a population nearly three times that of Britain. The British Budget for 1932-33 was £848 millions;¹ the French Budget was said to be £348 millions² and that of Germany, with a population twenty millions larger than ours, £450 millions.

An ominous feature of the situation is the way revenue from income and surtaxes decreases in spite of increased rates.

The income taxes received in 1932-33 were £35,828,000 less than in 1931-32, and the surtaxes were less by £16,050,000. The income taxes received in 1932-33, when taxation was 5s. in the £, were nearly £8 millions less than in 1925-26, when taxation was only 4s. in the £ and the population was less. The following table gives further details:—

INCOME TAX.*

Year	Exchequer Receipts	Standard Rate of Tax in the £	Net Yield per Penny	Year	Exchequer Receipts	Standard Rate of Tax in the £	Net Yield per Penny
	£ millions	s. d.	£ millions		£ millions	s. d.	£ millions
1913-14	43·9	1 2	3·11	1928-29	237·6	4 0	4·91
				1929-30	237·4	4 0	4·87
1924-25	273·8	4 6	5·06	1930-31	256·0	4 6	4·57
1925-26	259·4	4 0	4·92	1931-32	287·4	5 0	—
1926-27	234·7	4 0	4·87	1932-33	251·5	5 0	—
1927-28	250·6	4 0	4·73	1933-34	240·0	5 0	—

* For 1913-14 the United Kingdom; from 1924-25 onwards, Great Britain and Northern Ireland only. The 1933-34 figures are the estimate of the Chancellor of the Exchequer. But a concession regarding time of payment will reduce the actual receipts by £12 millions.

¹ This is in addition to the rates collected in Great Britain during 1931-32, of £166 millions, being more than double the amount collected in 1913.

² This sum does not tally with announcements made in the *Evening Standard* of March 16, 1933, when it was stated that the French Budget expenditure for 1932 was £614 millions, and the proposed expenditure for 1933 was £583 millions. Differences in the estimated rate of exchange may account for the discrepancy. The *Daily Telegraph* on June 2, 1933, announced that the French Budget for 1933 was £394 millions.

The extent to which income tax payers are now bled is indicated by the following table :—

INCOME TAX AND SURTAX PAYABLE ON EARNED INCOMES AND INCOME FROM INVESTMENTS RESPECTIVELY AT CERTAIN LEVELS.

Total Income	Single Persons						Married Couples with Three Children					
	Earned 1931-32			Investment 1931-32			Earned 1931-32			Investment 1931-32		
£	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1,000 ..	153	2	6	203	2	6	108	2	6	158	2	6
2,000 ..	378	2	6	453	2	6	333	2	6	408	2	6
5,000 ..	1,465	0	0	1,540	0	0	1,420	0	0	1,495	0	0
10,000 ..	3,897	10	0	3,972	10	0	3,852	10	0	3,927	10	0
50,000 ..	28,335	0	0	28,410	0	0	28,290	0	0	28,365	0	0

In addition to these heavy taxes, employers have to contribute £42,500,000 a year to various forms of social assistance for the benefit of workpeople, on the top of scores of millions of pounds per annum in rates for education and relief of poverty and in support of nursing and welfare schemes.

Capital is also being dissipated by exorbitant estate and death duties. In 1930-31, out of 497 estates that exceeded £100,000 each, a total of £46,900,000 had to be paid to the Exchequer, a sum nearly 30 per cent. of the aggregate value. On the largest estates 50 per cent. is now collected, a wasting process that obviously has its limits.

The pump of tariffs cannot keep the ship of British industry afloat if the leak of excessive taxation remains unstopped.

CHAPTER XIX

THE DRAWBACKS OF PUBLIC WORKS
SCHEMES

OF recent years there have been many grandiose schemes suggested for the alleviation of unemployment. Mr. J. M. Keynes, for example, in an article in *The Listener*, January 14, 1931, said: "Why not pull down the whole of South London from Westminster to Greenwich and make a good job of it—housing on that convenient area near to their work a much greater population than at present, in far better buildings with all the conveniences of modern life, yet at the same time providing hundreds of acres of squares and avenues, parks and public spaces, having, when it was finished, something magnificent to the eye, yet useful and convenient to human life as a monument to our age? Would that employ men? Why, of course it would."

Mr. Bernard Shaw has gone one better (or worse, according to the viewpoint). He suggests knocking down half of London and the whole of Manchester and rebuilding them. All these schemes would provide employment doubtless. So would the building of a private aeroplane, a motor car, a yacht and a mansion for every family in the country, but unfortunately for the success of all these schemes, they cost money. And money raised either to give in doles and pensions or to finance housing and other schemes, necessitates the payment of interest and the imposition of rates and taxes. And high taxation sends up the cost of production, which in turn prevents many goods from being sold abroad. And the loss of this export trade throws hundreds of thousands out of work.

Public works schemes on the grand scale have been introduced since the Armistice. The cost has been so frightful and the benefits to the unemployed so small that even once enthusiastic supporters have declared

them to be a failure. Mrs. Sidney Webb, wife of Lord Passfield, on November 14, 1931, denounced "public amenity" works for the relief of unemployment, when giving evidence before the Royal Commission on Unemployment Insurance. The extravagant improvement of roads, the laying-out of recreation grounds and the replanning of seaside esplanades "finding work for a few tens of thousands of unemployed tailors and engineers, miners and shipyard workers, clerks and farm labourers, at an actual cost of £1,000,000 for each 4,000 men for twelve months" she said was "really ridiculous." Also, in reply to a question, Mrs. Webb said that if they had to start all over again she would not be in favour of an insurance scheme.

The estimate of £1,000,000 as the cost of keeping 4,000 men occupied for a year is probably too small. In a speech made in the House of Commons by Mr. R. S. Hudson on March 10, 1932, £600 was the sum mentioned rather than £250 as the cost of employing one man for a year. The speaker said that since 1924 the Exchequer had provided £700 millions for public works schemes. Since 1921 the debt of local authorities had accordingly risen from £650 millions to over £1,200 millions.

In the May Report it is shown that in 1931 an increase of £46 millions was provided for Home Development. And the Committee says: "Since its inception the Unemployment Grants Committee has assisted schemes estimated to cost in all £187,000,000, and on June 30, 1931, the capital value of its outstanding liabilities amounted to £39,650,000, which does not include the capitalized liabilities in respect of road schemes transferred to the Road Fund in 1926." On December 18, 1931, there were 47,321 men being employed on schemes approved by the Unemployment Grants Committee; but nearly as many were assumed to be employed indirectly in the manufacture and transport of the materials used.

Without listing all the schemes which have been financed by the Exchequer and municipal bodies we will note that the May Committee said in regard to some of them: "We are inclined to regard much of the

expenditure as unwise in that it has been incurred considerably in advance of requirements. . . . We cannot endorse a policy of great expenditure on capital works, irrespective of their economic value, as a means of providing work. It is too expensive. On the usual calculation of 4,000 man years of labour, direct or indirect, for £1,000,000 expenditure it costs £250 to keep a man in work for one year. The saving on maintenance of the man is usually put at about £60 a year. Thus, proceeding on this basis, unless the man's work is worth at least £190 to the nation when it is done, the nation loses economically by carrying it out." That many of the schemes have been badly conceived and wasteful is indicated by the following passage from the May Report:—

"When we find golf courses, tennis courts and swimming baths being subsidized as economic developments, when we find roads being constructed at great cost in the remoter parts of Scotland, or to meet holiday traffic on the South Coast, whereas the road needs of industry and trade lie rather in our congested urban streets; when we find grants paid to local authorities for ten years in succession for accelerating work which it was their duty to carry out if it should be done at all; when we find Government departments giving free of cost to private traders services which more progressive traders are providing for themselves; when we find schemes of land settlement or development proceeding at a cost out of all commercial relation to any results likely to be attained; when in short we see these and many other activities being pressed forward to the embarrassment of the national finances with danger of increased taxation and serious repercussions on the general economic position of the country, then indeed we think it time for a careful review of the whole policy of development."

It is obvious to any reader who has closely followed the facts presented in earlier chapters that further taxation will intensify unemployment. Anything which adds to the cost of production will still further handicap our export trade. And the schemes suggested by both Liberals and Socialists to relieve unemployment would

add hundreds of millions a year to the taxation of the country.

Lord Snowden calculated that increased taxation of another £1,000 millions a year would be needed to finance the schemes of his Labour colleagues outlined in their statement of policy entitled *Labour and the Nation*.¹ Mr. B. Seebohm Rowntree, in summarizing the suggestions made by the Liberal Party in his article in *The Listener*, February 4, 1931, estimated that within twelve months of their being put into effective operation 700,000 persons would be absorbed in industry. The increased purchasing power resulting from their employment would also benefit others. As to the cost, "It is probable that over the first two years some £250 millions would be required." Out of this amount, £76 millions, it is hoped, would be saved in connection with the Unemployment Benefit Fund.

In their statement of Liberal proposals, *How to Tackle Unemployment*, written by Mr. Lloyd George, the Marquess of Lothian and Mr. B. Seebohm Rowntree, it is agreed that "an essential condition of prosperity is that our costs of production shall be brought down to a level which will enable British goods to compete successfully in world markets. This will involve a willingness on the part of all to take such steps as may be necessary to achieve this end. We are of opinion that a reduction in costs of as much as 10 per cent. may be necessary. . . . The Government itself should give the lead by reducing its expenditure also by 10 per cent. or more."²

If an essential condition of prosperity is a reduction in taxation, which of course is the case, the proposals of Mr. Lloyd George and his friends, whether Liberal or Labour, will scarcely help in that direction. In *How to Tackle Unemployment* it is suggested that 1,250,000 workers would be employed for a year as a result of raising £250 millions, plus some additional expenditure to be made by Local Authorities and others. As it is estimated £91 millions would be saved by a suspension of doles to those employed, about £159 millions would be expended in one year in addition to the "extras."

¹ *Hansard*, October 2, 1931.

² P. 98.

As of course the work done would have considerable value it is suggested that the benefits would be worth the expenditure.

At its most optimistic calculation therefore, less than half the present unemployed would be absorbed at a cost of over £160 millions a year on the top of present expenditure. Even if the results were as beneficial as anticipated, which is never the case with work undertaken by public authorities, could the nation afford the expense? The answer is: It could not!

The cost of absorbing 2,500,000 of the unemployed at the usual estimated cost of £1,000,000 for every 4,000 persons engaged in public work schemes, would be £625 millions per annum. Even if £100 millions were saved in doles and poor law relief, £525 millions a year would be an additional burden impossible to bear, the level of taxation being already so colossal.

Concentration upon various schemes for reclaiming the foreshores, forestry, electrification, agriculture, road making and the rest, unless they can be shown to be economically expedient (which has not so far been the case), have the effect of directing the attention of the nation away from the basic problem underlying British unemployment—the problem of how to reduce the costs of production so that British exports can be offered at a price the foreigner is willing to pay. Plans for the absorption of the unemployed upon extravagant schemes, if put into further operation, will make it more difficult to relieve industry of the burden of rates and taxes which, together with uneconomic rates of wages, are preventing any permanent settlement of the unemployed difficulty in this country. The removal of the world slump will not obliterate British unemployment unless we are in a position to satisfy the demand at prices on the competitive level of the rest of the world.

And this is recognized by the saner Labour leaders. During the period of the first Labour Government in 1924, we were warned by Philip Snowden that "the cost of production in this country is very high . . . and if we are to retain and increase our foreign trade, we must secure a reduction in the cost of production." While as for "schemes under the unemployment grants

for the acceleration of work," although the Labour Government "realize the need of doing this as a measure of temporary alleviation, we are not under the illusion that we are doing something to solve unemployment. We are not. As a matter of fact, in a sense we are aggravating unemployment, because we are making unemployment in the future."

In a previous chapter reference was made to the greater costs of houses when the work was done by public bodies. A few more illustrations of the losses almost inseparable from public schemes may here be given. On April 2, 1932, was reported a loss of over £20,000 in Birkenhead's direct labour housing scheme begun in 1930, when the Socialists were in a majority on the council. The estimates were exceeded by £20,343, giving a loss of nearly £70 upon each of the 380 houses completed. In addition, large sums were lost in rent owing to the slow progress of the scheme. After nearly a year's work only eight houses were completed, although a firm of private contractors had been able to complete 200 in ten months.

The Report of the Industrial Transference Board (Cmd. 3156) said, referring to schemes for the creation of artificial employment: "Such proposals involve for the most part merely the creation by the State of a temporary, artificial, and substitute employment market. . . . As instances of the cost involved we may say that it has been estimated that to give 1,350 unskilled men work on trunk road reconstruction for one year would cost one million pounds . . . since the Armistice, under the varied and comprehensive programmes of works in relief of unemployment (not including Trade Facilities guaranteed schemes), works of the total estimated value of slightly under £190,000,000 have been approved, and that, notwithstanding the magnitude of the undertakings, there have been at no date more than 75,000 employed on such works and of these many for short spells only."² The Report also drew attention to the employment of Irish immigrant

¹ *Hansard*, July 30, 1924.

² P. 52.

labour which was practised by some of the large public works contractors.

It will be noted that the usual assumption of £1,000,000 employing 4,000 men is not accepted, only 1,350 being accommodated for a year for that sum, and in spite of vast sums expended, only a few men are provided with employment.

The same Report on page 33 rejected the idea of Small Holdings as a satisfactory method of absorbing the unemployed. "The average cost of settling each family is estimated at between £1,500 and £2,000 in England and Wales, and rather less in Scotland." Much skill and determination are required if small holdings are to be a success. There is also the risk of bad seasons. The average unemployed man is hostile to work on the land, for even when he emigrates he tries to get work in general industry, half the people, even in Australia, being congregated in its six principal cities. Forest holdings cost about £625 per holding, and the risk of failure is not so great. Some millions of pounds have been provided in order to develop the forestry schemes.

It is obviously a good idea to get a considerable number of unemployed people back to the land if this can be done without the costs being too extortionate. The National Government's Wheat Quota scheme may help in that direction. But as even Mr. Lloyd George, in spite of his grandiloquent proposals made in 1929 and 1930, admitted in 1920: "You cannot turn the 550,000 men who are out of work on to making and repairing roads, or even to building houses." Again in 1921 he said: "This is a country which depends more upon exports than any other country in the world. It depends more upon international trade than any other country in the world, and if international trade fails, I do not care what you do in the House, by legislation or by administration outside, or by expenditure of public money, you will have nothing but starvation and ruin."²

Yet eight years later the expenditure of public money

¹ *Hansard*, December 21, 1920.

² *Ibid*, February 17, 1921.

by the hundred million pounds was recommended by Mr. Lloyd George, and rosy promises were made regarding the benefits to be enjoyed.

In which connection it may be mentioned that when the taxation of land values was introduced in the Budget of 1909 by Mr. Lloyd George similar glowing promises were dangled before the electors. Yet in 1920 these taxes were repealed with the consent of their author, a revenue of £1,800,000, which cost £5,000,000 to collect, testifying to the failure of the proposal. A similar idea was reintroduced by Lord Snowden when Chancellor of the Exchequer in the Labour Government. After £800,000 had been spent, for a second time the scheme was suspended, but not abandoned.

In 1929 it was pointed out in criticism of Mr. Lloyd George's scheme for the absorption of some hundreds of thousands of men on relief work occupying two years at a cost of hundreds of millions of pounds, that at the end of the period we should be worse off than before, as the unemployed would be with us again while the nation would be crippled with the paying of interest and sinking fund on the heavy loans. In addition, as Mr. W. Bernard Faraday suggested in a letter to *The Times* (March 27, 1929) at least one-third of the unemployed were physically unfit for the work in question, while 243,000 were women, and another 272,000 were textile, glass, pottery, printing, clothing and chemical workers who would lose their acquired skill if put to heavy outdoor labour. Another 275,000 were persons normally employed in commerce, distribution, hotels, laundries, food and drink trades, and unfitted for heavy work. Also 225,000 were engineers, shipbuilders and metal workers who would demand higher wages than could be paid for unskilled outdoor labour. And, as Sir A. Steel-Maitland said, land would have to be compulsorily acquired and months would elapse before the notices would expire, while "most of the work administered would be 'made work' carried out at colossal cost from which there would be practically no return."

In the House of Commons on November 4, 1932, Sir Henry Betterton provided additional information of the drawbacks of public works schemes. To employ one

man one year entailed an expenditure of £600. Taking the Unemployment Grants Committee alone, the total estimated cost of schemes approved for the period June, 1929, to August, 1931, when the Labour Government was in office, was about £77 millions, the liability of the Exchequer being £52 millions, of which £50 millions were still outstanding. As a result of these Exchequer grants the maximum number of men directly or indirectly employed was not more than 220,000. The number directly employed was never more than 110,000, and usually very much less. During these two years the number of registered unemployed went up to 1,500,000.

Since 1920, the Unemployed Grants Committee approved of works of the capital value of over £190 millions. The State had also incurred liabilities for works approved by the Lewis Committee, housing commitments and roads, of £700 millions, most of which had been raised by loans which will have to be paid in future years. During this period Local Authorities had increased their debts from £658 millions to £1,223 millions, all of which will involve a staggering burden to be borne by national and local revenue during the next thirty or forty years. An extension of relief works on an adequate scale would involve further heavy burdens which would undermine any chances of industrial recovery and in the end add to unemployment. Higher rates and taxes would be needed when obviously these should be reduced if industry is to recover. The amount of benefit derived by the unemployed through relief works has been trifling, while the cost has been prodigious.

In spite of previous experience the Government announced schemes of public works which were to be commenced in the spring of 1933, in order that "a concentrated and continuous attack" could be levelled against unemployment throughout the year. The suggested schemes included land settlement, by increasing the number of allotments and small holdings, bridge building, work on roads, and further encouragement of home centre activities. Fortunately, no vast expenditure of public money is contemplated, but it was hoped that many thousands of persons would be found work. The small holdings experiment included the placing of men

on five-acre holdings, and implements, seeds and money were to be provided, and if successful the numbers would be extended until colonies of small holdings are established in various parts of the country. The Premier, with Sir Henry Betterton and Major Walter Elliott, Minister of Agriculture, saw representatives of voluntary social organizations concerned with the setting up of self-help activities among the unemployed, towards which movement the Government contributed £10,000 at the end of 1932. It is to be hoped that this renewal of the idea of public works will not be permitted to absorb millions of the taxpayers' money on further wasteful schemes merely because there are loud demands from irresponsible people for Governmental action, however high is the price.

As Mr. J. R. MacDonald said, reported in *The Times* of November 29, 1932: "We have had great experiments on public works costing vast sums of money. . . . It is very spectacular to say that we are going to spend £100 millions or £500 millions on relief, but when a backward survey is made of what has happened there can be no doubt that the debt with which it has saddled us and the smallness of the assistance it has been to unemployment and the unemployed, are far too prominent features. The assumption that we are helping the unemployed if we spend large sums of public money has been proved by experience to be false; and they who, after all our recent experiences, have no ideas except the old schemes of public works, and the old plans of putting men temporarily to work on roads and such-like employment, confess to an inability to offer any contribution to the unemployed problem to-day, and indeed, stand in the way of real solutions whilst appearing to care for the unemployed more earnestly than other men."

A welcome announcement was made by the Premier in February, 1933, that the Government has definitely abandoned the policy of trying to deal with unemployment by State-assisted relief works. In a letter to the Bethnal Green Council, whose members had appealed to him direct for State aid in local relief schemes, he wrote:—

“The amount of employment provided by the vast expenditure on these schemes has been very small in comparison with the total volume of unemployment, and the policy is completely unequal to the task of dealing with unemployment on a large scale. For instance, between June, 1929, and August, 1931, the number of registered unemployed in Great Britain increased from about 1,100,000 to over 2,700,000 despite relief works costing nearly £192,000,000. The greatest number of persons directly employed on relief works at any time was some 114,000 at June, 1931, but the number of registered unemployed was then over 2,600,000. The Government has now directed its policy towards a revival of ordinary industrial activity by creating conditions under which industry can thrive.”

We have had sufficient experience of the costliness of Government undertakings. In 1931, when it was found necessary to economize, the national factory which had hitherto supplied the Army with much of its clothing was closed, and the work given to private contractors, Governmental clothing schemes having proved to be too costly.

In 1930, to provide work for the national dockyards, the Labour Government transferred contracts from private to public yards. The result was that two destroyers, *Crusader* and *Comet*, cost £609,611, including £19,000 for guns, while two duplicates, *Cygnets* and *Crescents*, built by a private firm, Vickers-Armstrong Ltd., cost only £568,337, including £19,000 for guns. Also the flotilla leader *Duncan*, built in a Government yard, cost £314,204 including £11,300 for guns, while one of a similar type, *Kempfenfelt*, built by J. Samuel White and Co. at Cowes, cost only £293,367 including £8,500 for guns. The nation thus lost £60,000 on these two contracts as a result of their transfer from private builders to the Government dockyards at Portsmouth.

Again, in his Report on Navy Appropriation Account 1930, issued in March, 1932, the Comptroller and Auditor-General mentioned how both the Admiralty and the Air Service “committed themselves to expenditure on a very considerable scale on designs and processes which, apparently, had not passed the experimental

stage," some tens of thousands of pounds being wasted. Experience shows the less public bodies have to do with the provision of work or the expenditure of monies the better for the pockets of the taxpayers.

In 1928, the Glasgow Municipal Brickworks at Dalry had to be sold to a private company. The brickworks had been purchased in 1920 by the Glasgow Corporation for £45,000, in order to provide bricks for its housing schemes. Later, finding the municipal works could not supply bricks as cheaply as private manufacturers, the municipal works was sold for £3,500 to a private company!

If we turn to municipal concerns as a whole we find losses almost all along the line. According to a report of a meeting of the London County Council (*The Times*, March 6, 1929), the following amounts had been contributed from the rates to meet deficiencies in the Tramways Account.

				£
1920-21	..	..	..	609,394
1921-22	..	..	..	88,757
1924-25	..	..	..	237,837
1925-26	..	..	..	114,629
1926-27	..	..	..	275,159
1927-28	..	..	..	226,210
				£1,551,986

Against this, contributions had been made by the undertaking to the rates in other years, mainly in 1897 and in 1903, amounting in all to £325,092. The proportion of the deficiencies which might be deemed to apply to interest charges on tramway debt were:—

				£
1920-21	..	..	..	262,358
1924-25	..	..	..	118,601
1926-27	..	..	..	33,902

The following list of losses relating to municipal trading as a whole was compiled by the London Municipal Society from the records published in the Annual Reports of the Local Government Board and the Ministry of Health.¹

¹ See *The Ratepayer*, September-October, 1928, p. 2.

		Annual net losses
		£
1905-06	.. ..	49,000
1908-09	.. ..	775,000
1910-11	.. ..	600,000 (Scotland alone ; no figures for rest of country)

(The figures for the war period are not available.)

		£
1918-19	.. ..	1,000,000
1919-20	.. ..	1,053,090
1920-21	.. ..	3,687,000
1921-22	.. ..	4,258,055
1922-23	.. ..	3,049,483
1923-24	.. ..	945,567
1924-25	.. ..	307,938
1925-26	.. ..	225,338

Thus over £14½ millions were lost on municipal undertakings relating to the supply of gas, electricity and tramways in eight years. The further losses on housing schemes are not here included. From 1918 to 1928, according to the Ministry of Health Annual Reports, £12,914,294 were lost on municipal undertakings. In addition, it was found that municipal electricity averaged ¼th of a penny per unit more in cost than that supplied by private companies, which meant an additional loss to the consumer of £2,750,000. Corporation gas cost an average of 8·54d. per therm, while the gas supplied by private concerns averaged only 7½d. per therm.

A good example of the drawbacks of public control of productive enterprises is the coal mines. As Sir Beddoe Rees said in the House of Commons on May 16, 1924, "Anybody who had anything to do with the management of collieries from 1915 to 1921 would say quite frankly that it was nationalization. They were taken almost completely out of the hands of the collieries." How profits were reduced to losses may be realized by the following details given as evidence before the Samuel Commission of 1925.

	1913	First quarter, 1921
Profit or loss ..	Profit 1s. 6½d. per ton	Loss 7s. per ton
Persons employed	1,105,000	1,213,000
Annual output ..	287,000,000 tons	216,000,000 tons
Annual output per person	256 tons	178 tons
Annual rate of exports	73,000,000 tons	22,000,000 tons
Cost of production per ton	9s. 5½d.	40s. 3d.

The mines were decontrolled in 1921 just after the first quarter.

While the industry was under control, from 1917 to the spring of 1921, £240 millions *were handed over from the Exchequer to subsidize the industry*. The tonnage raised reached the peak in 1913 and declined under the period of control. But after decontrol there was a recovery and the output of 1923 was the highest reached except for 1913. Costs of production steadily rose under control and dropped sharply immediately control was ended.

Against these examples of slackness and loss with public controlled schemes it is no argument to cite the profits of the State Postal Service or the losses sometimes suffered by privately owned concerns. The G.P.O. has by far the greater part of the work done by the railways which are privately owned; and furthermore, it has a monopoly. And postal charges have increased 75 per cent. as against railway charges of 60 per cent. for goods and 50 per cent. for passengers, while the cost of living increase has been only 36 per cent. on May 1, 1933. Postal profits are being made by charges to the public above the average level of prices.

The private firms which make a loss have to bear it themselves; the taxpayers are not usually levied for that purpose. But all losses of public enterprises have to be made good by the taxpayer. While the losses on the tramways of the L.C.C. have to be found by the ratepayer, the profits of the L.G.O.C. buses help to provide relief of taxation.

With regard to the general scheme of Nationalization advocated by the Labour Party, the experiences abroad during the last few years are not encouraging.

The Minister of Railways, when announcing his Budget in the South African Parliament in 1931, said the deficit on the railways was £799,000 for the past year, added to the deficit on the previous year of £394,000. On March 31, 1932, an accumulated deficit of £1,800,000 was expected.

The State Railways of Australia declared the following losses after the payment of interest and weekly expenses.

				£
1922	..	..	..	2,098,018
1923	..	..	..	1,234,856
1924	..	..	..	1,203,310
1925	..	..	..	472,439
1926	..	..	..	6,685,698

In five years a total of £11,694,316 was lost.

The Queensland State Railways, for the year ending June 30, 1927, had a deficit of £1,964,365, which the taxpayers were obliged to find. For forty years these railways have shown an annual loss except on two occasions.

In the *Daily Herald*, November 21, 1930, was a letter from a reader who said: "I invested about five years' savings in Grand Trunk First Preference (Canadian State Railways), and never received a farthing from its 'socialization.' I am 60, and, my employers having failed, am in enforced retirement, and in my straitened circumstances envy the retired railwaymen."

The Annual Financial Review in *The Times*, February 9, 1932, showed that nearly two-thirds of the total deficiency in the accounts of Australian States for 1930-31 were due to losses on their public railways. Railway deficiency on the year for New South Wales was £4,421,620; Victoria, £1,870,633; South Australia, £1,685,920; Queensland, £1,619,165; Western Australia, £379,992. A deficit of £641,292 was shown by the Commonwealth Government railways, making the aggregate losses on Australian railways for the year nearly £11,000,000.

The Australian Minister of Transport, on February 7, 1932, according to the *Financial News* of February 9, said that the accumulated losses on Australian State Railways since 1914 amounted to £68 millions. In *Where Nationalization Has Failed*, published by The Economic League, 1929 (preface by Sir Robert Horne), are cited the details from the *Financial Times* of the ghastly failure of the Australian Commonwealth Shipping Line. This concern was the work of Australian Socialists who had demanded nationalized shipping.

According to the *Financial Times*, February 24, 1925, the Prime Minister, Mr. Bruce, gave the following facts. The balance sheet of 1921-22 showed a loss of £1,171,369,

1922-23 showed a loss of £1,626,150, and 1923-24 a loss of £480,969, to which last-mentioned sum must be added the depreciation.

The Fleet cost £11,730,596 and was later revalued at only £4,718,150. In addition, £2 millions were lost on 14 wooden motor boats purchased from America, but being found unserviceable they had to be sold. Altogether, with trading losses, the experiment in State shipping cost the Australian taxpayers a loss of nearly £9 millions.

A number of coal mines owned by various States in Australia are a fruitful source of loss, the Samuel Commission (page 72 of Report) significantly remarking that "It is noteworthy that in the national mines of Australia and New Zealand stoppages owing to labour disputes are very frequent." The State mines of Queensland made a loss of £500,000 in the nine years ending 1924, and accumulated an overdraft of £1,000,000 in addition.

The New Zealand State railways in the year ending March 21, 1928, had a deficit of £291,452 on a revenue of £8 millions. The public debt of New Zealand in 1928 was £174 per head, due, says *The Economist*, "to the wide range of State enterprise."

The Canadian State Railways showed a deficit of £567,612 for 1926 and one of £7,161,047 for 1927. During 1931 the Canadian Treasury had to provide for a deficit of £10,000,000. Canadian State shipping ventures showed annual deficits for the six years prior to 1927, the one for 1927 being £1,337,000.

The United States Shipping Board was declared by the New York *Evening Post* to be "one of the most expensive and utter failures ever experienced by any Government at any time." In nine years a loss of £625 millions was declared in this experiment of publicly owned shipping. The ships were sold in 1928.

All over the world we read of accounts of the abandonment of national concerns because of their failures. The State coal mines of Prussia were leased to a private company in 1924, the change being made because, as Sir Richard Redmayne said in his evidence before the Samuel Commission in 1925: "The State mines have in the midst of a prosperous industry not been able to show profits, but on the contrary have

required considerable subsidies. They have thus been a most convincing demonstration of the fallacy of socialistic theories applied to mining. Apart from financial considerations, the fact that the mines run by the State have fallen behind the privately owned mines in the matter of efficiency and technical development played a considerable part in the Government's decision."

In Portugal in 1925 a Bill was passed authorising the private manufacture and sale of matches, which had before been a State monopoly.

The Icelandic Tobacco Monopoly, once a State privilege, was ended in 1925 after a three years' trial.

In 1925 also was abolished the State management of telephone services in Italy, which were then transferred to private organization. The Rumanian State Mines were denationalized in 1928 after having proved a costly failure.

In Belgium, State management of railways having proved unsatisfactory, private enterprise was called in to reorganize them, the new method being immediately successful. The Belgian Telephone and Telegraph Company, which had before been a nationalized monopoly, was after 1928 financed and managed quite independently of the State.

The publication previously mentioned, from which these examples have been borrowed, supplies scores of other fully documented cases of the failure of nationalization and municipalization.

The Times Trade Supplement, February 6, 1932, reported one of the most convincing examples of the failure of public ownership. A measure was introduced in the Queensland Parliament intended to abolish all State enterprises with the exception of the Government Insurance Office. The Secretary for Labour and Industry (Mr. H. E. Size), in introducing the Measure, said: "This Bill rings down the curtain on a very interesting although expensive experiment in Queensland in the form of Government trading. If we look at it from the point of view of finance it has been a tragedy; but if we look at it from the point of view of education for the Governments and people for years to come, I believe something

is to be gained in that direction. I am very doubtful if any future Government of Queensland will ever again embark upon such a policy. . . . State enterprises have placed a burden on the community which will take many years to wipe out."

The total losses on the Queensland schemes amounted to £2 millions.

With regard to the taking over of land, mines and railways on behalf of the State as Socialists propose, full compensation being paid as advocated in *Labour and the Nation*, we need only say that full compensation would include the payment of interest by the taxpayer at rates obtained by those holding other Government bonds which, even if the concerns remained as successful as now, would entail a heavy burden upon the community.

Mr. A. Emil Davies, in his work on *The Case for Nationalization* (1919), assumes agricultural land was worth (in 1916) £1,155 millions. Site value is estimated at £2,000 millions, and the value of farmhouses and agricultural buildings at £200 millions (in 1913-14). Thus, says Mr. Davies: "We arrive at a total value in 1913-14 of between £3,000 and £4,000 millions as the amount of bonds the State would have to issue, *but the actual figure is of no importance to the scheme as the State would immediately secure a rental equivalent to at least the amount of interest it had to pay and probably much superior to that sum*" (*italics mine*).

The interest assumed is 4½ per cent. The nonchalant way in which those renting land under the State are expected to pay any figure, the amount of which is of no importance, is typical of socialistic finance, which, at the same time, is claiming to relieve the tenant of the exorbitant charges of the landlord. Interest upon £3,500 millions which the tenants are expected to pay, with more to it, in the form of rent to the State, would, at only 3½ per cent. amount to £122,500,000. As, in 1913, Sir Leo Chiozza Money estimated the total land rents of the country were then less than £100 millions, there being about one million owners, nationalizing the land would increase the rents of the users by 15 per cent. unless the taxpayers were prepared to lose about £23 millions a year as the difference between the rent then

received and the interest of $3\frac{1}{2}$ per cent. which would have to be paid to the dispossessed owners.

Land to-day is not yielding a return of 3 per cent. to its owners, so if the State gave them $3\frac{1}{2}$ per cent. the taxpayers would lose a considerable sum by land nationalization.

So with railways, the invested capital of which in 1931 amounted to £1,165 millions, the interest paid being 3.18 per cent., the net revenue being £34,166,668 divided among 820,000 shareholders. In 1932 this sum had been reduced to £31 millions. Some millions a year would have to be handed over by the State to the dispossessed railway shareholders if their investments in State railway stock were to bring them in $3\frac{1}{2}$ per cent.

About £350 millions was the estimate put upon the value of mines and royalties by the Royal Commission of 1926, of which about £250 millions have been calculated to represent capital invested. This sum at $3\frac{1}{2}$ per cent. would need £11,750,000 a year in interest to be paid to the dispossessed mine and royalty owners. As the figures previously given show the mines when working under State control between 1917 and 1921 had to be subsidized by £240 millions, and even when decontrolled the four years 1927-30 inclusive showed a net loss of £7,300,000, nationalizing what Lord Snowden has described as "bankrupt industries" is not likely to prove a lucrative investment for the taxpayers. Even in 1929, when the mines made a profit of about £4½ millions, this sum was less than 2 per cent. interest on capital invested. Interest upon the £5,000 millions needed to pay for land, railways and mines at $3\frac{1}{2}$ per cent. would amount to £175 millions a year. If the land rents are calculated to yield £125 millions (an overestimate), railways £31 millions, and mines barely pay their way, a total sum of less than £156 millions will be available to meet the £175 millions of annual interest, a loss to the taxpayers of nearly £20 millions a year.

If the plans for raising the wages of miners, railway workers and land workers were developed, these costs, with the addition of pensions that seem a part of all schemes where Governmental employees are concerned, might well involve additional taxation of at least another

£100 millions a year. Thus, with the losses on the interest payment, addition to remuneration and pensions of the nationalized workers, together with, say, £25 millions a year towards the sinking fund in order to wipe out the £5,000 millions debt in 200 years, a burden of £120 millions a year would be added to the already prohibitive taxation.¹ And we should be no nearer the solution of the unemployed problem than before. If we cannot sell coal abroad at the present prices we shall certainly be unable to do so if the costs are increased by nationalization. Mr. A. J. Cook admitted that the cost of reducing the eight hours day to seven would be an extra 2s. or 3s. per ton. Decidedly socialistic schemes are costly, whatever may be said of their probable inefficiency.

Altogether, then, it would seem as if both Liberal and Labour proposals for the alleviation of unemployment are extravagant and impracticable. If we borrowed the huge sums necessary for the work schemes of Mr. Lloyd George, we should deprive industry of capital which, in the event of reviving trade, would be badly needed when securely locked up, the value of other Government securities would be depreciated, and the rate of interest would mount in consequence of the withdrawal of the supply of investing capital. In addition, taxation would not be reduced by the conversion of interest upon the national debt.

Added to the difficulty of adapting hundreds of thousands of men to house and bridge building, road, dock, and harbour construction, and work on the land, would be the practical impossibility of finding houses for these workers away from their own homes, while at the same time we should have to maintain their families during their absence. Even if a cotton worker or a miner could be made into a bricklayer or a bridge builder, it would take some time, during which the loss would have to be borne by the public. As the unemployed are largely composed of persons out of work for a relatively short time, less than 10 per cent. being in any way permanently disengaged, by the time a man has learned to

¹Of course the sum saved in interest each year of this £25 millions would be added to that set aside each year as sinking fund and this would shorten the period needed to obliterate the debt.

make himself fairly useful, he would be reabsorbed into his own trade. And those who are permanently out of work are generally persons who through advanced age, ill health or other relative unfitness are not likely to be of much service for the heavy work suggested. Also previous attempts have proved it would not be easy to persuade the building and other trades to consent to the employment of men not normally occupied in these industries.

We need not linger long over a consideration of other proposals made by Labour for the lessening of unemployment. All have the fatal defect of increasing the costs of production either directly or through an increase of taxation and rates.

The scheme of which Communists are enamoured of 'a six-hour day, a five-day week, a ten-month year' is, like their suggestion of work or full maintenance, hopelessly impracticable. The addition to the cost of production would be prohibitive.

The raising of the school age to 15 or 16 years, "adequate maintenance allowances" as suggested in *Labour and the Nation*, being paid meanwhile to the parents, would cost millions of pounds a year which the community cannot afford.

The granting of pensions to people of 60 years instead of 65 and 70 would add another £30 millions a year if only 10s. a week were given to a man and 10s. to his wife; while £1 per week for the man and 10s. a week for his wife would add from £60 millions to £65 millions a year to the present pension schemes, which already cost £47 millions a year.

A better idea is that suggested by the Industrial Transference Board to the effect that parents should be encouraged to keep their children at school after the age of 14 years in cases where no work is at the moment available for juveniles. But no maintenance allowances can be encouraged by any man really facing present economic realities.

It might be wise also if married mothers should be required by law to confine their activities to the home in cases where the husband is at work. There are some 800,000 married women in industrial occupations out

of a total of 8,000,000 married women in the country. A least half a million of this number will have one or more children needing the attention of the mother. The cessation of their industrial activities would permit of the absorption of hundreds of thousands of unmarried women and married men who are now on the dole, and no great hardship would be inflicted upon the women who had husbands in employment. This might very well be done in connection with the introduction of the six instead of the four loom system in Lancashire mills. As some labour will have to be temporarily displaced it had better be that of married mothers in cases where the father is at work.

Finally, it must once again be suggested that if the State attempts to shoulder all the responsibilities of each individual, discouragement to employment will be provided rather than encouragement. In which connection may be mentioned the Third Report of the Guardians of the West Ham Union, Cmd. 3142, published in 1928. The Socialist Guardians having been displaced by the Government for extravagance, and other Guardians being appointed by the Ministry of Health, benefits were observed immediately. The new Guardians reported that "the strict administration of out-relief to the able-bodied unemployed has supplied the financial inducement to seek work and is the direct cause of the reduction in the numbers from 15,700 in April, 1926, to 2,806 at the date of this Report" in May, 1928. Of 542 cases ceasing to apply for relief between February 4 and April, 1928, 455 had obtained work, and more stringency in the granting of relief would doubtless have somewhat similar results if tried elsewhere.

CHAPTER XX

REMEDIAL PROPOSALS SUMMARIZED

IN this final chapter I will attempt to summarize some of the proposals that are suggested as the outcome of the foregoing analysis.

Although I have concentrated upon the unemployed problem as it affects Great Britain, it will have become clear to the reader that to a considerable extent we are dependent upon the willingness of other nations to modify their policies before the present world slump will disappear and enable us to reduce British unemployment to normal. Unemployment in general is inextricably mixed with other problems such as war debts, armaments, tariffs, over-population and questions of currency.

The currency difficulty needs attention if the affairs of the world are to be put in order. Mr. H. G. Wells, in his *Work, Wealth and Happiness of Mankind*, believes the final settlement of this problem is to be sought "in the world organization of a New Money based on an index number." The "New Money" idea is explained as follows:—

"Barometric money, 'managed currency,' is paper money of which the issue and withdrawal are planned to secure stability of purchasing power in general. An index of staple commodities has to be maintained. If it falls, issue is increased; if it rises, issue is restricted."¹

A managed currency would also be controlled so that when production is increasing rapidly an anticipatory increase of issue would be needed to keep pace with the extension of industrial operations. Also, where population is noticeably increasing, more purchasing power would be required in circulation to avoid forcing down the standard of living. A managed currency depends for its

¹ P. 371.

success upon a world-wide system of reliable statistics and reports.

Of course the organized devaluation of money to arrest deflation by increase of currency would have to be international to make it a success, and differences in the rate of expenditure of the various countries would have to be taken into account.

Dr. R. Eisler, in *This Money Maze*, argues in favour of a world currency, most of which would be increased by international agreement to accommodate expanding needs, together with a controlled currency operative inside each country, the ratio to the money of account being determined by a weekly index of prices. The creditor class and the owners of gold would be safeguarded by the fixing of a minimum price at which the Government would buy gold. As currency would be determined by an index number of prices the purchasing power of gold could not fall below the established level, while there would be no obstacle to prevent a rise in its price and exchange value.

Whatever steps are finally decided upon, it is generally agreed that a rise in the prices obtainable by the producers of raw materials are needed, especially while wages are at their present unduly high level. Apart from the growing of food and the production of primary materials, the *entrepreneur* engaged in manufacture is heavily handicapped. While excessive taxation has sapped his reserves, industrial plant has become more elaborate and costly and in consequence more capital is required to equip each unit employed. The Federation of British Industries estimates that in Britain before the war each worker required in equipment just under £1,000 for power, tools, machinery, &c. In 1927 over £3,000 per unit were required.

Most economists who urge the necessity of some solution of our currency problems and for a rise in wholesale prices, refer to the shortage of gold. It is pointed out that after the discovery of gold in California in 1848, and in Australia in 1851, and the developments in the Rand at the end of last century, the influx of gold led to a rise in prices and augmented trade. For two reasons the gold standard is declared by some to be

ineffective in the future. For ten or twelve years after the war the supply of new gold was dwindling, and nations, especially France and America, have been hoarding the precious metal, which has further lessened the amount in circulation. Excessive hoarding, it is argued, has been mainly responsible for the collapse in prices since 1929. In 1915 the output of gold was valued at £96,400,000, which constituted a record. In the years 1919-23 the output averaged only about £70,000,000, and from 1924 to 1930, about £83,000,000. In 1931 Lord Brabourne estimated that in ten years' time the world's output of gold would fall from £85,000,000 to £55,000,000 and that in a further five years South Africa, then responsible for half the world's output, would be providing only £10,000,000. From 1910 to 1919 the world's output totalled £900,000,000; from 1920 to 1929 only £771,000,000 had been produced. It was calculated that by 1950 the output would be only one-fifth of its present volume. The comparatively large gold output obtaining before the war provided for a gradual inflation which was considered good for trade. But rising prices in future, if we revert to the gold standard, are likely to have an opposite effect by deflating currency and thus adding to the real magnitude of our debts and to an increase of overhead charges. On the other hand if baser metal is ever converted into gold as a paying proposition, investors will be impoverished or completely ruined.

Some modification can now be made regarding Lord Brabourne's pessimistic prophecies. In 1931 the output of gold improved over the average of the previous ten years, which had been about £77,000,000. In 1931, gold to the value of £93,000,000 was produced, and in 1932 the output amounted to £100,000,000 at par, South Africa's share being £48,619,128 in the latter year. Also, up to May 1933, £100 millions worth of gold have been released by India since October, 1931. Then the abandonment of the gold standard by South Africa in 1933 enabled the mining companies to work more cheaply. They were thus able to handle ore of a lower grade than it was previously profitable to work. The price of fine gold increasing from £4 5s. to £6 per oz.

encouraged the mining of inferior ore, and South Africa's output will accordingly increase, which should help in the recovery of world prices.

The trouble is that while the present hoarding mania persists in America, France and some other countries, an increase in gold does not necessarily lead to an increase in currency, nor does an increase in currency necessarily mean an increase in prices. During 1932 the Bank of France absorbed £117,000,000 at par, but no increase of currency resulted. Between June, 1932, and February, 1933, the United States absorbed £131,500,000 at par and prices fell instead of rising in that country. But between February and May 13, as a result of the policy of inflation set in motion by Mr. Roosevelt, American wholesale prices increased by 40 per cent. It would appear that some solution of the currency problem is urgently needed.

The scheme announced in the 1932 Budget Speech regarding an Exchange Equalisation Fund in order to raise £150 millions to be used to steady currency and price fluctuations, was a step towards a managed currency. An increase in this Fund was declared necessary in 1933, and in May, 1933, it was raised to £375 millions, partly to protect sterling against "refugee capital" which was being sent to England because investors abroad had decided this country was now the safest for their capital.

In this connection, in the United States the advocates of what is called "Technocracy" at first attracted favourable attention. One of their main contentions is that the increasing mechanization of industry not only enables goods to be produced faster than they can be consumed under our present price system, but that debts must necessarily increase faster than the rate of production or population. Machines are obsolete before their cost has been paid. Thus, with equipment out of date before it has been paid for, industry has to borrow more and more money, necessitating increasing interest on accumulating debts. The proposed solution is to cancel all present bonds, financial debentures and other "instrumentalities of debt" and to distribute units of measurement commensurate with the amount of energy converted into

goods, which would have validity only during the period for which they were issued. On this method, it is argued, goods would be consumed almost as fast as they were produced and debts would be unknown.

Without discussing the morality or the economic consequences of what amounts to wholesale confiscation of property now owned by, or owing to, millions of worthy people, a word or two may be said about the notion that mechanization necessarily increases unemployment.

In the *Ministry of Labour Gazette* for November, 1932, were lists dividing the insured population into fifty-five industries and showing the net increases or decreases in the number of workers in each. Comparing the numbers employed in 1923 with those employed in July, 1932, we find there was a decline in the cotton and woollen and worsted textile industries, general engineering, iron and steel manufacture, and shipbuilding and ship repairing, which showed reductions in personnel ranging from 30·2 per cent. in shipbuilding and repairing, to 7·4 in the cotton industry. The numbers employed in the mining of iron and coal had also declined by 14·4 per cent. Now in scarcely any of these declining industries has mechanization been responsible.

Loss of export trade and over-inflation of the number of operatives employed during the war, many of whom gradually drifted into other industries, were the chief factors concerned.

On the other hand some of the industries where new mechanized processes have been increasingly adopted showed a perceptible expansion, as, for example, in the electrical trades, where the number employed in wiring and contracting has more than doubled since 1923, and in electrical engineering where there has been an increase of 60 per cent. The number employed in manufacturing silk and artificial silk showed an increase of 93·8 per cent., and those in the motor vehicle, cycle and aircraft group showed 33 per cent. more than in 1923. In this connection mechanization has enabled us to produce and to sell two-and-a-half times as much electricity and three times as much artificial silk in 1932 as in 1924, while in 1932 we exported 44,600 motor cars as

compared with 24,600 in 1931, and a far less number in earlier years. The number employed in tramway and omnibus services has increased by 71·2 per cent., although railways show a decrease of 13·7 per cent. As testifying to the increasing luxuries and general facilities made accessible by mechanization, we note an increase of 42·6 per cent. employed in building and contracting, an increase of 65·4 per cent. employed in providing entertainment and sport, and an increase of 50·4 per cent. employed in public houses, hotels, restaurants, boarding-houses and clubs. Altogether, when losses are deducted from gains, there has been a net increase of 14·8 in the numbers added to all industries and services between 1923 and 1932.

Where the demand is elastic, unless inflated taxation and wages make it impossible, mechanization reduces prices so that more goods are consumed, which employs more labour than is displaced. Where the demand is inelastic, as with certain primary commodities, the cheapened costs allow the demand to be satisfied and leave available a surplus of purchasing power which is then spent upon luxuries and amusements or increased facilities and imports reflected in the large increase in the trades concerned with amusement, building and distribution.

In connection with distribution it should be noticed that the customers demand and receive vastly augmented services as compared with pre-war days, and this partly explains the striking differences between the wholesale cost of production and the retail prices charged. In a valuable study entitled *The Distribution of Consumable Goods*, written by Mrs. D. Braithwaite and Mr. S. P. Dobbs, interesting details are furnished showing how increased services performed for the convenience of the customer have added to the cost of distribution and hence to the employment of distributors. An enormously wider range of goods has now to be kept in stock before the customer makes his selection. There is thus the labour and costs of providing warehouse accommodation, financing stocks and bearing the loss consequent upon accident, deterioration, or changes of fashion and value.

As the authors contend, the modern customer "usually prefers to pay somewhat more for his commodity rather than undergo unnecessary inconvenience; and indeed the tendency in recent years has been for distributors to take on an ever-increasing range of functions and so to minister to the convenience of consumers at the expense of their pockets."

The costs of ministering to the convenience of the customer add from one-third to one-half and often more to the final price which has to be charged.

Another reason for high charges (and increased labour employed in distribution) "is the large and, it would seem, increasing demand from the consumer for additional services from the middleman. First, he demands a wide range of choice and wishes to see an enormous variety of goods before he makes his selection. Secondly, he seems to prefer to do his shopping in buildings which provide space, comfort, and even magnificence, and to be waited on by a number of assistants considerably larger than is strictly necessary for attending to his requirements. Thirdly, he often looks to obtain goods on credit, and in recent times, especially in America, to an increasing extent on the hire purchase system. Fourthly, as no one can be an expert judge of all the commodities he has occasion to buy, the consumer demands that the middleman shall do a great part of the selection and judging on his behalf. Thus the efficient retailer has to grade his goods carefully, and to a considerable extent guarantee their quality."

"It is evident that where the consumer demands these extra services he must in the long run pay the price which will cover the cost of their performance. Those retailers who do not perform them may be able to charge lower prices; but in so far as consumers prefer buying commodities under the conditions indicated, a trader who wishes to increase his sales will be forced to incur the extra cost of providing the amenities required by his customers and to fix his prices accordingly."

Mechanization displacing labour in the trades catering for an inelastic demand, therefore, by cheapening costs, releases purchasing power available on the extension of the amusements, luxuries and general amenities of life,

to the provision of which is absorbed an increasing proportion of labourers of various types. We cannot, with safety, permit theorists to make unfounded assumptions about alleged unemployment caused by mechanization, and then upon this insecure basis turn upside down the rights of property and the whole financial structure which needs adaptation rather than what amounts to the complete destruction, suggested by Technocrats, supporters of the Douglas scheme and other short-cut advocates of the millenium. And we must protest when even orthodox statesmen like Mr. Neville Chamberlain speak as if increasing mechanization of necessity prevents British unemployment from being restored to normality within ten years' time. Such pessimism is unwarranted and implies lack of knowledge of the real cause of the trouble, or lack of courage in proposing the remedies.

Wild-goose schemes of some Socialists to cancel the National Debt are also to be dismissed. We will not discuss the possible effects of a complete repudiation of the debt to America. To say little of the fact that our credit would suffer and there would be economic repercussions which might induce a state of collapse, the risk of war is not unlikely. Added to which there could be no moral justification for bilking those who helped us in a crisis. Nor can we consider seriously a repudiation of the internal debt.

The details on p. 410 were supplied in the *Daily Telegraph* on April 29, 1932, by Sir Arthur Michael Samuel, former Financial Secretary to the Treasury. The National Debt, which stood at £650 millions in 1913, was, on March 31, 1932, £7,544 millions, the average over-all interest being then $3\frac{5}{8}$ per cent.

It will be noticed that the creditors are not merely a handful of wealthy capitalists but millions of people who would be ruined if the Debt were cancelled. Incidentally, while the sinking fund and interest on the National Debt were calculated to be £318,800,000 in 1932-33, the prosperous classes had to find in Death Duties, Income and Surtaxes £389,327,000, and in 1931-32, £428,000,000.

Although repudiation is not likely, conversion may very perceptibly lessen the nation's obligations. In 1932

HOLDERS OF THE NATIONAL DEBT.

£5,632,000,000 IN HANDS OF THE PUBLIC.

Total amount of the National Debt outstanding at	£	
March 31, 1932 .. .. .	.. .. .	7,544,000,000
Held by U.S.A. Government and sub- ject to the Hoover Moratorium..	904,000,000	} 1,912,000,000 (not in the hands of the public)
Held by Allied Governments ..	135,000,000	
Held by British Government Depart- ments for benefit of the nation..	750,000,000	
Held by National Debt Commis- sioners, in the form of Victory Bonds	123,000,000	
Leaving		£5,632,000,000

This £5,632,000,000 is in the hands of various sections of the public, and is split up as shown in the table below:—

HOW THE PUBLIC HOLDINGS ARE DISTRIBUTED.

Held by owners of National Savings Certificates and Bonds	£	375,000,000
Held by oversea Britons and foreigners who have invested in various British Government securities, amount unknown, but estimated at .. .. .	.. .. .	350,000,000
Held by Post Office Savings Bank and Trustee Savings Banks .. .. .	.. .. .	500,000,000
Held as cover for Bank notes .. .. .	.. .. .	275,000,000
Held by railway companies for reserves, provident and other funds .. .. .	.. .. .	80,000,000
Held by insurance companies for the protection and benefit of policy-holders .. .. .	.. .. .	350,000,000
Held by executors of wills, by trustees, for marriage settle- ments, by trustees for widows, children, dependants, friendly societies, pensioners, held in trust for charities, hospitals, universities, schools, institutions for educa- tion and learning, for public bodies, places of worship, for trade union funds, and as reserves for trading concerns .. .. .	.. .. .	1,500,000,000
British Government securities held by trading firms as part of the currency of industry and commerce, and by which trading and finance houses provide the everyday working capital of British commerce .. .. .	.. .. .	200,000,000
The remainder is held in some shape or form, in large or small amounts, by, for, or on behalf of 40,000,000 British subjects, of whom not more than 750,000 have a taxable income of over £500 a year .. .. .	.. .. .	2,002,000,000
Total in hands of the public .. .. .	.. .. .	5,632,000,000
Add amount not in hands of the public .. .. .	.. .. .	1,912,000,000
Amount of National Debt outstanding March 31, 1932	£	7,544,000,000

£2,000 millions, or over 36 per cent. of the internal debt, were converted from an interest rate averaging nearly 5 per cent. to one of less than $3\frac{1}{2}$ per cent., the gross saving being about £38 millions per annum; allowing for loss on income tax, the nation benefited about £30 millions per annum. The policy of the National Government enabled the Bank of England to reduce the Bank Rate from 6 per cent. to 2 per cent.

Although we cannot force other nations to adopt the remedies we may consider necessary, and we may not even be able to persuade our own countrymen to take steps in the right direction, it will be of some advantage to set down clearly the conclusions arrived at in this work. Leaving argument aside, the following proposals have been considered helpful or necessary in connection with the countries mentioned in relation to the unemployed problem in Britain. It is not suggested that these proposals will be considered palatable or practicable by the countries concerned, but only that they have been forced upon our attention as essential steps towards the removal of British unemployment and its associated problems.

THE UNITED STATES.

In the first place we need some settlement of the international problems of tariffs, war debts, reparations and armaments. In these problems most of the world is involved and we need international agreement. Steps should be taken to abolish tariff restrictions and to reduce expenditure upon armaments and war debts. The United States is the nation from which a lead must be given in respect to debts. To America we look for a reduction of war debts to the amounts actually borrowed, all interest to be cancelled, and the amounts already paid to be deducted from the original sums. Until some satisfactory modification has been achieved Great Britain should refuse further payments.

American tariffs should be lowered and a greater readiness to take goods and shipping services instead of gold in payment of debts should be evidenced.

Gold should be released to increase the world currency

and more loans abroad to developing nations should be encouraged.

Some of the silver of the East should be assimilated by America, which would increase the purchasing power of the Asiatics and thus permit them to absorb a greater amount of the goods produced by the West. In this connection the reference made by President Hoover just before vacating his office, to the advisability of placing more silver coinage in circulation, is welcome. An announcement was made in the American Senate in April, 1933, that President Roosevelt was willing to accept in June £40 millions in silver from the debtor countries, and to allow the metal a value of 50 cents an ounce. If Great Britain has to pay the June instalment it is suggested that as the Indian Government owes us more than £16 millions, it should pay in silver, which can then be transferred to the U.S.A. It was recently announced that America was buying silver from China.

American armaments should be reduced. Subject to certain conditions Japanese immigrants might be permitted to settle on American soil.

JAPAN.

The outstanding problem of Japan is over-population. With seventy million people on a group of islands not much larger than the British Isles, with only one-fifth level enough for agriculture, her people are obliged to live upon rice because Japan has not enough land available for a more varied diet, animal products requiring five times as much land as vegetable. It appears that in Japan less than half the inhabitants have tasted fish. Meat is practically unknown, and butter, milk, cheese and eggs are equally scarce. The industry of the Japanese people cannot compensate for their lack of fertile land and capital. It is no answer to say, as some do, that Japan is less congested than our own country. Over-population does not refer to mere numbers per acre. If the land is infertile or hilly mere acreage is of no avail, especially if capital is also restricted. In the latter case manufactured goods cannot be produced in sufficient abundance to compensate for lack of natural advantages by exchange for imported foods.

We are reminded by those who claim that Japan has a right to follow the example of other people whose home territory is overcrowded, that near Japan are two islands, Borneo and New Guinea. These islands are five times as large as Japan and have ten times as much level land. They have an abundant rainfall, and large supplies of coal and minerals. The climate is one which the Japanese find congenial. Borneo and New Guinea are owned by Britain and Holland, but being too hot for people adapted to the temperature of Northern Europe, the islands remain almost entirely deserted.

Again, in Australia there are large tracts of land remaining uncultivated. The whole continent is peopled by less than seven million inhabitants, the numbers only very slowly increasing. Canada also has large tracts of territory awaiting the industrious emigrant. Manchuria and adjoining parts of Asia would be none the worse for the attention of a few million Japanese settlers.

The Japanese have a large birth-rate. Their population increases at the rate of nearly a million a year. They have a formidable Navy and a well-trained Army. Their expenditure upon armaments increases year by year. America watches Japan with suspicion which has not been lessened by the trouble with China in 1932-33. It is inevitable that Japan will be obliged to submit her population problem to the arbitrament of the sword unless one or both of two things is done. She must limit her population or be allowed access to other lands than her own. A nation that has shown itself so imitative of the methods of the West will not remain content with a diet of rice when other food and wider opportunities can be won by the battleship and the gun.

We have a right to ask Japan to follow Western procedure in the limitation of her population by becoming increasingly familiar with the procedure of birth control, unless we wish to see her a menace to the security of the world. Either birth control and emigration, or war. That is the alternative the Japanese situation presents to mankind. Japan will expand by force if not by agreement. Already she is claiming naval equality with Great Britain and the United States.

On condition that Japan embarks on a policy of family

limitation and is prepared to reduce her armaments, should not the rest of the world be willing to make some concession? Is it too much to expect that America, Canada and Australia should be more willing to permit the immigration of the Japanese? Canada and Australia at least should be able to offer specified tracts of land, capable of settling a few million Japanese immigrants willing to open up virgin territory and to organize their own institutions, if necessary, remaining behind their own allocated frontiers. This would be an agreeable alternative to a future war which might possibly result in Japan taking far more by force than she would now willingly accept by agreement.

Or as an alternative some modification of the attitude of the other Powers towards Japanese expansion in Asia should be attempted. And if Borneo and New Guinea were sold to the Japanese it would be a profitable business for all concerned. Unfortunately it appears that the Japanese are not eager to open up virgin territory but prefer to settle in pleasant places where the rough work has been done.¹ Korea, Formosa, and Saghalien, which are available for Japanese immigration, so far do not appear to have attracted many emigrants.

Japan should halve her birth-rate and her expenditure upon armaments, and should be allowed some chance to expand in return. America could then reduce her own increasing military expenditure without apprehension, and a fillip would be given to world disarmament. With £50 millions saved annually by reduction of armaments, America would be in a better position to listen to proposals regarding the reduction of war debts.

FRANCE.

France might help the world by modifying her avaricious attitude both internally and externally. Instead of hoarding up gold like a miser both in banks and in private stores, it would be better if she would spend much less upon armies, aircraft and submarines

¹ Although the Chinese can tolerate a rigorous climate the Japanese suffer intensely if the temperature is too cold.

and more upon her social services. She would then have a lessened rate of infantile mortality and she would thus be able to withdraw her foolish prohibition upon the spread of contraceptive knowledge. But if her people, submitting to low wages on the one hand and opposing taxation for social betterment on the other, remain content to spend huge sums upon armaments while her statesmen haggle incessantly in order to overreach all other nations concerned in war debts, reparations and tariffs, there is little chance of satisfactory adjustments of international problems.

With gold hoarded up to the extent of over £665 millions¹ we might reasonably expect France to pay something substantial towards the £600 millions loaned to her by Britain to save her from destruction. And the eternal insistence upon absolute security for France, no matter how general disarmament is thereby prevented, is regarded with justifiable impatience by a growing number of people outside that country. To France, then, we suggest she reduce armaments, drop tariffs, pay her debts, increase wages, improve social services, tap her own hoards instead of Germany to pay her way, and try to remember that the world was not made for the sole benefit of the French people.

ITALY.

In Italy Mussolini should stop his crusade on behalf of big families which, as he knows, inevitably lead to war, abandon his ideas of Italian colonial expansion, reduce

¹ In January, 1933, the gold-holding of the Federal Reserve Bank of New York reached the total of £800 millions, the Bank of France coming next with £665 millions. These totals compare with £746 millions and £558 millions respectively a year before. Altogether the U.S.A. had £896 millions in gold at the end of 1932.

Other countries that have substantial gold stocks in the vaults of their central banks are Belgium £370 millions against £364 millions a year ago; Switzerland £100 millions against £93 millions; Holland £88 millions against £74 millions; Italy £63 millions against £61 millions; and Germany £40 millions against £49 millions.

The Bank of England held £120,554,000 as compared with £121,331,000 a year before. This had increased to £185 millions in May, 1933.

armaments and tariffs, and with the money saved on the reduced Army and Navy improve social services and make some effort to lessen the Italian war debt to Britain.

GERMANY.

Germany is too far dependent upon the other Powers to be able to make much contribution to world modification. In her case, however, it might be suggested that her huge expenditure upon social and industrial improvements has not been justified, and further ideas in that direction should be abandoned until her obligations to her creditors have been discharged. There is, under the circumstances, also no justification for the expenditure of over £35 millions a year upon German armaments. The present German Navy, although costly, is too small to be effective against that of any of the Great Powers and for years to come attempts to compete with them are impracticable. Now that reparations have been scaled down to £150 millions, Germany would be well advised to display as much willingness as possible to discharge her present obligations even if further sacrifices are essential. A defeated nation with such a load of responsibility for a war that almost wrecked civilization, should in justice be prepared to submit with a good grace to even heavy exactions by way of recompense. The militaristic spirit encouraged by the triumph of Hitlerism must be abandoned if Europe is to remain at peace. On the other hand, Germany has a right to demand the restoration of Danzig, which was turned into a free port of Poland in 1919. Danzig has asked for reunion and the Nazis of the city have threatened to seize the Government and to link up with Hitler. In May, 1933, the British Foreign Office was holding a conference in London with the representatives of Poland and Danzig. Germany will be restive until Prussia is once again joined to the rest of the country by the elimination of the Danzig "corridor." And Hitler's speech on May 17, 1933, was a reasonable demand that if Germany is to be limited in armaments, the other nations should fulfil their promises to reduce to her level.

RUSSIA.

Apparently the Soviet rulers of Russia have been too eager to crowd in a few years the economic progress which it has taken nations like England about two centuries to accomplish. With little or no capital and with a deficiency of mechanical skill, and with no noticeable capacity or desire for sustained industry, the people of Russia have been bullied by their doctrinaire rulers into attempts to transform a nation only just emerging from medievalism into a semi-Communist republic. After the first abortive attempts, the Russians have had to retrace their steps, and now the ideal seems to be to realize all the drawbacks of American high speed capitalism with none of its advantages.

Russia should cultivate the friendship of the more efficient and better equipped nations like America and Great Britain, instead of antagonizing them by subversive propaganda in India and China, and by systematic attempts in every country in Europe to foment strikes, riots, and finally armed revolution.

The militarization of Russia, insufficiently justified by her rulers on the grounds that other capitalist nations, including Great Britain, are preparing to attack her, should be dropped, and the zeal and enormous sums of money now spent upon military preparations in Russia should be employed in paying their debt to Britain¹, in the purchase of machinery and other industrial equipment so badly needed, and in the improvement of the semi-starvation diet to which most people in Russia are now obliged to submit. If the money now spent upon military preparations in Russia, and upon subversive propaganda in the past, had been devoted to the industrial improvement of Russia, there would have been less need of dumping upon the European markets at slaughter prices the commodities so urgently required by the Russian people. Russia's foolish attempt to find scapegoats for its own inefficiency which led to Great

¹ Mr. Neville Chamberlain announced in the House of Commons that on March 31, 1933, Russia owed Great Britain £1,006,480,000 as against £508,122,000, the accumulated interest upon an undiminished debt being responsible for the increase.

Britain suspending the renewal of the trade agreement is an example of how *not* to increase prosperity.

If Russia could advance some satisfactory guarantees it might be to their mutual advantage for American brains and capital to concentrate upon the industrial organization of Russia along saner lines than at present prevail.

In the meantime the exceptionally high birth-rate of Russia should be reduced at least to the average European level.

THE FAR EAST.

China needs political stability and industrial organization. Short of Japanese interference, against which there is much to be said, it is difficult to suggest practicable measures for the improvement of China. The birth-rate, of course, is too high, as is the case everywhere in Asia, and the depreciation in the value of silver has reduced the power of the Chinese to purchase goods supplied by the West. Some method of restoring the value of silver, possibly by the American and other Western nations absorbing a proportion in the form of small coinage, is needed before China will be able to absorb considerable quantities of cotton and other exports of Britain. The silver question belongs to the larger problem of a managed currency with which the world's statesmen and financiers will finally have to deal.

What applies to China partly applies to India. The birth-rate is far too high, child marriage being a factor in Indian over-population, physical degeneracy and general poverty. Subversive propaganda against British rule has encouraged a boycott of British goods which has had a bad effect upon our trade. Settled conditions need to be somehow established; the population question needs to be tackled, and the depreciation of silver has to be remedied before India becomes a very helpful factor in the reduction of British unemployment.

THE DOMINIONS.

We need say little about South Africa, Canada, New Zealand and Australia. Especially in New Zealand and Australia the faults of Great Britain have been dupli-

cated. Unbalanced socialistic sentiment has fostered an unduly high rate of wages and Governmental extravagance. These factors, together with the slump in world prices of all foods and raw materials, have badly hit the Dominions which depend largely upon their exports of these commodities. A reversal of policy similar to that needed in Great Britain is also indicated for Australia and the other Dominions. The Ottawa Agreements will in time doubtless help both the home country and the Dominions to reduce their unemployed difficulties.

GREAT BRITAIN.

In this country we need what the religionist would call a complete change of heart. We need the development of a civic conscience which would be in flat opposition to the "do little and get much" policy which has been encouraged by socialistic propaganda since the war.

In this volume it has been suggested that a limitation of the increase in the population residing in these islands is needed. As emigration is not the check it once was¹, and as much of our export trade has been lost, some of it permanently, the principle of birth control needs to be applied more than ever. Especially does this apply to the least desirable sections of the population, who through congenital disease, mental and moral instability or other defects of body, mind or character, are unfitted to reproduce children likely to be of much value to the community. We have far too many children born every year who are sociologically undesirable, a large proportion growing up as economic burdens upon the rest of the nation, especially upon that section which has to furnish the direct taxation needed to provide what are known as social services.

Birth control propaganda has ceased to be confined to the heterodox. The Church of England and the popular Press have modified their opposition of recent years. For example, when it was announced in January, 1932, that the birth-rate of England and Wales for 1931 was 15·8

¹ In 1931 we had actually over 85,000 more immigrants than emigrants, and it is likely that for several years at least more people will enter Great Britain than leave it.

as against 35·5 for 1870, the *London Evening News* in a leader of its issue of January 22, 1932, said: "The news that the birth-rate figures for 1931 for England and Wales are the lowest on record (0·5 per 1,000 below those of the two previous years) will not cause the alarm that it might have done in the old days when population was thought of in terms of cannon and factory fodder. England is already too thickly populated for health and comfort or for economic conditions as they exist in the world to-day. Our need is to become fewer and better Britons—better in every sense of the word, since physical fitness and the human qualities that go to the making or maintenance of a great nation cannot be divorced."¹

In this connection it might be wise to abolish the labour of mothers in factories and workshops in order that attention may be devoted to the rearing of the children and also that single women and men now out of work may find employment.

The nation cannot afford to extend the school age of children to 16 as a method of reducing employment, meanwhile offering subsidies to the parents.

It might, however, be advisable to permit any person of 60 now employed to retire on the old age pension, as this would be cheaper than keeping another man who would fill his place on the dole.

Where practicable it might also be advantageous to reduce the hours of labour to seven per day or reduce the working week by one day. This need not prevent a firm from working its customary five or six days per week, as about 15 per cent. more men could be employed. Of course the persons now in work would have to sacrifice some portion of their wages for the benefit of those now unemployed, and it is not suggested that a dole should be paid for the day of unemployment. On the other hand, as the Unemployed Fund would save considerably by the reduction of some hundreds of thousands on the register, some of this amount might be used as a subsidy given to the employers and employed in those firms willing to undertake the experiment.

¹ Lord Rothermere in the *Daily Mail*, June 9, 1933, wrote: "Britain is the most dangerously over-populated country in the world."

The subsidy idea under any circumstance is a hazardous expedient but occasionally it may be worth the risk. Sir H. Betterton announced in February, 1933, that the Government had considered the advisability of diverting some of the money now spent on transitional benefit to assist local authorities in providing useful occupation. If this is decided upon the present law which forbids it will have to be amended.¹

At the end of 1932 several tin plate and steel works in Wales decided to try the experiment of working in six hour, instead of eight hour shifts with a view to absorbing some of the unemployed. If successful the idea is likely to be extended. But an attempt made on December 9, 1932, by Mr. R. C. Wallhead in the House of Commons to enforce a six hour day on all insured workers was defeated by 137 votes to 40.

Reduction of hours should remain voluntary rather than being compulsorily enforced on industries where it would be found impracticable.

One more attempt to obtain international agreement to a general reduction of hours failed in 1933, America and Russia among others refusing to vote for the proposal. Unless competing countries are prepared to reduce their hours Great Britain would be still more heavily handicapped by further reductions here, especially if, as trade unions demand, no reduction of wages is to follow. We cannot afford to increase further the costs of British manufacture.

Our great need is to import less and to export more. In this connection steps should be taken to increase the supply of home grown foods, by methods similar to the Wheat Quota or by other means which seem best fitted to bring about the improvement. Probably higher tariffs than those instituted in 1932 will have to be applied unless the rest of the nations are prepared to

¹ On April 8, 1933, the Prime Minister, in a letter sent to the Chairman of the Lancashire Industrial Development Council, stated that there were grave difficulties in the way of reducing wage costs of new businesses by using insurance relief to subsidise employees undergoing training. The Premier said he could see no prospect of legislation permitting the Employment Fund to be used for such purposes.

agree to a general lowering of their own tariff barriers. This should limit imports. Where goods are still obtained from abroad, revenue will be derived which can be used to reduce the level of British taxation. To encourage exports we need to reduce the cost of production. Otherwise when the world slump has passed we shall be still handicapped as we have been since 1920, because other nations can undercut us in the world's markets.

As to methods of reducing costs, we need more willingness on the part of the workers and a greater recognition of the economic facts involved. Trade union restrictions upon piece work, or payment by results, should be abolished, as should also opposition to machinery or other justifiable methods of rationalization. Ca' canny should be regarded not only as a crime, but as a prolific cause of unemployment, increasing as it does the selling price of the goods.

Wages need to follow more closely the oscillations in the general cost of living which has fallen very substantially of recent years, and the burden of rates and taxes should be eased by vigorous measures of economy more drastic than have so far been attempted. Remuneration in public departments should be on a level with that prevailing in the trades which have to compete in foreign markets, and the perquisites in the form of grants, pensions, holidays, &c., should be restricted. All other pensions, doles and poor law relief, should be brought more in relation to reductions in the cost of living which is now just half of what it was at its highest point in 1920.

One of the first courageous actions of Mr. Roosevelt, upon assuming office as President of the United States, was to abolish the payment of £80 millions a year in pensions to the "war veterans," a step which encourages at least some modification of pensions in Great Britain.

In connection with unemployed and sick insurance more vigorous scrutiny of the claims should be made, and failing a substantial reduction in the benefits the contributions of the insured workers toward the dole fund should be trebled, proportionate reductions being made in the contributions levied upon the employer and the taxpayer.

In Germany, the country from which we borrowed the idea of State Insurance, in 1932 each man drawing the dole averaged only 12s. 9d. per week, whether married or single, and millions of unemployed received no dole at all. The custom there is to reduce the amount paid in weekly dole the longer a person is out of work, thus providing an incentive to seek a situation sadly lacking in the British system.

Before the nation as a whole will accept the measures necessary to rescue Great Britain from the moral slackness and economic insecurity which have been a post-war heritage, there will have to be some reversal of post-war tendencies.

The parasitic outlook has been fostered by Governmental extravagance and a readiness upon the part of politicians to compete for the suffrages of the electors by bribes of doles, pensions, poor-law grants and inflated remuneration of public servants, until the idea of getting something for nothing has become an ideal in the mind of millions.

The cinema, with its pictures of vamps and crooks "getting away with it," has encouraged the same tendency and has helped to foster a distaste for mundane work, especially among the youths and girls. This is reflected in the increase of crimes of violence and in the general sophistication of women. A much more drastic censorship of films should be operative and heavy taxation of American films which are largely responsible for the general softening of the brain and the undermining of the morale which is being increasingly manifested in British social life, should be applied.

So far from the granting of the vote to women having stimulated their interest in the affairs of the nation, it is true to say that the women especially are even more indifferent than before, while a far more intense concentration upon dress, personal decoration and self indulgence is to be observed. In the *Board of Trade Journal* issued on April 14, 1932, was a report of the census of production in 1930, a comparison being made with that of the previous census taken in 1924. It seems that although men have been making their shoes last longer (probably through the use of rubber soles and heels)

there was an increase of 16 per cent. in the number of shoes worn by women. Women also were using four times as much silk and twice as much artificial silk for garments, while the production of "perfumery, cosmetics and toilet requisites" had increased 70 per cent. in the six years, and the production of moulded chocolate had increased by 57 per cent., women and girls, needless to say, being the chief consumers. During 1930 the prodigious quantity of 749,058,000 lb. of sweets had been consumed, which gives an average of 17 lb. per head for every person in Great Britain!

Sir W. Arbuthnot Lane, in an article contributed to the *Daily Mail*, March 18, 1933, said: "Over a million pounds sterling a week is spent by the British public alone on sweets and sweetmeats. Women also had increased their consumption of cigarettes."

As women do not pay anything like their fair share of taxation we should improve upon the steps taken in America in 1932, when cosmetics were subjected to a tax of 10 per cent. A 20 per cent. special tax, in addition to the tariff, upon chocolates, sweets, confectionery, cosmetics, jewellery and furs, besides relieving the male taxpayer, would improve the health and certainly the appearance of our women folk who, since the war, have been far too prone to take the Hollywood vamp as their model, while the men are left to wrestle with economics and social problems, and to practice whatever economy has been forced upon the nation. Women have increased their privileges since the war but have not been very anxious to assume commensurate responsibilities. It is time they realized that the modern pre-occupation with hair, face and dress is childish, and a feverish desire to "have a good time" regardless of a score of serious social problems awaiting solution is unpardonable selfishness.

Altogether in post-war England we seem to have become soft. In our treatment of women, children, criminals, paupers, unemployed and manual workers, those in authority have adopted an easy-going attitude which has encouraged impudent demands, to satisfy which has nearly ruined the country, while self-reliance has been displaced by the molly-coddling of the State.

In our attitude to other nations, again, our rulers have allowed themselves to surrender rights in regard to armaments, debts and reparations, with the result that our military and economic security has been seriously jeopardized.¹

It is time the policy of "holding the baby" for the other nations was dropped, while in our internal affairs State coddling should be replaced by more self dependence.

Parasitism in either rich or poor is immoral. Before the war there was some justification for the attacks made upon rich citizens who consumed without producing. To-day the vice of parasitism is being more encouraged among the poor.

It is good to hold before our gaze, as an incentive to social progress, the ideal State where poverty, misery, war and other evils shall be no more; but the millenium will come, if at all, not by continually penalizing the worthy to benefit the unworthy, the prosperous to subsidise the needy, while individual responsibility is being sapped and slackness is being encouraged, but by hard work and social zeal and a general improvement in human nature not likely to be realized by the methods pursued in Britain since 1918.

It is not only that our economic structure has been weakened since the war; the morale of large sections of the people has been sapped. Yet we can win through our troubles if we deserve to win. And pessimism which says we can do nothing to help ourselves is no more warranted than optimism which says we need do nothing. Britain has faced crises before in her history, and after them she has scaled to greater heights of achievement.

In 1842, with a population less than half of that of to-day there were some 1,200,000 men out of

¹ The following is a sample of the disastrous effect of Britain trying to play fairy godmother for other nations. Of £80 millions in loans issued under the auspices of the League of Nations to hard-up nations British subscribers provided £38 millions while France (as usual) subscribed only £2,500,000. The British loans of £38 millions are now valued at less than £20 millions as about half has been lost. Austria, one of the chief borrowers, it appears, cannot pay her debts, a chief reason being, according to her late Chancellor, Dr. Buresh, because she, too, "lived heedlessly above her means."

employment unassisted by any dole and with only the workhouse as an alternative to starvation.

On April 12, 1848, Feargus O'Connor, the leader of the Chartists, threatened to assemble his "citizen army" of 200,000 on Kennington Common and to march to Westminster to compel Parliament to pass what was called the Peoples' Charter. Panic ensued. The Bank of England was fortified. Over 150,000 special constables armed with truncheons patrolled the streets. The military were stationed at various points of vantage, each section accompanied by a magistrate ready to read the Riot Act. Loaded cannons were placed on Westminster Bridge. This display of force intimidated the Chartists and the procession dwindled to less than 20,000 who were afraid to face the guns and they were dispersed after a series of minor scuffles in which, although many were batoned, few lives were lost. But in Bristol the mob got out of control. Thousands of excited men armed with iron bars and pikes were wrecking and looting. The three city prisons were set on fire and their inmates released, while many churches and hundreds of private houses were also fired. In the subsequent fighting some five hundred people were killed. In the "General Strike" of 1926, although a little damage was done, such scenes were unknown and not a life was lost. The whole affair was conducted with relative good temper, which testifies not only to the fundamental balance of the British people, but to the obvious fact that the conditions were so easy for the masses that not all the attempts of wrong-headed agitators could generate the desperation which is the prelude to reckless deeds occurring in other parts of Europe to-day and in this country in the past. As I write, Great Britain has the most contented population in the world, and by far the most stable Government, together with a standard of living for its manual workers unsurpassed outside the British Empire and the U.S.A.

In the year 1800 William Pitt said: "There is scarcely anything around us but ruin and despair." In the same year Wilberforce said: "I dare not marry, the future is so dark and uncertain." Lord Grey in 1819 said: "I believe everything is tending to a convulsion." In 1848

Lord Shaftesbury said: "Nothing can save the British Empire from shipwreck." Wellington in 1851 said: "I thank God I shall be spared from seeing the consummation of ruin that is gathering about us." Disraeli in 1851 said: "In industry, commerce and agriculture there is no hope."

After all these lugubrious wails the nation entered upon the most prosperous period of its history.

Crises have come and gone before in British industry. Messrs. Carr and Evans describe some of them in *The Lure of Safeguarding*. Our exports rose from £64,000,000 to £192,000,000 between the years 1849 and 1879. For several years before 1879 our exports gave apprehension. In 1884 Lord Randolph Churchill was saying during a speech at Blackpool: "Your iron industry is dead—dead as mutton; your silk industry is dead, assassinated by the foreigner. Your woollen industry is *in articulo mortis*, gasping, struggling. Your cotton industry is seriously sick . . . survey any branch of British industry you like, you will find signs of mortal disease." But apparently a resurrection took place, for £192,000,000 worth of exports in 1879 became £291,000,000 in 1903. But again industry became sick. For the decade before 1903, less British capital was being sent abroad, our exports had been somewhat declining, and Mr. Joseph Chamberlain, in 1903, repeated the dirge of Churchill. British trade, he said, had reached its highest point. "Sugar has gone; silk has gone; iron is threatened; wool is threatened; cotton will come! . . . At the present moment these industries, and the working men who depend upon them, are like sheep led to the slaughter." And yet within ten years of this wail the exports had nearly doubled, advancing from £291,000,000 in 1903 to £525,000,000 in 1913, while unemployment reached almost its lowest figure, being only 2·1 per cent.

To-day the downfall of Britain and the British Empire is being foretold by ill wishers; capitalism is upon the eve of collapse, say the Socialists. We totter under a colossal load of taxation, and millions affirm that our heyday has been passed.

Here is the answer given by Lord Macaulay to similar statements made a hundred years ago. It is a reply to

Southey's *Colloquies on the Progress and Prospects of Society*, and appeared in the *Edinburgh Review* of January, 1830.

"The present moment is one of great distress. But how small will that distress appear when we think over the history of the last forty years; a war, compared with which all other wars sink into insignificance; taxation, such as the most heavily taxed people of former times could not have conceived; a debt larger than all the public debts that ever existed in the world added together; the food of the people studiously rendered dear; the currency imprudently debased, and imprudently restored. Yet is the country poorer than in 1790? We firmly believe that, in spite of all the misgovernment of her rulers, she has been almost constantly becoming richer and richer. Now and then there has been a stoppage, now and then a short retrogression; but as to the general tendency there can be no doubt. A single breaker may recede, but the tide is evidently coming in. . . . We cannot absolutely prove that those are in error who tell us that society has reached a turning point, that we have seen our best days. But so said all who came before us, and with just as much apparent reason. 'A million a year will beggar us,' said the patriots of 1640. 'Two millions a year will grind the country to powder,' was the cry in 1660. 'Six millions a year, and a debt of fifty millions,' exclaimed Swift; 'the high allies have been the ruin of us.' 'A hundred and forty millions of debt!' said Junius; 'well may we say that we owe Lord Chatham more than we shall ever pay, if we owe him such a load as this.' 'Two hundred and forty millions of debt!' cried all the statesmen of 1783 in chorus, 'what abilities, or what economy on the part of a minister, can save a country so burdened?' We know that if, since 1783, no fresh debt had been incurred, the increased resources of the country would have enabled us to defray that debt at which Pitt, Fox and Burke stood aghast, nay, to defray it over and over again, and that with much lighter taxation than what we have actually borne. On what principle is it that, when we see nothing but improvement behind us, we are to expect nothing but deterioration before us? It

is not by the intermeddling of Mr. Southey's idol, the omniscient and omnipotent State, but by the prudence and energy of the people, that England has hitherto been carried forward in civilization; and it is to the same prudence and the same energy that we now look with comfort and good hope. Our rulers will best promote the improvement of the nation by strictly confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property, by diminishing the price of law, and by observing strict economy in every department of the State. Let the Government do this: the People will assuredly do the rest."

To which the present writer need add only "Amen," and thus end his book.

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