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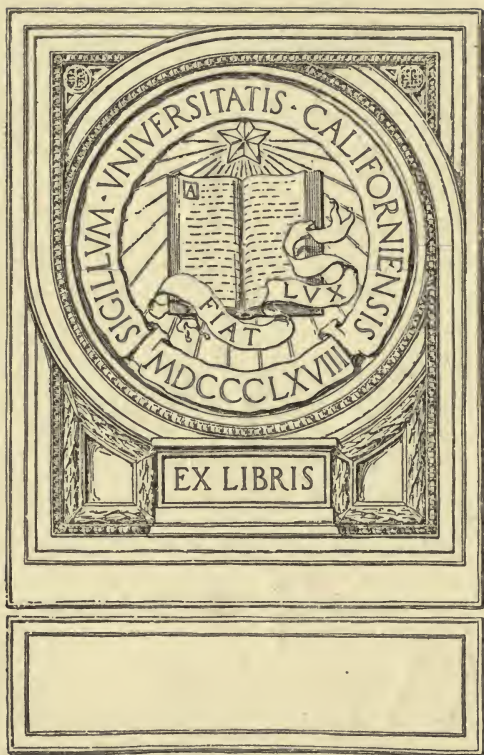
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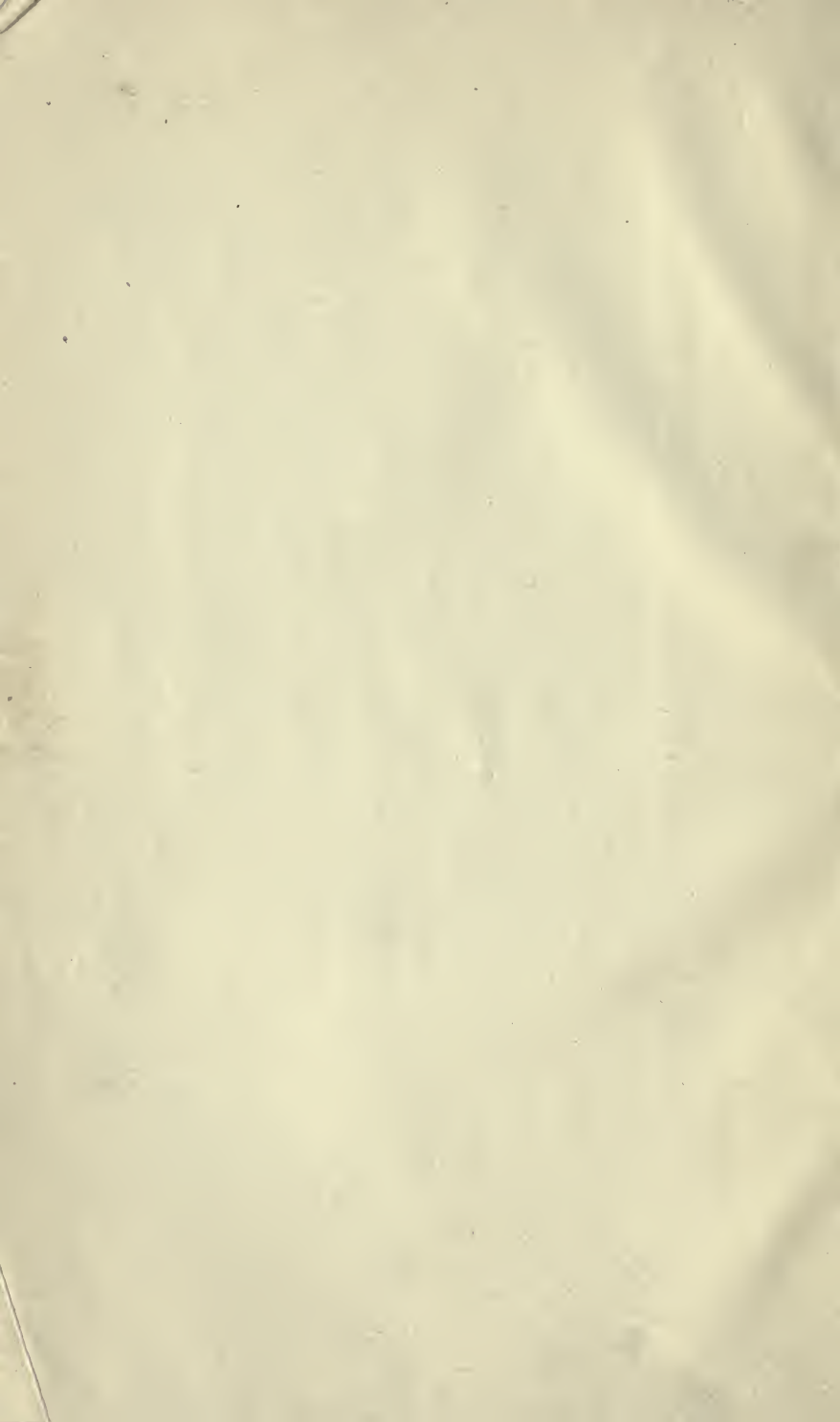
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AND AFTER.

PAPERS

BY

H. SANDERSON FURNISS.

JOHN HILTON.

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With Criticisms.

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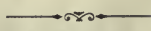
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PREFATORY NOTE.



THE subject of this, the fourth volume of the "Reorganisation of Industry Series," bristles with difficulties, and there are wide divergencies of opinion, not merely amongst the different political parties but within those parties themselves, upon the question as to what are the proper limits of State action in connection with industry. Several of these conflicting views are set forth and discussed in the following pages, for even the writers of the papers are not unanimous. This I believe will be regarded, not as a defect but as one of the merits of the booklet, and it is consistent with the object of the series, which is to help its readers to think out questions for themselves, not to tell them what to think. This, however, is not intended to imply that the booklet is devoid of practical suggestions.

The College is much indebted to Mr. Hilton and Mr. Mallon, as well as to the openers of the discussions, for their contributions. For obvious reasons it has unfortunately been found necessary to raise the prices of all volumes in the series.

H. SANDERSON FURNISS,

Principal of Ruskin College.

Oxford, June, 1918.



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THE STATE AND INDUSTRY DURING THE WAR AND AFTER.

PROCEEDINGS AT A NATIONAL CONFERENCE OF WORKING-
CLASS ASSOCIATIONS, HELD UNDER THE AUSPICES OF RUSKIN
COLLEGE AT MANCHESTER ON MAY 10th and 11th, 1918.

FIRST SESSION.

The Right Hon. C. W. BOWERMAN, M.P., in taking the chair, said that the subject of the paper to be discussed, namely, the relation of the State to the citizen, was an interesting and important subject at any moment, but never so important as now. The State had never before made such huge demands upon the citizen as it was now making, but the time came also when the citizen had his demands to make upon the State. If our nation were to drift back into the conditions existing before the war then he for one would say that the struggle had been maintained in vain. He thought public opinion was now prepared to face many changes which before 1914 it would have been unwilling to consider. We should be face to face, when the war ended, with hard facts and difficult problems, and they must make up their minds that after the war the relationship between the State and the citizen would have to be reviewed.

THE STATE AND THE CITIZEN.

BY H. SANDERSON FURNISS, M.A.,

Principal of Ruskin College.

INTRODUCTORY.

Few questions have occupied the minds of political thinkers in all ages more persistently than the question as to what are the proper limits of State action: how much is to be done for the people by the State, and how much is to be left for the people to do for themselves; how is full scope to be given to the initiative and enterprise of individuals without curtailing the welfare of the people as a whole; how is the community to get the full benefit of the energies of the strong without running the risk of injuring the weak; and so forth. These are questions which, since quite early times, all societies have tried to answer, certainly since the time of the Greeks, and probably before their day. They raise problems which apply to States under all forms of government. In the case of a monarchy or an oligarchy the question is: How much shall the king or the few do for the many, and how much shall the many be left to do for themselves? In the case of a Democracy: How much shall the representatives of the people do on their behalf and how much shall the individuals of which the community is composed be left to do for themselves?

Widely different answers have been given at different times and in different countries, and the reason for this would appear to be that, while it may be possible to approach something like agreement as to the objects which the State should endeavour to secure, it is less easy to reach unanimity with regard to the amount of State action necessary to secure the objects agreed upon. But even as to the objects for which the State exists, a considerable variety of opinion has been expressed. Take a few examples: The object of the State has been defined as "the promotion of the greatest happiness of the greatest number," as a "hindrance of the hindrances to the best life," as a means of "making men able to do without government." Some have looked upon the State as, as it were, a machine for the manufacture of supermen, others as a means of securing the utmost amount of individual liberty, while the extreme State Socialists regard it almost as a means of promoting collective, as opposed to individual, action.

These differences of definition, however, in so far as they are differences, arise mainly out of opposing opinions as to methods rather than as to objects, for probably representatives of all schools of thought would be willing to accept the broad principle

that the State exists in order to promote the well-being of the citizens of whom it is composed. It is over the methods which the State should adopt in order to promote the well-being of its citizens that the real argument begins. But even here there are two points on which there is pretty general agreement, for in modern States it is recognised by all except the extreme anarchists that the State must undertake the defence of the country from the attacks of enemies from without, and that it must administer justice and keep order between individuals within its borders. Some individualists are apparently prepared to leave the matter here, and to regard the State as little more than a policeman, while at the other end of the scale are some representatives of State Socialism, who look on the State more in the light of a universal provider, and between these extremes all shades of opinion have been held. A brief sketch of the changes which have taken place in the relations of the State to the citizen in our own country during the last 300 years may, therefore, not be out of place as illustrating the way in which opinion on the subject has fluctuated, as well as the difficulty that has hitherto been experienced in laying down any definite and hard and fast guiding principles.

FLUCTUATION IN OPINION AND IN STATE ACTIVITY.

During the 17th and the greater part of the 18th centuries the amount of interference exercised by the State in the lives of the people was considerable. Government was paternal, and there was comparatively little heard of individual liberty or the rights of individuals. To mention a few examples :—

Both foreign and domestic trade were in a great measure controlled and regulated by the State; wages and prices were not left to the free play of economic forces; the Statute of Apprentices checked the freedom of the employer to employ whom he liked, while working men were not free to go from place to place in search of employment. During this period the amount of power exercised by the State was probably in accordance with the public opinion of the day, and that this was the case with regard to some of the industrial legislation is seen by the fact that one of the first demands of the early Trade Unions which sprang up in the 18th century was that the statutes empowering magistrates to fix wages should be enforced. Even in the early years of the 19th century the Trade Unions pressed for the strict enforcement of the law with regard to the employment of apprentices, which had become almost a dead letter.

Early in the 19th century a change began to be apparent both in the attitude of the State itself and in the general trend of opinion towards the functions of the State. This was partly due to the industrial revolution, partly to the writings of certain French and English philosophers, and partly to the spread of ideas

(through the French Revolution) with regard to liberty and the rights of man. The latter half of the 18th century was a period of extensive, and in some cases, sudden, industrial changes, involving considerable alteration in the lives and habits of large sections of the people. The population was growing rapidly; industry was moving from the southern and western counties to the North; large factories were springing up; steam power was being developed, and the people were being huddled together in new towns, which were built hastily and with little thought for the future. The old industrial system was passing away, and industry conducted on a much larger scale was rapidly taking its place. The problems thus created were too complicated to be dealt with through laws and regulations which had sufficed for a simpler time, and those responsible for the government of the country seem to have been appalled by the suddenness with which changes had arisen, and to have felt incapable of grappling successfully with them. The result was that they left things alone and allowed the new system to grow up, in the main, untrammelled by State regulation.

The old laws under which industry and the lives of the people had been controlled and regulated were allowed to fall into abeyance and they were not superseded by new legislation, so that this period, from 1760 to 1830, has been well described as a period of "legislative quiescence." A genuine fear that the excesses of the French Revolution might be reproduced in their own countries made Governments extremely cautious, and during the latter part of this period they were occupied mainly with strengthening and enforcing the criminal laws, paying little attention to the devising of measures of a constructive or remedial character. Our State became a rather brutal policeman instead of a rather fussy father. The theories of certain English writers, such as Bentham, Adam Smith, and the school of economists which immediately succeeded him, seemed to give countenance to this laissez-faire or let-alone attitude on the part of the State, and to sanction the abstention of Governments from action of a kind which was both difficult and uncongenial. It had become the practice of the State to do little, and practice appeared to be in accord with theory. The struggle for Free Trade was essentially a struggle for the removal of legislation. Its success helped to popularise the let-alone idea among the very large class which had suffered from the Corn Laws and from Protection generally, and down to about 1860 the most widely accepted doctrines with regard to industry were, undoubtedly, that the best results were to be obtained by free competition, guided by the motive of self-interest, with a minimum of State action.

It is, however, not strictly accurate to describe this period as the laissez-faire period, for the let-alone policy was not, and could not be, carried to its logical conclusions. It soon became apparent that

competition could not be free when carried on by sections of the people of very different strengths, while, whatever the motive of self-interest might do for the individual, it by no means always led to the welfare of the community. All through this time there were those who, like Robert Owen and Lord Shaftesbury, never ceased to protest against the inactivity of the State and its unwillingness to adopt measures for the protection of those who were not able to protect themselves under the new conditions that had arisen. Moreover, it must not be forgotten that the first really effective Factory Act was passed at a time when the *laissez-faire* doctrines were most widely believed in.

Since about 1865 the pendulum has swung in the opposite direction, so much so that, while the years 1825-1865 have been described as a period of individualism, the years 1865 down to almost the present time have been described as a period of collectivism. During these years there has certainly been a striking growth of State activity: elementary education has been made compulsory and free; new and more drastic Factory, Mines, and Workshop Acts and Employers' Liability Acts have been passed; there are the Public Health Acts, the Workmen's Compensation, the Insurance Acts, the Trades Boards Acts, the Miners' Eight Hours' Day, Conciliation Acts, and so on. Side by side with this, there has been a great development in municipal government and in municipal trading, e.g., certain necessities of life, such as water and lighting, which were formerly left to be provided by private enterprise, are now largely supplied by collective action. In 1903 came the Tariff Reform agitation, which was, from one point of view certainly, a demand for the State regulation of foreign trade. Also throughout this period the Socialists were growing in numbers and in importance, and however they may have differed with regard to methods, they have always been fairly united as to aims, in so far as these concerned the extension of State action.

Some four or five years before the outbreak of war in 1914 there were signs that a reaction was setting in against the further extension of State interference, especially in industry, on the lines of the legislation of the preceding years, and a disposition was noticeable, even among some who had been formerly whole-hearted advocates of State Socialism in an extreme form, to doubt whether to increase the powers and to extend the activities of the kind of State which was then in existence would really remove the evils of the present industrial system. To substitute the State for the capitalist employer, it was said, might, under existing circumstances, mean little more than a change of masters, which might not be a change for the better, while industry controlled and organised by a capitalist State might not be so very different from industry controlled and organised by capitalist employers. It was out of this feeling that the Syndicalist and Guild Socialist move-

ment sprang, the one tending to reduce the powers of the State in industry to a minimum, the other regarding the State more as a means of keeping order between groups of producers and as the representative of the interest of consumers than as the owner and controller of industry.

THE POSITION ON THE EVE OF THE WAR.

On the eve of the outbreak of war the position with regard to the place which the State should occupy in relation to the lives of the people appears to have been somewhat as follows: *Laissez-faire*, in the form in which it meant what it said, was practically dead, for the necessity of the interference of the State along certain lines was pretty generally recognised. Few persons would have been found, for instance, who wished to place the Post Office in private hands, or who desired to repeal the Factory Acts, Sanitary Legislation, or Education Acts. Municipal ownership and municipal trading were more subject to criticism, though, on the whole, accepted as inevitable. But, on the other hand, with regard to legislation in its experimental stages, such as the Insurance Acts, arbitration and conciliation, Wages Boards, and some of the financial measures of the Government, agreement was far from general. Some of the Socialists were wavering in their belief in the State, and the idea of voluntary organisations working either independently of or in conjunction with the State was making considerable headway.

CHANGES SINCE THE OUTBREAK OF WAR.

With the outbreak of war in August, 1914, there was naturally and inevitably an immediate and great extension of State action, and one of the results of the war has been to throw this old question of the proper limits of State action once more into the melting pot. If, after the war, a new and better society is to be built up than has hitherto been known it is essential that this question should be reconsidered in the light of the experience gained by the war, and that some definite conclusion should be reached with regard to it.

The changes brought about by the war in the relation of the State to the citizen can be broadly summed up under two heads: (1) On the industrial side the movement has been from Capitalism to what is perhaps best described as State Capitalism; (2) on the social and political side there has been a great curtailment of individual liberty.

THE MOVEMENT FROM CAPITALISM TO STATE CAPITALISM.

The industrial system under which we had lived in times of peace proved itself unequal to the task of carrying the nation through the crisis brought about by the outbreak of war. To take

only a few examples: The banking system was unable without assistance from the Government to hold together the financial machinery of the country; the railway companies could not, on their own initiative, adapt the railways at a moment's notice so as to cope with the problem of the mobilisation of troops; the insurance companies were unwilling or unable to take the risks involved in insuring our merchant shipping; the armament firms could not deal with the sudden and enormous demands for the munitions of war.

There were two alternatives before the State; either it could have taken over bodily the essential industries—the railways, the mines, the munition factories, the shipbuilding industry, the woollen industry, and others—and have run them as national industries, either buying out the shareholders or giving them a fixed rate of dividend, taking all profits to itself and placing the capitalist employers on a salary basis, or it could have left our industries in the hands of their existing owners to be run on the old lines, but with State aid and a measure of State control. The latter alternative was adopted, and State capitalism has been gradually substituted for capitalism.

It might have been better had the State gone further and adopted the former alternative, but it is difficult to speak with any degree of certainty as to this, and to transfer many large industries from private to State ownership during any period of a war on such a colossal scale as that in which the world is at present engaged undoubtedly involved problems of enormous difficulty.

Little alteration, then, has taken place with regard to the position of the State as the owner of the means of production, and there has been no great increase in national wealth, i.e., wealth owned by the nation as opposed to wealth owned by individuals, though there have been some changes in this direction. For example, the State has, temporarily, at any rate, taken possession of a certain amount of land, upon which new munition factories have been erected; it is a much larger producer of armament and munitions of all kinds than formerly, and Government dockyards have increased in number. With perhaps a few exceptions, it seems true to say that the State, with regard to ownership, has extended its powers along the lines generally recognised before the war, but that it has not superseded private ownership in other directions.

Nor can the State be said to have undertaken in any very general sense the financing of industry. It has not taken the place of the capitalists, to whom employers of labour or directors of companies turned for loans of capital for the financing of industry before the war. There are, however, certain qualifications to this statement which must be mentioned. For the State, through its various Departments, gives substantial financial assistance to a large

number of industries in a variety of ways. One of the methods adopted consists in the granting of subsidies by State Departments; this has been done partly with the object of controlling prices to enable the Government to satisfy its very urgent demand for certain classes of goods. For example, suppose the Government to be in urgent need of steel bars; before long the Government fixes the price; it then becomes impossible to maintain the fixed price without fixing the prices at the several stages throughout production. Prices, however, are continually rising, and unless the Government demand falls off a point is reached where a choice has to be made between raising prices or subsidising the firms engaged in one or other stage of the production. The Government has very often selected the subsidy rather than higher prices, so that it has, in this way, been led into financing industry as a means of controlling prices. The remission of taxation in connection with the excess profits tax is in reality another example of the financing of industry by the State. There is also some evidence to show that the Government advances payment for goods before delivery, apparently on the understanding that the money advanced is used for capital purposes in the case of weak firms engaged on munitions, and shares in such firms are sometimes taken up by Government Departments (see "Morning Post," 7th February, 1918, re case of Bernard Albert Kupferberg, managing director of a munitions company).

Apart from these methods of financing industry, the action of the State in placing its resources and authority at the disposal of the banks, to a much greater extent than in normal times, has increased credit facilities and made it easier for certain industries to obtain capital than hitherto. Thus, in the case of agriculture, "arrangements have been concluded with the banks under which credit will be given, on the recommendation of the County Agricultural Executive Committees, for the purchase of any requirements necessary for the increase of food production, including seeds, artificial manures, working horses, machinery and implements, but not for the payment of wages."* Under this scheme, there had been, up to November, 1917, 487 applications, of which 303 had been granted, involving credit outlays to the extent of between £21,000 and £22,000.

Just as the State has not become in any sense completely responsible for the financing of industry, so it cannot be said to have undertaken the purchase and control of all kinds of raw materials, nor has it undertaken the organisation of industry and the direction of labour, or made itself wholly responsible for the marketing and sale of products, though in all these directions it has made great encroachments upon the freedom formerly allowed to private enterprise. As the activities of the State, however, in these departments of industry concern the life of the citizen more

* See Food Production Leaflet No. 2, Board of Agriculture and Fisheries.

particularly as either producer or consumer, they will be fully dealt with in the two succeeding papers, and are only mentioned here to show that throughout the whole of industry the change which has taken place has been from capitalism to State capitalism, and not from privately owned to national industries. The State, as it were, has gone into partnership with capitalism, but has not superseded it.

THE CURTAILMENT OF INDIVIDUAL LIBERTY.

That the second great change in the relations of the State to the citizen has resulted in a great curtailment of individual liberty is fairly obvious, but it may be well to remind ourselves of some of the restrictions on freedom of action which have been imposed during the past four years. Mr. J. A. Hobson, in a recent book, has drawn up in a concise form this formidable array of our lost liberties:—

“Legislation, supplemented by arbitrary police administration and mob violence, has made heavy inroads upon our ordinary liberties of speech, meeting and Press, of travel, trade, occupation, and investment. The State restricts and regulates our use of food and drink, lets down our services of public health and education, remits the wholesome safeguards of our Factory Acts, and removes the constitutional guarantees of civil liberty. Military and civil authorities may, and do, arrest, deport, and imprison men and women without formulating charges or bringing them to trial. . . . Domiciliary visits of the police, the opening of private correspondence, and the use of agents provocateurs have passed from Russia into Britain. The principle and practice of voluntary military service, hitherto distinguishing our free army from the forced armies of the Continent, have been abolished and the press-gang system fastened on all male citizens of military age.” (“Democracy After the War,” p. 14.)

To what extent the curtailment of individual liberty which has taken place has been necessary is not a question which it is proposed to discuss here, but it is obvious that considerable restraints on freedom must be expected by any people who are taking part in a war of unprecedented violence and magnitude.

THE EXPERIENCE OF THE WAR AS A GUIDE TO THE FUTURE.

I have perhaps said sufficient to make clear in broad outline the principal changes which have taken place during the war with regard to the relation of the State to the citizen, and enough to make it possible for us to consider the question which naturally arises, namely, how far does the experience of the past four years afford any guidance as to the relationship of the State to the citizen which it is desired to see after the war? Caution is needed with regard to two points in making any attempt to give an

answer to this question. In the first place, it must be remembered that all through the period under consideration the State has undertaken stupendous tasks and has been working under enormous difficulties, and it is not surprising that a good deal of its work has been ill-done. It may, nevertheless, succeed in normal times in certain directions where it has failed in a national crisis. Secondly, in many cases where the State has intervened and with success, it has for the most part had public opinion behind it, whereas in normal times it may be unable to carry out much simpler operations because public opinion is either indifferent or hostile. It is, therefore, difficult to speak with any degree of certainty about the possibility of State action after the war. But it is quite possible to consider in the light of the experience we have gained, whether we wish for developments on the lines along which we have moved during the past four years, or whether the changes which have taken place suggest an alternative lines of development as more advantageous.

The experience we have had of State capitalism so far does not suggest that its continuance after the war can be contemplated without misgiving, and the dangers that are likely to arise from the State becoming a partner with capitalist employers in industry would have been fairly apparent without this experience. For with the Government and the employing classes working in partnership it is hardly possible to avoid the risk of employers exercising an undue amount of influence over the Government, and of the Government, even with the best intentions, paying more attention to the representations made by their partners than by other interests in the community, and especially by Labour. On the other hand, it may, of course, be argued that the State when actually a partner in industry, should be able to insist upon better terms for Labour than Labour would be likely to obtain from the employers acting with greater independence, but to this it may be replied that on the whole it seems probable that the State is in a stronger position for supporting the interests of Labour when it can act as an impartial spectator, than when it is actually itself a partner in industry. However this may be, our present experience of the new arrangement certainly suggests that the State, since it became a partner in industry, has done little or nothing in the way of removing the more objectionable features of the capitalist system. On the contrary, there is available plenty of evidence to show that the State has, if anything, increased the opportunities for the exercise of some of the more discreditable practices of its new partner, for example, by providing openings for profiteering on an unheard of scale in connection with Government contracts. (See first Report of Session 1918, from the Select Committee on National Expenditure.) There is little doubt that State capitalism is thoroughly unpopular both with employers and employed, and with the public generally, and that hardly a

hand will be raised when peace comes in favour of its permanent retention.

ALTERNATIVES TO STATE CAPITALISM.

One possible alternative to State capitalism after the war lies in an extension of the powers of the State in the direction of State Socialism. The State, instead of taking part with the employing classes in the control and organisation of industry, might both own and directly control some or all of our principal industries. The experience of the war has, however, almost certainly strengthened the doubts which, as I have pointed out, were beginning to arise even in the minds of some of the Socialists in the few years preceding the war as to the wisdom of moving in this direction, while the waste and muddle which has taken place in connection with many of the undertakings for which the State Departments have been responsible during the last few years, the multiplication of officials, and the incompetence of many of them, together with the irritation caused by restrictions on individual liberty, have engendered a very widespread distrust of State action in the minds of almost all classes of the people.

But quite apart from this, State Socialism would, under existing conditions, like State capitalism, result in too close an alliance between the State and the capitalist classes for the welfare of the community as a whole. For the State, as we know it to-day, is a capitalist State. By this it is not meant that the existing State confines its interests entirely to those of one class. Its interests are, of course, far wider than this, just as its activities extend far outside the field of industry, but our Governments are composed almost entirely of men drawn from the wealthier classes; in the House of Commons the same classes are much more widely represented than Labour. No one would maintain that the House of Lords represents anything but a comparatively small class in the nation, while the Civil Services are manned almost entirely from members of the middle and upper classes. On the industrial side, the State may, without inaccuracy, be described as a capitalist State, and in its broader aspects our Government is a class Government, largely bound up with the interests and influenced by the traditions of the class from which it is drawn. Under these circumstances it is doubtful whether the establishment of State Socialism would really mean the substitution of a new social and industrial system, more in accordance with the welfare of all classes of the community, for the one under which we now live. To ensure the success of State Socialism a radical alteration in the nature and composition of the State itself is a first essential.

Another objection to an advance along definitely Socialistic or collectivist lines, which is not only applicable to a capitalist State, is that State action almost inevitably develops into bureaucracy. Officials are multiplied, and they tend to form a cautious and

conservative class, lacking initiative and resenting criticism. The actual machinery of Government becomes more important than the ends it is intended to serve, and the regulation and ordering of the lives of the people more important than the people themselves. A feeling of helplessness is the result, and a general inertia with regard to individual interests and apathy as to the life of the nation.

It is perfectly natural that the interference in the lives of the people by the State, which the war has involved, and the numerous weaknesses in State action which have been apparent to all, should have caused distrust of the State and even hostility to the part which it is now taking in industry and in other spheres of life. Labour, however, will make a fatal blunder if it allows irritation at the inconveniences and hardships caused by the curtailment of individual liberty during the war to develop into an unreasoning reaction against the State. Such a course is certain to play directly into the hands of the employing classes, for no class has a stronger dislike of the increased power which the State has exercised in industry than the capitalist employers, whose one idea is, immediately on the return of peace, to throw off all State control, to be masters once more in their own houses, and to carry on their industries much as they did before the war. The more unpopular the State becomes with the people generally, and with Labour in particular, the easier it will be for the employers to realise these aims, and unconsidered hostility on the part of Labour may easily lead us back to a condition of things much worse than that we knew before the war. Immediately after the war the employing classes may be in a strong position owing to a great demand for a very limited supply of capital, while Labour may be in a weak position, partly owing to the dearth of capital and also owing to the many complex problems with which it will be confronted—the problems arising out of demobilisation, from dilution, from the increased number of women in industry, etc.—all matters which will require the intervention of the State, since to leave them to be settled between capital in a strong and Labour in a weak position is not likely to lead to very satisfactory solutions.

Again, the fact that we are now living under the sway of a capitalist State is not a reason why some advance should not be made in the direction of more collective, as opposed to individual action, for while it is quite true that the control of industry by a capitalist State might be little better than the control of industry by capitalists, it does not follow that to transfer the ownership of some of the means of production from private hands to the State would not be a step in the right direction. If the State owned the land, the railways, the mines, and some other of the more important industries, we should at any rate ensure that a large part of the rents and profits, which now go into private pockets,

would find their way into the public purse, and although industry might for some time yet be controlled by much the same kind of people who are in command at the present time, it would, with the State as landlord and capitalist on a large scale, be much easier to take the next step towards a more democratic management of industry.

Nor is the danger of bureaucracy necessarily an argument against a movement in the direction of collective action. For in almost all movements, great or small, there must be officials, and officials always may become bureaucrats. Industry in private hands is, after all, carried on by officials, for the managers and assistant managers in businesses are really officials, their principal differentiation from State officials being that they are responsible only to their employers, while State officials are responsible to the nation as a whole. The main work of the Trade Union and Co-operative movements, of the churches, the adult school, friendly societies, etc., is all done by officials, and in all these movements there is certainly a danger of bureaucracy, even if some of them are not tainted with it already. If there is to be any sort of government at all there must be officials, but whether officials become bureaucrats or not depends largely on those who select them. In the first place, the right men must be chosen; in the second place, those who have selected them must take a keen and intelligent interest in the policy which it is desired to see carried out, and be willing to remove officials so soon as they become unfit for their duties or unwilling to work in the interests of those who appointed them.

THE DELEGATION OF THE POWERS OF THE STATE.

Assuming, then, that State action is both necessary and practicable, the question arises as to how far it is essential that the powers of the State should be exercised through the central authority, and as to how far it is possible for some of these powers to be delegated to groups acting within the State in the form of voluntary organisations. The central Governments in most countries have handed over extensive functions to local authorities, such as County and Borough Councils in our own country, and in the same way it might be possible to confer on voluntary organisations powers which it is considered by the community unwise to leave in the hands of individuals and inexpedient to place in those of the central Government. If the ground were properly prepared the Trade Unions, for instance, or possibly some form of National Guilds, covering whole industries and embracing all who take part in them, might be allowed to assume control of production, deciding upon the methods of production to be used, the distribution of payment amongst those who took part in the work, and other matters; the interest of the citizen, from the consumer's

point of view, might be placed under the guardianship of an extended Co-operative Movement. These are possible developments which will be more fully dealt with in later papers. The advantage of an arrangement of this kind would be that collective action would be secured on a large scale, and the danger of the weak being exploited by the strong, owing to the existence of too much unrestrained individual liberty, would be avoided in the area covered by each voluntary organisation. The collective action exercised would be nearer to those whom it concerned and more under their control than collective action expressing itself through the central Government, so that the sense of vastness and remoteness, which overshadows the minds of so many people when thinking of the State, would be removed. The dangers of bureaucracy would not have disappeared, but would be much easier to guard against in the case of a voluntary organisation than in a highly centralised State.

Again, a movement in the direction suggested would be a movement towards more democratic government in industry and the weakening and breakdown of the capitalist State, as well as towards more equal conditions of life generally, while some advance could be made along these lines even with the capitalist State still in existence. But while it is possible to see that great advantages might arise from developments of this kind, it seems clear that whatever delegations of power the community may think it right for the State to make to voluntary organisations, there will still, for a long time to come, be a need for a strong State, in the ordinary acceptation of the term, as the ultimate authority behind the groups which are carrying on the nation's work. Too great freedom from State control makes it possible for a society to grow up which superimposes upon the natural inequalities of mankind—physical, mental, and moral—what are perhaps best described as artificial inequalities—inequalities of wealth and power, bringing with them monopolies and privileges of all kinds for the more fortunate, with drudgery and dependence for the less favoured.

A State in the control of the more fortunate classes tends inevitably to foster the kinds of inequalities alluded to, but it is, nevertheless, pretty generally recognised that even the existing State should do what it can to mitigate the evils which follow from them, and as a matter of fact the State has, by the taxation of the rich and by doles to the poor in the form of old age pensions, insurance benefits, Factory Acts, and the like, done something in this direction. One of the functions of the State is certainly the prevention of artificial inequalities. A State born of a true democracy, working in the interests of the community as a whole, with the eyes of all the people upon it, a State with a Civil Service which felt its responsibility to the people to whom it owed its power, could remove artificial inequalities when they arose,

and, in fact, would be able to prevent them from ever arising. Just as too much individual liberty leads to the growth of artificial inequalities between individuals, so too much liberty for voluntary organisations may also lead to the growth of artificial inequalities as between organisations themselves; the stronger group of producers, for instance, may exploit the weaker, or the consumer the producer and vice versa. Some central power will be necessary in order to prevent this, and the only central power which can prevent inequalities from arising between groups, and which can remove them when they do appear, will have to be a strong State.

CONCLUSIONS.

It is time to draw the threads of this long argument together and to see if it is possible to reach any conclusions with regard to the influence of the war upon our knowledge of the subject of the relations of the State to the citizen.

The war has certainly shown us that it is possible for the State to undertake operations on a far more gigantic scale (and often successfully) than anyone would have dreamt of suggesting as possible four years ago. It has brought home to us the dangers connected with a close alliance between the State and capitalism. It has made us realise more clearly than before the evils of bureaucracy. It has brought us a more vivid realisation of the value of individual liberty and of what its loss involves. The conclusion which, as it seems to me, should be drawn from the experience gained by the war is that we should not, in our zeal for the restoration of individual liberty, turn on the State immediately the war is over and ruthlessly deprive it of powers which might, under proper safeguards, be exercised for the public good. It would be far better that the many plans of reconstruction which are now being discussed should include the reconstruction of the State itself; and that the people should build up a State which shall be their servant, not their master, a State which could be trusted to delegate some of its powers to voluntary organisations and at the same time be strong enough to prevent the creation of inequalities between them. But in order that such a State may be built up the people must have education, keener interest in politics, and more leisure for both education and politics. The people must force from the existing State a freer life and opportunities which, if rightly used, should enable them to create a nobler society.

In speaking on his paper Mr. H. SANDERSON FURNISS said he wanted them to regard the paper in the nature of an introduction to the Conference. They were sometimes told that one of the results of the war had been the establishment of Socialism. That was not true. Socialism had not been established at all, because, as he understood it, the very essence of Socialism, was

collective ownership, not merely collective control. His idea had been to try to discover what general principles there were underlying the relation of the State to the citizen. It was difficult to avoid considering the citizen as either a producer or a consumer and so encroaching on the papers which were to follow, but he had tried to look at him from more than one point of view. After summarising the main points of his paper, he said his object in writing it had been to help them to discuss the question—how could they secure the well-being of the community and at the same time preserve the utmost amount of freedom for the individual.

Another point which he thought it would be useful to discuss was how far was it possible to prepare the ground so as to permit of the State delegating some of its powers to voluntary groups of producers, giving them a much larger share in the control of their own industries? A third point he hoped they would consider was what sort of a State did they wish to see after the war? A great deal turned on that, for the amount of State action which was desirable would depend on the kind of State they had. For instance, they might tolerate in a Socialist State, State action of a kind which they would not tolerate under a capitalist State.

In conclusion, he emphasised what the chairman had just said about the importance of the subject. He believed it was one of the most important subjects they could possibly discuss at the present moment, because it was absolutely vital that they should have some definite ideas on the situation as they wished it to be after the war and a definite policy as to a more permanent state of things when the transitional period had passed. They were justly proud of their democratic institutions, but democracy was very incomplete, even with the new franchise. It would not be a real thing unless a great many changes were made. They must be democrats in deed as well as in name. Active democrats as well as talking democrats. If they did not take an active part in politics, political democracy would remain half alive and industrial democracy would remain unborn. They should try to build up a truly democratic State—a State they could trust and a State that would do their bidding. Let them not be too anxious to get rid of all sorts of State action at the earliest possible moment. Let them try to control the action of the State themselves. Let them have individual freedom by all means; let them have as much of it as possible, as far as it was compatible with the well-being of the community as a whole. But they must have also an ordered community, with something like equal opportunity and equal conditions for all.

DISCUSSION.

Mr. JAMES BELL (Weavers' Amalgamation): I have been trying to get the best definition I can of the term, "The State," and, after looking up four dictionaries, I think the best definition is "a whole body of people united in one Government." I take it everyone is agreed that the State has a very close relationship to the citizen, and that the State will be judged by what it does for the citizen. In spite of all the criticisms levelled against the State before the war and during the war, I want to say very definitely and emphatically that I do not fear State control if the control goes far enough: Judging from past experience, the State has not done what it ought to have done, with the result that the citizens—men, women, and children—have been placed in a position to be exploited just as the few care to exploit them. We have been talking for years about the few being rich and the many poor, and so long as this continues we shall not be satisfied with the State remaining in the position it is in at present.

Not long ago I was in conversation with a gentleman who was a Conservative candidate for Parliament. He is a Conservative to-day as far as I know. We were discussing some social problems in the town where I live, and he said that he was a Conservative because he belonged to the class that "had," and if he had belonged to the class that "had not" he would not have been a Conservative, but probably he would have been a Socialist or Labour candidate. Those who have, have the least interest in State action, and they are the ruling class.

The State has never interfered enough in the industrial life of the country. We have our Trade Unions and other working-class organisations, and the State has left us to organise ourselves and get by strikes and other methods a wage that will satisfy the workers. In spite of our efforts the large majority of the workers in the country during normal times do not get what I consider a living wage. Before the war the average wage was 20s. for a man and 10s. for a woman. Facts like that convince any reasonable thinking man that things are not right. There is something wrong between the State and the citizen when the State allows things to go on like that.

I want to commend the paper we have just heard, but I also want the writer to explain more fully what he really means by individual liberty. He referred to the well-being of the State as a whole, and I gather that he would be in favour even of the curtailment of individual liberty if it tended to the general well-being of the State. We cannot have both individual liberty and State control. For instance, I have sometimes played cricket, and I wonder what would happen in a cricket team if every member pleased himself when he batted, where he fielded, and where and when he went on to bowl. What would become of the well-being of the team? If the curtailment of individual liberty is going to

increase the well-being of the community I am prepared to curtail the liberty of the individual."

Mr. Furniss points out that the State has attempted to control rents and profits, but if it had controlled them as it ought to have done there would have been no excess profits to tax. All these things are curtailments of liberty, and I do not think anyone in the room would have found fault if the State had gone further in this direction. In my opinion, landlords ought not to have been allowed to rob the public, and capitalists ought not to have been allowed to exploit the public as they liked. The opportunity ought not to have been afforded to capitalists or to anyone else to take advantage of the nation's needs in order to benefit their class at the expense of the community as a whole. The Government made some attempt to control industries, and I am rather surprised that Mr. Furniss made such a point about distrust, because I believe that the distrust which has manifested itself is due, not to what the State has done during the war, but to what it has not done, and to what it has done too late. In spite of all the distrust, I wonder what alternative there was before the State if it had not gone in the direction of State capitalism. Mr. Furniss gives one. The State might have taken things over altogether, and I almost wish Mr. Furniss had said "should" instead of "might." I do not distrust the State because it adopted a certain measure of control, for I recognise that if it had not done so, but had left things as they were, the restrictions of individual liberty would have been far greater in other directions. We should not have had our liberty to go into a shop and get our share of what we needed. We should have had our liberty to go and buy it only if we had the money to pay for it. So, personally, I am glad that, though late in the day, the State took the step of controlling things. I take it that it was an attempt by the State to make the best of a bad job, and when I say that I simply mean that during the war we could not have gone on as we were doing—with our banking system and our railways and all the rest of it—with the conditions under which we had been satisfied to live practically all broken down. I hope the lessons we have learned are going to compel us to look for something altogether different in the future. It is for the citizens themselves to decide how the country is to be governed and what is to be the future relationship of the citizen to the State.

Mr. Furniss points out the danger of a bureaucratic Government. I wish he had explained that a little more. If he means that the creation of officials necessarily involves bureaucratic government I do not altogether agree. It all depends on the kind of official, and it all depends on the kind of control we are going to have over those officials. When Mr. Furniss goes on to say that all the Co-operative Societies, Trade Unions, and Labour organisations are governed by officials and are running the same risk, well,

there may be a danger, but dangers are there to be overcome, and we have got to find a remedy. Trade Union officials do not want bureaucratic government, and the more interest the members take in the affairs of their societies the more satisfied the Trade Union official is. When we talk about State control we must think about it in the same way as we think about the government of our own societies, as something we are going to control ourselves. When we have elected our Government and our officials have been appointed, if they do not do what we want them to do it is our own fault. We must get men who will do what is wanted of them. It all amounts to this: who is going to be the controller? If the citizens are going to take the right position they will always see that they have the right kind of government.

With reference to State capitalism, we all recognise the danger Mr. Furniss points out, namely, that the State, working in conjunction with the capitalists, is not likely to do the best for the workers of the country. After all, if the State and the capitalist are too much in partnership that is our fault, because if the capitalists are in control of the Government they did not elect themselves and they will not elect themselves in the future. If the State is going to remain in the hands of the capitalist classes that is not the fault of the capitalists, for, after all, it is their business to look after their own interests, and it is the workers' business to look after the interests of their class.

With regard to industrial control by voluntary organisations, I do not want jealousy between one industry and another. I am just afraid that unless we have sufficient safeguards we shall have perfect and imperfect industries, and certain sets of producers will keep their industries to themselves, and we shall have well-paid and low-paid industries. I want us to keep our minds on the fact that if industry has to be controlled the only efficient control will be central and in the interests of the workers as a whole, not in the interests of any particular industry. The State through the Government will have to control every industry if it is going to control any at all, and production will have to be for the well-being of the community. Then we shall get production for use instead of for profit. We might go so far as to allow subdivided control so long as the State keeps hold at the top, and it might be possible for different groups of workers to have sufficient control over their own industries, so long as we know that those who take control are working for the well-being of the State. The State has done something in the past, and we hope it will do more in the future. It has done something in fixing wages. It will have to go much further, and it is the State's duty to every citizen to guarantee a living wage for a week's work. Better provision must be made for old age, for women, and for the children. The housing question will have to be dealt with by the State. The health of the citizen will have to receive more

attention, and we shall have to have things so arranged that the State will make it possible for its citizens to live a brighter and a better life.

GENERAL DISCUSSION.

Mr. S. SMITH (United Machine Workers): War has taught us two things; first, that private enterprise in an emergency is a hopeless failure; secondly, that State control without ownership is a failure. It cannot be denied that the workers as a whole have been exploited. It has been nothing more nor less than highway robbery. I should like to pay a tribute to Mr. Furniss's remarks about the alternative to State capitalism. I was most pleased that he frankly admitted that class interests do exist, and that he is for State ownership as well as State control.

Mr. C. B. PARKIN (York Co-operative Society): I agree with Mr. Furniss in many of the points raised in his paper, but I disagree with Mr. Bell that State control is what we should aim at. Mr. Bell condemns his own conclusions by saying that the State has utterly failed to realise what we required because it was practically always too late in carrying into operation the various schemes. Take the question of food. The Government only took it in hand when if they had not we should have had a revolution in the country. The Government's action has never been prompted by a desire to help the workers, but only to get themselves out of a tight corner. Under these circumstances I do not want to see State control, neither do I want to see a dual control, for if the Government is hand in hand with the wealthier classes the workers will stand a poor chance of getting justice done.

I am not at all sure that the Whitley scheme will bring about the desired end for the workers. If you get at a round table conference a body of workers on one side and a body of employers on the other, it will soon be recognised that the interests of the workers are diametrically opposed to those of the employers.

It was my privilege recently to listen to one of the American Labour delegates, a member of the same craft as myself (Typographical). I was particularly struck with his remarks about the control of industry. He told us they claimed control of their industry now, and they even had rules which penalised workers who wasted material. On the other hand, if they were discussing wages they sometimes demanded to see the firm's books if they were told the industry would not carry the increases, and on more than one occasion they had cut down the large remuneration paid to directors or controllers for services rendered in order that the workers should have a fair share of the wealth they were producing. At the present time we are getting pretty much what we deserve, and only when the people put a large number of their own class into the Government shall I favour much increase in State control.

Mr. JESSE ARGYLE (Club and Institute Union): "We should consider what is going to be the position in the future after the war. Are we going back to pre-war conditions, to continue State control, or to go further and have State ownership? I think the middle policy of the three is the most likely to continue. We do not want to go back to pre-war conditions, and we are not ready for State ownership at the present time. We have not the knowledge or experience. Under State control we shall be going on the way to State ownership. The State will fill up the gaps left by individual enterprise. Take the question of housing. As soon as the war is over there will be an enormous demand for houses, a demand quite beyond anything that ordinary enterprise can meet, and there is not the slightest doubt that the State will have to build a large number of houses, directly employing labour or subsidising municipalities so that they can do the work. From housing to railways, and so on, gradually we shall get State ownership in that way. It will follow on natural lines as during the war. There was great unpreparedness for a great war, but necessity has led to the State building great national factories, bringing the manufacture of the munitions of war under State ownership.

Mr. Bell blamed the State, but things had to be done in order to get on with the war. I do not think we have sufficiently considered the magnitude of the problems, problems which it must take years to work out. I have seen something of what is going on in the Ministry of Munitions. On the whole, I think we have not done so badly. Food control and distribution, for instance, is a most difficult problem, and it has not been tackled as well as it ought to have been, but it has been fairly well dealt with when we consider the peculiar circumstances under which, and the speed with which, it had to be done. No doubt profits have been made, but then you have to consider the magnitude of the transactions involved.

Mr. MAHON (Bolton Co-operative Society): Mr. Bell said the Government did not act quickly enough. I quite agree that, as far as the curtailment of individual liberty and the regulations made necessary by the war were concerned, the Government were very much too slow in action. With regard to the food supply, it is their negligence which has caused so many difficulties. But the infringement of individual liberty has taken more than one form. I want to refer to page 11 of the paper, where Mr. Furniss quotes Mr. Hobson on this subject. The restrictions he mentions were made by the Government, and the majority of them as soon as the war broke out. Other matters were neglected until the situation became dangerous. If I am right in my reading of Mr. Furniss's paper he wants us to get rid of catchwords and consider the real problems that are raised by the present condition of things. I do not think Mr. Furniss would say he was out for State ownership and State control unless they are very much

safeguarded. We have to regard the infringement of individual liberty on some points as absolutely necessary. The individual has got to be controlled. The question is, who by? If by the capitalists, then the workers will resent any greater interference with individual liberty. I fear State control, because I see side by side with it the danger of another tyranny. The experience we have had during the war points to the dangers of bureaucracy. Bureaucrats are, as a rule, selected because they know nothing about the thing they are going to control. They get in the way, put everybody on edge, and make things far less efficient. But we do want control, though we are not going to be content with State control. We want self government in industry. To be controlled in the particular industry in which I work by my fellow workers, with the right to use my influence and vote, is an entirely different thing from being controlled by the master class or by bureaucrats. That is the lesson the workers have to learn—to set about controlling the industries for themselves. I use the term workers in the broadest possible sense. I want to win over the paid managers of the firms to the side of the working classes; the managers are the very persons we want to get to assist us to work out our own salvation. Democracy means self-government, and it means self-government in industry.

Mr. L. WELLS (A.S.E., Leicester): The function of the State should be to secure the well-being of all its citizens. We know that the State reflects in legislation the type of mind which the citizens send to Westminster. Most of the people at Westminster are capitalists, or are directly interested in the continuance of the capitalist system. We should lay emphasis on the duties of the citizen as well as those of the State. Our subject is "The State and the Citizen," and we seem to be forgetting the citizen.

So far as the power of the State and individual liberty are concerned much depends on the kind of State, but much also on the kind of citizens. It would be well for us to get back to some of the old philosophers from whom politics started. Politics began in Greece, and there were wise men in those days. We have some clever men to-day, but I doubt whether we have many wise men.

Mr. J. G. CLAPHAM (Carpenters and Joiners, Manchester): Most of the speakers have been at fault. I should prefer to say that the State is the instrument by which the ruling classes exercise their power over the community. Surely the writer of the paper has not been quite fair to the State. Underlying all that he said seems to run the idea that the State and the citizens are separate and apart from one another. For State action to be satisfactory to the mass of the people it must necessarily be a democratic State, and the reason why so much of what the State has done in recent years has seemed tyrannical is because it was expressing the will and desires of the few concerning the majority

of the citizens. What the great national crisis has brought out most prominently is the interdependence of the people upon one another and the necessity of collective rather than individual action.

I agree with Mr. Furniss that the only hope lies in the better education of the mass of the people, not with the view of their climbing to the top, but so that they may more fully understand true citizenship. The education I want to see is one which will improve the working class, and teach them to realise the full responsibilities and duties of citizenship, that the liberty of the individual does not mean individual license, and that State action will not interfere in any way with true liberty. Far more attention should be paid to this phase of education, especially in the elementary schools.

In the control of industry the workers' aim should be the elimination of all waste, both of time and of material, so that the smallest possible number of hours should be spent in producing the necessary commodities, thus leaving as much time as possible for study and the enjoyment of the things that go to make life worth living.

Mr. J. BUXTON (North Staffs. Trades and Labour Council): Mr. Furniss has raised in his paper one or two points worth fastening on. First, the present State has failed because it has entered into partnership with capital. Secondly, to get a satisfactory State we must build it up first of all upon education. That is the point I wish to emphasise. Good government is a matter of administration. We may have our representatives legislating, but it is the administrator who either puts the law into practice or neglects to do so. Much of the law on the Statute Book is entirely neglected. What the workers have to do is to equip our own class for administrative work and to demand higher education which will enable us to enter the professions of medicine, law, and diplomacy. We should demand for our children the right to enter into the work of administering the country. I shall be told that I am an idealist, but this is a time of mighty changes. If the war has taught us anything, it is that in a few years the mightiest of changes can take place, and I do not want the workers to be put off by statements about "castles in the air."

There is the question of the ordinary citizen, his life, decent hours of labour, all material things, work, and wages. I am not sure that the present wage system is anything like the best. Life consists chiefly of spiritual things. We want a democracy which will enable us to enjoy life to the full. We should set about the attainment of that at once, and should set education right at the front. All questions of individual liberty will disappear when we get an educated democracy.

Mr. J. E. HICKEY (Hyde Co-operative Men's Guild): We are agreed that times such as these can bring about wonderful

changes, and the general opinion amongst the workers of this country is that now is the time for changes. Mr. Fisher's Education Bill is but a straw which shows which way the wind is blowing. The workers ought to have far greater leisure and far better wages. The introduction of labour-saving machinery and more scientific methods of production have not resulted in giving opportunities to working men.

The land is the root of all our difficulties. Mr. Furniss discusses State control of land, and says that too much individual liberty makes it possible for society to impose artificial inequalities upon mankind. I deny that statement altogether, and do not think it could be substantiated. Too much individual liberty we have never had and have never tried. Liberty means perfect freedom to do what we desire, to live our lives in what way we like, providing we do not infringe the liberties of others. I maintain that we must radically alter the land system of this country. The proper way is to get at the value of the land right away. Workingmen should go in more for the land question, as set forth by Henry George.

Mr. F. SHAW (Huddersfield Trades and Labour Council) : One or two previous speakers have dwelt upon the need for education as a factor in the future progress of the working class. We must realise that uniform education will be of little avail if the subjects are approached in the orthodox manner. We are all steeped in capitalistic social valuations, and, moreover, when we are dealing with the State or any other social force there are no fixed axioms to explain their functions. We have been told that the State is organised for the social benefit of all the citizens. This is purely a metaphysical speculation. Again, we have been told that we must turn to the old Greek intellects for a definition of the State and citizenship. But there is no comparison between the small city states of Athenian society, based upon slave labour, and a modern industrial society. If we study the legislation of Solon and Kleisthenes we see only a transition from tribal custom to ordered civic life, but all obviously built up on small landed property. Sociological definitions cannot be fixed as society is ever changing. The modern political State has its origin in the late 15th century, and at first it had purely coercive functions. The raising of taxes, the spread of uniform law over a given territorial area were its most obvious features. With the growth of industry, population, and trade the State took on newer functions. As social development became more complex so did the State increase its functions, until, finally, it entered into all the social and economic activities of the people. We got Boards of Trade, of Agriculture, of Education, etc. The State began to busy itself with Health, Sanitation, Wages Boards, and Commissions of various kinds were set up.

The net result of this State development was a growing demand for more and more revenue to meet these new administrative functions. They are unproductive in a strict economic sense. To supply the growing revenue income tax and indirect taxation are the chief means. But there is another way. If we turn to political theory we find, especially in Professor Hobhouse's "Liberalism," the theory of "social values." Society creates values by which the individual gains. We get the beginnings in Ricardo's "Theory of Rent." It is noticeable in towns that whether Councillors are Liberal or Tory they municipalise natural monopolies which have the power of creating social values in order to save rates. Then the State, in order to meet the demand for more revenue, nationalises monopolies in order to save income tax.

Collectivism, therefore, is not a political theory peculiar to working-class organisations. It is a practical method of meeting taxation, and taxation is a question for property holders, not for the working class. When we urge that the State should take over railways, mines, and factories we are speaking middle-class language. When our friend talked about the taxation of land values he ought to realise how very small our revenue from land is compared with industry, and, again, that he was not thinking in working-class terms. Capitalists in natural monopolies have put up a stronger fight against nationalisation than taxpayers have, consequently the State up to now has turned to other sources for income—Tariff Reform or imperialistic development.

Working-class salvation does not lie along the lines of pure collectivist action. We must realise that with the development of industry, machinery, sub-divided labour, etc., the total products created by labour gradually outstrip the increases in wages. While we are worrying about middle-class taxation and remedies, capital is increasing its power.

The experience of the war has opened out a veritable Aladdin's cave in rich possibilities. Dilution of labour, the elimination of competitive waste, the clearing out of countless agents and go-betweens, the increased productivity of the labour unit, a diminished number of workers and a greater output, the entrance of women into new spheres have all pointed to new directions, undreamed of in pre-war days. We are offered Whitley Reports as a solution. Greater combinations of capital show themselves in all industries. These are new forces, and we have to think in new terms and be audacious, in the words of Mr. Lloyd George.

The collectivist turns to the social functions of the State, but the worker, as a producer of wealth, will turn more and more to the industrial solution. Shop Committees, Shop Stewards, Workers' Committees, are different expressions of the same force. Our hope lies in developing more rapidly that side of the workers' weapon to aid in the after-war fight. Industrial democracy will

finally be pitted against territorial democracy, and the future lies with the worker in his fight for the control of industry.

Mr. GEORGE HALL (Workers' Union, Gorton): I attended the conference mostly to gain inspiration, but there are one or two points I wish to emphasise. The citizen of to-day is poorly fed, badly clothed, badly housed, and his entertainments are very few. I belong to a union which represents so-called unskilled and semi-skilled men. Two or three years before the war some members of my branch were receiving the handsome wage of about 17s. for a 53-hour week. The question which troubled me in those days was how to get the men to realise the terrible position they were in. It is "money that makes the mare to go" with the working-man as well as with the business man. We have to raise the minimum and reduce the maximum wages. Both are necessary. We can only produce so much wealth, and if some people get more than their share it only follows that others must go with less. We must have minimum wages and maximum profits.

How can we get the working classes to realise what we are out for? I believe the only way is through the Trade Union movement. We must use that for all we are worth. We must get inside the Trade Union branches and put our point of view there. If it is necessary to impose levies in order to get the members to attend let us have levies. I believe there is more power in the Trade Union branches than anywhere else.

Mr. SEWARD (Glass Bottle Makers): I agree with those who attach the greatest importance to education. This was well put by one of the speakers when he said that he did not mean education in a narrow sense, a system which would cram people with things of no value, but an education which, while teaching them things, would also teach them how to use them. The Government also needs a mental and moral education. In this country to-day thousands of pounds are being spent on the treatment of tuberculosis, on sanatoria and clinics, and many of the people who are being treated in those places are there because of the immorality of the Governments of the past, which had neglected to provide proper housing for the people. That is the duty of the State. It is also our duty to educate ourselves so as to make it possible to have an educated State.

Mr. M. SCLARE (Leeds Trades Council): All the old ideals are in the melting-pot. Whether we are State Socialists, co-operators, anarchists, or communists we should be open to conviction. Some fear has been expressed of the people who are put in power becoming bureaucrats, and something has been said with regard to Trade Union officials. I am a Trade Union official, and we are urging our members to take a greater share in the management and control of their organisation.

Mrs. A. BILLINGE (Liverpool Dressmakers): I hope we shall consider that it is necessary to help women as much as possible. I have worked in connection with the Anti-Sweating League in Liverpool and know a lot about women's industries. I want men to hold out a helping hand to women. We feel pressed down by the fact that men seem to think it does not matter whether women are in an organisation or not. Education is necessary, and we must get into the unions and imbue them with the ideas contained in the paper before us, and with the inspiration which comes from meetings of this kind. I want to see my own sex receive a really good wage, not 10s. or 15s. a week, but 30s. or 50s. Then women will know what it is to live and have something approaching a good time. I want shorter hours of labour and the abolition of overtime. There is talk of a six-hour day. Let us have a six-hour day by all means if we can get it, but don't let the women work the other six hours in the shape of overtime.

MR. H. SANDERSON FURNISS'S REPLY.

I am afraid I shall not have time to reply to everybody, but I will begin with Mr. Bell. I do not think Mr. Bell and I disagree very much—in fact, I think I can show that we are pretty much in agreement on the points he raised. Let us take first the question of individual liberty. It is rather a big question to go into, but what I mean by individual liberty is that I want everyone to be free to live a decent and happy life without injury to other people. We can curtail individual liberty by State control, but we can also increase it by State control. Mr. Bell said he would welcome the taking of profits and rent by the State, and so would I, but Mr. Bell would welcome it in spite of the fact that it would involve a curtailment of individual liberty. I welcome it because it would increase individual liberty. I am thinking of the masses of the people, whose freedom from exploitation would be increased. We really want a good deal of State control in order to get the requisite amount of individual freedom.

Then, as to the other point, of the distrust of the State. Mr. Bell said that the reason why the people distrusted the State, and State capitalism, is that the State has not gone far enough. Why have we not gone further? Simply because we have got a capitalist State and State capitalism. That is my point. We really agree upon that. Then as to bureaucracy, we are agreed upon that, too. If we are going to have any form of government we must have officials, and they may become bureaucrats whether they are in State Departments or in Trade Unions. Possibly even Mr. Bell might become a bureaucrat. It is not likely from what I know of him, but whether he becomes one or not really depends on the members of his society. It is the same with the State. We have got to see that the Trade Union officials do not become

bureaucrats, and in the same way we must see that the State officials do not become bureaucrats. State control does not necessarily mean bureaucracy. I should like to thank Mr. Bell for the great attention he has paid to the paper.

As to the question of State ownership, I think on the whole I am decidedly more in agreement with Mr. Smith than with Mr. Argyle. I believe we must have State ownership, because we cannot have proper State control without it. If we are going to leave the land and instruments of production in the hands of a class how can the people control them? We must have national ownership if we are going to have popular control. I do not say that I am out for national ownership of everything at this, or perhaps at any time, but I am prepared for a large measure of State ownership, and I believe we ought to have it as soon as the war is over. Mr. Argyle thinks we are not ready for it. If we are not ready now I do not know when we shall be.

I cannot deal with all the other speakers, but I want to thank you all very much for the great interest you have shown in my paper. I am also pleased to notice—naturally as the Principal of an educational institution—the great interest and enthusiasm displayed on the question of education, and I quite agree with all that has been said on that subject. It is the essential thing for the building up of true democracy.

We must distinguish between the period immediately following the war—while we are clearing up the muddle—and the more permanent state of things. We may have to submit to something like the present system for some little time after the war, to some form of State capitalism. It may be a stepping-stone to a better state of things. I do not quite know. What I want you to consider is whether we are bound to look upon State capitalism as the permanent solution of the question. I think there is something much better than that.

SECOND SESSION.

Councillor W. MELLOR (Manchester and Salford Trades Council), in taking the chair, said he was glad to be present, for he remembered the old days when the Ruskin College movement was started in Manchester. At that time the question was asked, why Ruskin College, and why go to a mediæval city like Oxford.

The reply was that in England they had a historic social continuity, and Oxford was one of the most interesting centres, because of the intellectual efforts developed there and spread throughout the land. There was much to be said for this point of view. The social development for which they were hoping was a part of the development of past ages and Reconstruction could not be independent of what had been going on before. They were not starting an entirely new social movement. They would find a breadth of view in Mr. Hilton's paper which would help them to discuss these matters from every point of view.

THE STATE AND THE PRODUCER.

BY JOHN HILTON,

Of the Garton Foundation.

Although during the last 50 years the license accorded to the industrial producer under the influence of the doctrines which were evolved in the course of the industrial revolution has been curtailed by Factory, Employers' Liability, Minimum Wage, and State Insurance Acts, yet it should be noticed that these measures had little if anything to do with the ordering of industry as such. They were concerned mainly with the protection of the employé from physical injury, or with ensuring for him a modicum of sustenance or security. Their purpose was not industrial so much as social. As regards purely economic activity, the private industrial concern, up to the outbreak of the present war, was subject hardly at all to State direction. It was free to buy and make and sell as seemed best in its own eyes. Similarly the adult male wage-earner was free, so far as the State was concerned, to work where and when and at what tasks he liked for the best wages he could obtain.

In the war-time re-ordering of the national economic life the vast majority of these previously self-directed business concerns have passed under the control, management, or virtual ownership of the State, and are being conducted as quasi-State services under legal and departmental regulation as to material, work, sales, wages, prices, and profits. At the same time, the movements

and earnings of workpeople have become subject to State regulation to an extent for which one would need to go back many generations to find a parallel. Thus for nearly four years we have had taking place under our eyes a gigantic experiment in the application of State control to industrial production, and it is not too early to try and draw from it some guidance with regard to what will be one of the dominant questions in the months that follow the war—whether any part of the State control of the war period shall be retained as a permanent feature of our national economic policy, and, if so, what form and dimensions it shall take; or whether it ought to be swept away as fast as conditions allow and the pre-war economic order restored.

Let us at the outset remind ourselves as to what the economic system prevailing before the war really was; and recall the circumstances that led to its being suspended for the period of the war in favour of a system of State control.

The first thing to be remarked about the economic system as it existed upon the declaration of war is that it was broadly a product of private enterprise inspired by the motive of private gain. There were, of course, a large and increasing number of undertakings of different origin and character—the co-operative societies, the municipal gas, electricity, and tramway undertakings, and the State postal, telegraph, and telephone services—but these formed all told but a small fraction of the total volume of economic activity. The farms, factories, and workshops from which the material goods required for the upkeep of life proceeded; the banks, accepting houses, and financial agencies through which monetary and credit transactions were carried out; the railways, ships, and other transport agencies by which goods were carried from producer to consumer; and the bulk of the wholesale and retail distributing trade with its warehouses and shops, dealers and shopkeepers—the whole, or very nearly the whole, of this vast network of economic activity had been started on private initiative with privately owned capital, and was being carried on by private people with the object of private gain.

Whatever the faults of the system, it will not be disputed that it resulted in an enormous output of stuff of one sort and another, or that it resulted in the production of that stuff in rather remarkable accordance with effective demand. Only now does it begin to occur to us as something remarkable that before the war we could get any ordinary thing we wanted—even sugar, tea, butter, matches, copper, glycerine, or petrol—by offering payment for it. Apart from occasional gluts and shortages in this or that article, about as much of everything was produced as people were willing and able to buy.

That this convenient result should follow from the pursuit of private profit by a hotch-potch business world, largely unorganised and undirected, indicates that there was some self-regulating

process at work. That process, as set out in the economic text-books, may be roughly summarised as follows: (a) if the demand for anything exceeds the supply competition between buyers sends the price of that thing up; (b) a relatively high price means a relatively large profit; (c) a relatively large profit attracts enterprise and capital into the production of the thing; (d) supplies increase; and (e) competition between sellers brings down the price to normal.

So far as this unsophisticated account of the workings of the pre-war economic system is correct, gain might be regarded as the mainspring of the economic machine, price as the regulator, and competition as the safeguard and check; and profit might be taken as broadly dependent on service rendered. Now while it is perfectly true that in the actual world of business these forces operated clumsily and tardily, and were subject to all kinds of concerted manipulation (I shall revert to that later), yet surveying the whole domain of business it will probably be agreed that private initiative, private management, private gain, free prices, and free competition were, on the whole, the predominant and determining feature of industrial production in the world as we knew it before the war.

On the outbreak of war this balance of inter-acting forces under which industrial production had previously been carried on was violently disturbed. At a stroke accustomed supplies vanished and unaccustomed urgent demands sprang up. Had the disturbance been less sudden, and had economic activity been free to react to the new circumstances, enterprise and competition would have followed more or less briskly on the heels of shortage and the more extravagant aberrations would have been checked; but, as it was, the possessors and controllers of essential supplies in urgent demand, whether for military or civil needs, were in a position to hold the State and the public to ransom, or, to put it less invidiously, were in the embarrassing position of having competitive and constantly advancing offers for their supplies, and had no particular reason for not selling to the highest bidder.

The system had no quick-acting remedy for such a state of affairs, consequently the prices of all goods and services in urgent demand rose rapidly and enormous profits could be, were being, and would be made. This was hardly tolerable either to Government or people. That anyone should either actively or passively make private profit out of the national need was felt to be indecent and unpatriotic. Meanwhile the Government was becoming an increasingly large spender of revenue and buyer of supplies, and accordingly found itself called upon to deal with the situation in five capacities—first as a guardian of the commonweal, second as an instrument of the popular will, third as a large consumer, fourth as collector of revenue, and fifth as the executive of a State at war.

The problem before the Government was how to discharge these obligations without impairing the productivity of industry for the period of the war, and without unduly sacrificing the after-war vitality of the industrial system to the pressing necessities of war. Obviously neither absolute laissez-faire nor a full-blooded War-Officeisation of industry was practicable; and a midway course had to be laboriously traced out. The course in fact taken may most usefully be described in the present Administration's own terms:—

“ Not only have enormous numbers of men, and latterly of women also, been mobilised for military and naval purposes, but the vast majority of the people are now working directly or indirectly on public service. If they are not in the Army, the Navy, or the Civil Service, they are growing food, or making munitions, or engaged in the work of organising, transporting, or distributing the national supplies. On the other hand, the State has taken control for the period of the war over certain national industries, such as the railways, shipping, coal, and iron mines, and the great majority of engineering businesses. It has also made itself responsible for the securing of adequate quantities of certain staple commodities and services, such as food, coal, timber, and other raw materials, railroad and sea transportation, and for distributing the available supplies justly as between individual and individual in the national interest. The Government has further had to regulate prices and prevent profiteering. It has done so partly by controlling freights, fixing maximum prices to the home producer, and regulating wholesale and retail charges, and partly by its monopoly of imported supplies. The information which the Government has obtained as to sources of supply, consumption, and cost of production, and the relations it has entered into with other Governments as to the mutual purchase of essential products which they jointly control have, for the first time, brought within the sphere of practical politics the possibility of fixing relatively stable world prices for fundamental staples. The State has even taken the drastic step of fixing the price of the 4lb. loaf at 9d., at a considerable loss to itself. Thus the war, and especially the year 1917, has brought about a transformation of the social and administrative structure of the State, much of which is bound to be permanent. . . .

“ In the second place, the war has profoundly altered the conditions of the industrial problem. Since 1914 the community itself has become by far the greatest employer of labour. It has assumed control for the duration of the war over a great number of the larger private undertakings, it has limited profits by imposing an 80 per cent. excess profits tax, and it has intervened to prevent profiteering in the essential

requirements of the nation. Further, the regulations of the Trade Unions have been suspended for the duration of the war, industry has been diluted throughout, new methods and new industries have been introduced, labour-saving machinery has been everywhere installed. . . .

“ In the third place, agriculture has been restored to its proper position in the national economy. After long years of neglect, its vital importance not only for the production of food, but for the healthy balance of the life of the nation, has at last been recognised. The guarantee of minimum prices for food products, the fixing of a minimum wage of 25s. a week for agricultural labourers, and the establishment of Agricultural Wages Boards for England and Wales, Scotland and Ireland, coupled with the other measures of the Departments of Agriculture, mark a new era in the rural history of the British Isles.”—War Cabinet Report, 1917.

Apart from a certain exuberance of phrasing, the passages quoted above sketch in substantially correct broad lines the change that has taken place in industry under the war regime. To follow out at closer view the nature of that change it will be useful to describe briefly the transformation wrought in three or four principal industries: I will take the industries of engineering, agriculture, shipping, and rail transport. Engineering and agriculture I take because the first is a good example of the more compact, organised, sub-divided, repetition manufacturing industry, while the second exhibits just the opposite characteristics. Shipping and railways I take because competition in the shipping world is exceptionally free and freights are exceptionally subject to the interaction of demand and supply, while railways are quasi-monopolies carrying at stable and even statutorily fixed charges. These characteristic differences, and the comparisons they invite, will prove useful in forming judgments as to the limits of State control.

The engineering industry of Great Britain, in common with others, had been created not by State decree but by the spontaneous initiative of private persons or groups. Prior to the war the separate business concerns of which it was composed, ranging from the two-man blacksmith's shop to the largest combination employing thousands of men, was, in the economic sense, an autonomous unit. So long as it kept within the narrow fringe of provisions laid down by the Factory, Employers' Liability, Trade Boards, and Insurance Acts, it bought what it liked in the cheapest market at command, manufactured what it liked in any way it pleased, sold what it liked in any market at the best price it could get, employed whom it liked at what wages it liked, and made what profits or losses it liked, without let or hindrance or instruction from the State. The prices at which it bought and sold were matters between itself and its suppliers or customers;

the wages it paid were matters between itself and its workpeople. The task of seeking orders, designing products, devising methods and processes, supplying the instruments of production, and generally driving the business to success devolved wholly upon the proprietors or their representatives.

The briefest glance at the present position of the engineering industries will serve to show to what an extent these features have been temporarily obliterated. Practically all engineering firms are now controlled establishments. They may not undertake any non-State work without State sanction. Acceptance of orders and precedence of work is no longer at the discretion of the firm, but is prescribed by the State under the priority regulations. Free competitive prices have given place to controlled prices for both purchased materials and products. The State has taken authority to examine books and investigate costs of manufacture and to force the firm, subject to arbitration, to accept a reasonable price based on the cost of production. Maximum selling prices have been fixed for many of the raw materials of engineering, e.g., steel, brass, copper, spelter, timber, etc. Power to purchase these and other materials and instruments of production is subject to the sanction of the State. As regards the treatment of labour, piecework rates may not be cut, workmen may appeal to a tribunal against dismissal, and wages questions must be referred to the State for settlement. Finally, the State takes in taxation 80 per cent. of all profits in excess of an average of any two of the three pre-war years, or in excess of 6 per cent. if the average does not reach that figure.

The control of the State is similarly exercised over engineering workpeople. It is an offence to work short hours or to be absent without adequate excuse. It is an offence to think, speak, or act in any way which might lead to a reduction in the output of munitions. Until a few months ago it was an offence to leave the employment of a controlled firm without a leaving certificate. Under the voluntary agreement of 1915 with the Trade Unions it is an offence to observe any customary output restrictions or to resist the dilution of qualified skilled labour with unskilled labour. Appeals and offences under these heads are taken before tribunals consisting of representatives of employers, workpeople, and the State, by whom penalties are imposed or restitution given.

Turn next to agriculture. The farmer, like the engineer, produced what he thought fit in the way he thought best. He, too, bought and sold and rented and hired on the best terms he could make without dictation from or even reference to the State. He grew what he thought would pay him best, taking the risks of the markets and the seasons on his own shoulders. So long as he refrained from such offences as employing children under age or selling watered milk the State had little to say to him in his capacity of producer. His men could work when and where and

for whom or what wages they liked as far as the State was concerned. Whether he farmed and guessed well, and prospered; or whether he did ill, and failed, was his own affair. If he prospered he pocketed his profits and no one said him nay.

But the farmer, too, now moves in a strange State-ordained world. The selling prices of all his staple products are fixed. The purchasing prices of his seeds, manures, and feeding stuffs are controlled. He may sell certain products only to State nominees or with State sanction. He is under orders from his County Agricultural Committee to plough so much pasture, to grow so much grain. He is no longer at the mercy of the markets; a minimum price is guaranteed him for next season's potatoes, and for wheat and oats during the next five years. A minimum wage for his workers is laid down. He may appeal to arbitration against increased rent. He may borrow labour and machinery from the State. He can no longer produce quite as he likes; the County Committee can serve a notice on him requiring that he shall cultivate his land in a satisfactory manner, and if he does not conform may take possession of the whole or part of the farm and either cultivate it or let it to new tenants. Yet, when all is told, the State's warrant does not carry very far over the farmer's economic domain. Within these limits he is still the director of his own affairs, and the beneficiary of his own activities.

The shipping industry, to a far greater degree than either agriculture or even engineering, has passed from a regime of absolute economic autonomy to a regime of absolute State control. Prior to the war it was the shipowner (person or group) who set in motion the activities which produced a new ship, and in its owners was vested absolute authority as to where it should go, what course it should take, and what cargo it should carry. The prices paid for ships and supplies concerned nobody but the buyer and the seller; the wages paid to staffs and crews were arranged between the owners and the employes; the freights charged were arrived at by the higgling of the freight market. The industry had its Merchant Shipping Acts analogous to the Factory Acts in manufacture: but within these restrictions, again concerned not with the operation of the ships, but with safety and health, the shipowner was sovereign. He could "do what he liked with his own."

In no industry is the change from the pre-war order to the present order so striking. Step by step the State has taken over the control of shipping until at the present time it may be said that the entire mercantile marine, with its officers and crews, is on hire to the State. The hire is paid at "Blue Book Rates" per ton per month according to the class of vessel. The ship-owners or their managers are virtually State servants. The State takes the freights, pays the hire, discharges certain obligations in regard to increased wages, and the difference, a very substantial

difference, goes to the Revenue. The voyages and cargoes of the entire mercantile fleet are prescribed by the State. The ownership and routine management of the vessels remain in the hands of the companies, but the profits (or losses) are determined by the fixed rates of hire and are no longer affected by the earnings of the vessels. Further, should the profits exceed the average of any selected two of the three pre-war years the excess is subject to the Excess Profits Duty of 80 per cent.

The railways I have left to the last because they present quite distinct features. A railway is by nature a quasi-monopoly, and for this reason railway companies have always in this country been subject to State regulation. They also were built up by spontaneous group enterprise, but subject to Parliamentary sanction and under statutory prohibitions as to the acquirement of land and statutory regulations as to rates and fares. Since each of the several companies represents a vast aggregation of capital and is a gigantic business unit, the administration of which is largely routine and almost wholly carried on by salaried servants, and since a railway is not subject to foreign competition the transition from company control to State control was much more easy, and involved much less alteration in the actual conduct of the undertaking than in any other case.

On the declaration of war the management and control of the whole of the railways of the United Kingdom was taken over by the State, and has since been exercised through a Committee of General Managers. The managers and staffs are now virtually employed as State servants; the takings of the companies are received by the State and the payments are made by the State. The ownership of the railways is still vested in the shareholders, but these are paid conventional dividends, without reference to the profits or losses of the undertakings. The gain or loss resulting from improved efficiency, working economies, higher rates, or increased wages accrues to the Exchequer.

It is no part of my purpose to question the salutariness of these arrangements from the standpoint of war necessities nor to discuss how well or how badly they have served their emergency object, except in so far as the unmistakable results of their working bears upon the problem of the relation of the State to the producer in the years that are to come. The most important thing in regard to the State control of the war period is that the system is actually in being, for the accomplished fact is nine-tenths of any argument.

It is desirable to urge, in the first place, that the good or ill-working of State control during the war should not be taken as establishing beyond cavil its good or ill-working during the long years of peaceful development which we may hope lie ahead. The State control of the war period, as mentioned in the previous paper, had to be hastily improvised, and many of the glaring defects which have moved the business world to fury or laughter

could no doubt be avoided were the system to become permanent. On the other hand, it must not be assumed that what has worked well in war time would work equally well through years of peace. Not only have producers been less restive and captious during war than they would be in normal times, but the stimulus of patriotic fervour, which is apt to abate in the piping times of peace, has served to some extent as an alternative to the pressure of necessity or the incentive of gain. But the difference between emergency measures and a permanent system does not end there. These industries were taken over by the State as "going concerns," and there is a momentum about a going concern which will carry it a long way, even though the initial energy be cut off, as has often been seen when the able founder of a business has died and left his fool sons to carry on. It would not suffice, for any but an emergency period, for the State to trade upon the residual momentum in an industry; it would have to supply somehow the initiative and energy necessary for its continued re-creation. Moreover, during the war the State has been not only the principal purchaser of such goods as engineering products and of such services as sea-carriage, but has also been a large consumer of its own products. There was no question of finding a market, or of ascertaining the tastes and requirements of consumers in order to shape products and services to their liking; but such conditions would not obtain in ordinary times. Again, the starting of new, or the extending of old, productive concerns during the war has been limited to works intended for production to the order of the State and has been either carried out or assisted by the State; consequently the influence of profit limitation on investment has not arisen, but it would become a vital question were the State regulation of profits to become permanent.

It will be observed that in all the four industries mentioned above the aim of the State has been to put a brake on the making of inordinate profits. No decent-minded person will have any fault to find with this as a war measure. A State at war has as much title to commandeer the industrial services of its people on its own terms as the military services. If the latter right be granted, the former is simply a question of expediency. The State has had to balance the claims of productivity, revenue, and public feeling and adopt a course which would best reconcile the three. It is undeniable that in many instances productivity has suffered during the war by the elimination of the profit factor. It was inevitable that the removal of the profit incentive and index from businesses habituated to the motive and test of profit should result in a certain amount of bewilderment and stagnation; but it may well be that any loss on that score was outweighed by the gains in revenue and public morale.

But if it is proposed to retain the policy of profit limitation after the war we shall have to face the fact that such a policy,

rendered permanent, will have far-reaching reactions. In the first place, private gain has been hitherto the dominant incentive to industrial enterprise. The motives which impel men to work at their best are various. Love of the job, desire to render service, self-respect, and the desire to excel, all play their part; but among the complex of motives is the desire for personal enrichment. In a simpler order of industry where the product of a man's hand is something of an expression of his being, loyalty to the job, pride in the product, and the honour of the craft may suffice as impulses to good service; but we have left that world behind, and we have to ask what impulse or incentive will prove a sufficient substitute for private gain in the industrial order of our time. To point to the devoted and magnificent work of many public servants is no answer to this question: for administration and industrial production are totally different kinds of work. The idealism of our time sees in the conception of "industry as a public service" a desirable alternative to "industry as a means of enrichment." It is a fine ideal, one that if widely held would serve without any statutory action to transfigure industry and commerce: but will it also answer as an apparatus of production in a world in which the ideal is not yet widely held?

The limitation of profits, it will have been observed, is at the present time accomplished in three ways. First there is the Excess Profits Duty. It is generally agreed that the present arrangement cannot be perpetuated, for the taxation is levied on a purely fortuitous basis. In some industries and some firms the three pre-war years chanced to be lean years, and the tax is levied on all profits over 6 per cent. In others they chanced to be fat years, and profits of 10, 20, or 100 per cent. escape the tax. Assuming that it were thought desirable for revenue and social reasons to tax inordinate profits, such vagaries could be corrected by fixing a standard rate of profit for each type of business undertaking, and levying a substantial tax on any profits above that level; but in framing such a scheme many difficult problems would arise. To mention but one, on what basis would the rate of profit be computed? On share capital, which may be purely nominal or may be heavily watered? On value of output? On the assessed value of the business? Little thought has as yet been given to even these elementary points. The second method of limiting profits is that at present extensively adopted by the Government of estimating the costs of production, allowing a 10 per cent. margin above such costs, and compelling the execution of contracts at that price. This is obviously a method applicable only when the State is the purchaser; but it has its corollary in the third method, that of fixing maximum producers' prices at a figure based on a similar method of accountancy. In all these schemes, considered as permanent measures, there is one insuperable difficulty. Unless they are applied to all forms of industrial

activity capital and enterprise would drift from the "controlled" industries to the "free" industries, and as the control would inevitably be over the staple industries engaged on the production of essentials the effect would be to depress such industries and encourage the devotion of capital and energy to the non-essential trades. The alternatives are accountancy price-control of all products of all businesses in all industries or the subjection of investment and enterprise to some sort of priority regulations. When these and a score of other problems connected with profit limitation are faced, the conclusion will probably be reached that no purpose would be served by a profits tax which could not be better served by an amended income tax.

In the circumstances created by the war rising prices and undue profits have been so much looked upon as evils to be suppressed that we are in danger of overlooking the part played by fluctuating prices and differential profits in the apparatus of production. The remarkably close relation between supply and effective demand in the pre-war world was almost wholly maintained by the rise and fall of prices and profits. Take the case of the farmer. When he had to decide which of two or three alternative crops he should grow on some part of his arable land he asked himself which, to the best of his judgment, would yield him the largest profit. And how did he decide that? Well, profit would be dependent on relative price, so he must grow the crop which was likely to command the highest price. But relative price would in turn be dependent on relative scarcity; so in effect to get the largest profit he must grow the crop of which there would be the greatest lack. Prospective price was his rough-and-ready index of prospective need, and in growing for profit he served, within the limits of his foreknowledge and judgment, the needs of the community. Or take shipping. How came it that under such an anarchic system as prevailed before the war, ships fetched the goods most needed in the order of greatest urgency from wherever they might be in the world? Simply that wherever the demand for tonnage was in excess of the supply freights rose, and more ships were attracted to that trade until the excess of tonnage over requirements induced the competition which brought down freights to or below normal. It will be seen that any general fixing of prices by the State involves in the end the State control of production, consumption, and distribution. That has been the invariable and universal experience of the war period, and it will apply with equal force after the war. So far as the immediate subject of my paper, the producer, is concerned, a permanent policy of price regulation must entail the setting up of a State Department charged with ascertaining the needs of the whole community of purchasers and ordering the requisite goods and services, and the State must have and exercise powers to compel such production. I fancy that on the whole the competitive

system, with its unregulated prices and unrestricted profits, would prove preferable.

I have referred to the remarkable closeness with which the supply of goods and services in the pre-war order conformed to the effective demand; but you will already have remarked to yourselves that effective demand is not the same thing as need. There is a strong feeling that in the future production must be so controlled somehow that necessaries have precedence over luxuries: a feeling aptly summed up in the phrase "no cake until all have bread." I cannot discuss in the space available the implications of this desire when translated into a practical programme, but I would suggest that to pursue the desired objective through control of production is to start at the wrong end and march into a thicket of difficulties. The cure for a condition which allows cake to be produced while large numbers lack bread is not the statutory enforcement of bread making or the prohibition of cakes but the wider and more equitable distribution of purchasing power, a question which is outside the purview of the present paper.

The tendency of prices and profits under what I have called the system of economic autonomy is towards the normal, and this tendency operates through competition. But competition has another function, that of discriminating between the more and less competent, between the more and less necessary. If a producer under the pre-war order could not make good, either because he was catering for society's effective demands less acceptably than others or because he was producing what nobody was able or inclined to purchase, he bestirred himself or changed his line of work or failed and fell out. It was a brutal and ruthless process, but it did at any rate provide a mechanism, however crude and bare, for selection and elimination, and it is not so far clear how under a system of State industrial administration this function would be performed.

Summing up the foregoing doubts and questionings, one may say that more light is required upon the question of what mechanism is to be set up, under either a permanent system of State control or under an industrial order framed on the ideal of industry as a public service, to provide (a) an equally potent incentive to industrial enterprise and effort, (b) an equally serviceable allocator of industrial investment, (c) an equally good correlator of supply to demand, and (d) equally effective provision for selection and elimination. I do not suggest that such mechanism cannot be provided; but desire only to emphasise the importance of having well-considered plans for meeting these needs of any system from which the profit element is eliminated.

So far I have dealt with the pre-war economic system as though under it prices and profits were subject to no other influences than the "law of demand and supply," as though competition were

always free, as though Labour and capital and enterprise were always well informed and could flow without restraint to where the rewards of industry were highest, and as though reward was always roughly proportional to service rendered. But in the actual world of "big" industry, as everyone knows, the "laws" of unsophisticated political economy are subject to all kinds of concerted manipulation. We are not without knowledge of the extent to which large domains of industry are the subject of monopolies, ring-fenced against competition; of the degree to which output and prices are controlled by rings, associations, "gentlemen's understandings," combines, and trusts; of the obstacles that can be laid in the path of anyone aspiring to engage in certain lines of industry; or of the extent to which the sources of supply, the channels of information, and the run of the markets can be secured against troublesome intruders. That these concerted manipulations may result in considerable economy by

Four possible arrangements suggest themselves: (1) Autocratic control by the business interests as hitherto; (2) democratic control, with or without ownership, by councils or guilds representing all those engaged in the industry; (3) State or public control of businesses privately owned and run; (4) State or public ownership. These are not mutually exclusive. Autocratic control might be tempered by representative councils and subjected to State or public supervision. Under State or public ownership the control might be either bureaucratic or democratic in character.

The case for autocratic control by business men as hitherto rests upon the claim that private ownership and autocratic management result in greater efficiency and a higher level of productivity than would result from either democratic management or State control. The business man, so the argument goes, has won his place by reason of his special endowment of instincts and faculties. From him the driving force proceeds, with him the initiative lies, upon him rests the ultimate responsibility. Limit his powers or responsibilities or rewards, subject him to Committee or Departmental control, and you will rob industry of its virility. Committees initiate nothing, State the prevention of wasteful overlapping and competition will not be denied, but the power behind them can also be used to the prejudice of the public, and through their agency profit may be derived from disservice rather than service; from exploitation rather than reciprocal advantage. It is obvious, therefore, that when we pass from small dispersed industry to big compacted industry we are confronted with the fact that here industry is already "controlled," and the choice for the future is not between laissez-faire and State control, but between one kind of control and another. The question, therefore, is, taking control for granted, in whom or in what should that control be vested?

officials play for safety ; such management might serve to continue an established routine in an unchanging world, but could not make the pace of industrial development.

Against this doctrine may be set the fact that businesses are in many cases run by salaried managers ; that business acumen is not born in a man but can be acquired by experience and training ; and that new enterprises are, in fact, constantly being undertaken and carried to success by public bodies. But these are questions of fact and experience ; much more fundamental is the issue involved in the present widespread feeling that industry is not merely a matter of wealth production and distribution, it is an integral part of the whole social life of the people. Productivity is not the final criterion, but quality of individual and social life ; and if autocratic industrial control impairs the quality of the common life its economic efficiency is not worth the price.

In any case, the day of absolute autocracy in big industry is over. Little by little proofs are accumulating that the only stable and successful kind of management is management with the consent and active co-operation of the managed. Such management spells power, and before it irresponsible autocracy, which spells only force, is even now steadily going down. Thus as regards the internal conduct of firms comprising big industry it may be surmised that private ownership and control will endure only in so far as management accords to the workman " a direct interest in his work, which will give him the maximum amount of control over his labour consistent with maintenance of the maximum efficiency of production." And as regards the external business of such firms it appears equally plain that, in view of the wider conceptions of industry in its relation to social life now gaining prevalence, autocratic control will only be found tolerable in so far as business proprietors realise their responsibilities to the community as well as to the firm and its shareholders, and abuses of power by unprincipled concerns are prevented by legal safeguards and administrative supervision.

Schemes for the democratic control of industry range from the formation of Joint Industrial Councils (Works Committees, District Councils, and National Councils) of employers and employed in the organised staple industries, to the suggestion that the employes in each of the great industries should form themselves into a guild, which should assume the entire administration and control of the industry. The former scheme leaves ownership as at present ; but in regard to management contemplates a division of functions—the business side is left mainly to the proprietors, labour conditions are left mainly to Labour representatives, and the joint council deals with matters that are common to both business and employment. This is an attempt to graft a new shoot on the old stock in the hope that

it will flourish side by side with the older growths or perhaps eventually supplant them; whether that hope is justified remains to be seen.

The industrial guilds proposal involves something more in the nature of root-pruning. It contemplates the passing of all the staple organised industries to the absolute ownership and control of the whole body of persons engaged in the industry, the ownership being vested in the guild, and the management being exercised through an elected or hierarchical executive. It would give in effect a number of sectional industrial States exercising a sovereignty co-equal with that of the political State embracing them. Any adequate discussion of this proposal would carry me too far afield.

The fourth type of control applicable to big businesses would be that exercised under State or public ownership. I take it that no one seriously proposes to extend at a stroke State or public ownership to all businesses small or large; and that no one seriously disputes that there are forceful reasons for such ownership in certain cases. The question is, therefore, one of deciding which types of industrial concern are more suited, and which less suited, to State ownership. General considerations and the experiences of the war alike point to the conclusion that in the case of highly organised, compact, routine industries of a monopolistic character, especially those engaged in the repetition manufacture of staple products, the conditions are more propitious for State ownership than in the case of badly organised, dispersed, versatile industries, in which constant resourcefulness, adaptability, and judgment are required.

The above considerations apply with almost equal force to the State control of industry, but with this important difference, that whereas State ownership can be confined to particular undertakings without any tendency to undue extension, State control, especially if exercised through the medium of prices and profits, tends irresistibly to spread. Each new application calls for half-a-dozen extensions, until in due course the entire economic activity of the country is bound up in an inextricable tangle of red tape, and can only be freed by the Alexandrian device of cutting the knot.

The experience gained from State control of industry during the war has brought with it three distinct additions to our knowledge, and thereby opened out three new directions along which it should be possible to raise the tone of industry. It has collected a large amount of information in regard to the most efficient industrial methods—such as the use of automatic machinery, jigs, gauges, etc.—and has spread among industrial concerns generally a knowledge of the methods practised by the most advanced firms and hitherto confined to them. It has obtained information as to the costs of production and the possibilities

of output which cannot but prove of value in the public supervision of industry and in furthering its future development. Finally, it has drawn aside the veil from much that was disreputable in business dealings in the past, and has acquainted the community with the use of that most potent of all weapons for the quickening of individual conscience and the securing of honourable conduct—publicity. This knowledge, rightly used, should provide a means for introducing a greater degree of order into the industrial process, but the problem of reconciling centralised direction with individual economic freedom will remain.

Mr. HILTON, in speaking on his paper, said that among the many changes which the war had wrought in our ideas and arrangements two in particular might be remarked. The first was the shifting of emphasis from "me" to "us"; the feeling that we were all in the same boat and must behave accordingly. That quickening of the social sense and conscience, which though not universal was certainly general, was a factor which might count for much in the shaping of the after-war order. The second was the change from private management to State control. The State was now exercising a degree of control over industry and commerce never seen before in the history of the world, control which extended to materials, products, prices, profits, employment, and wages.

Such were the two changes. In regard to them two questions arose. The first was: Can we preserve anything of the social spirit engendered during the war? The second was: Is it desirable that the State control of the war period should be abolished or be retained and developed? The two questions were closely connected, because the fruits of any system must depend upon the spirit of the people by whom and for whom it is worked. The paper dealt only with the second question.

The attitude of the new Labour Party was defined in its Reconstruction memorandum, which recommended that "the present system of organising, controlling, and auditing the processes, profits, and prices of capitalist industry should be retained and developed for the protection of the consumers against the extortion of profiteering." That programme is, of course, the expression of a doctrine which goes much further back than the war. The opposite programme, "Scrap the whole thing as soon as possible," is finding voice in other quarters, and is also based on doctrine—quite as much as on interest or judgment. Between these one finds an attitude which might be expressed, "Don't either retain it or end it. Sort it out. Keep anything that has proved itself; scrap the rest. That's the true British way—compromise."

This last attitude seemed at first sight most sensible, but principles and tendencies could not be left out of account. Were

they fully satisfied that it was safe to allow the political State, as at present constituted, to add economic control to political authority? Was there assurance that the power thus acquired would not be mis-used, to the subjection of the individual citizen? Again, the effectiveness of a system depended largely upon the end to which it is directed. It was important to remember that during the war the State had had a definite objective—to make war, and to make it successfully. The purpose for which the machinery of State control was constructed was not life, but death. Organising to resist or destroy was one thing; organising to assist and create was another. Healthy human societies did not come by construction or organisation—they came by growth. The impulse to that growth must come from within—ultimately from within the individual. To replace individual impulse, judgment, and will by State initiative and direction might be to atrophy every faculty which marks the sovereign man and the healthy community.

In this country we had, in the past, relied mainly, so far as the State was concerned, on spontaneous individual or group enterprise. We had not seriously aspired to be an "organised State." When all the facts came to be reviewed it would probably be found that the prime mistake made by Great Britain in the conduct of the war was that she had abandoned that tradition, and out-Prussia'd Prussia in State dictation and bureaucratic control; thereby losing at both ends—sterilising those qualities in which we were strong and setting up a system for which our people had little aptitude and our administrators little training.

There would be much for the State to do after the war. It must clear up its own mess. But he looked with misgivings on the prevalent idea of an after-war Britain shaped into an organised State on the Prussian model. There was too much of system and authority in it: too little of humanity and self-direction. In the rush towards bigness, system, and centralisation the human being was even now gasping for breath. The common people felt already they were "nowt but a set o' dummies." The cure usually prescribed for this was "democratisation"; but it was possible to have systems altogether too big for any sort of real effective democracy to have a place in them. That being so, overgrown systems resulted in "bosses" with enormous power and the "bossed" with none. What he looked forward to in the industrial and the administrative sphere was a splitting up into smaller self-governing groups. The drive must come from the common people, who must create the world of their desire by voluntary sub-groupings, never letting the size of their group outgrow their powers of control. The rôle of the State should be one of co-ordinating the activities of such groups. It should be the rôle of the policeman rather than of the controller. I ask again: How, under permanent State control, will you provide incentive, the correlation of supply to demand, and machinery for selection and the elimination of the unfit?

QUESTIONS.

QUESTION: Does the speaker consider the growth from smallness to largeness to be natural and inevitable?

ANSWER: Neither natural nor inevitable.

QUESTION: Will the reader of the paper please say what he means by the "unfit"?

ANSWER: I fell into a phrase. I would rather say the less competent and less necessary; those who are not rendering that sort of industrial service which society wants, or are not rendering it with such efficiency as to be worth their salt. During the war a great many Government Departments have done things which if they had been done by ordinary business firms would have spelt ruin in a fortnight. The firm would have gone out of existence. A Government Department can go on making blunder after blunder, but it does not go bankrupt. It just goes on. There is no harsh financial test.

QUESTION: Is the drift towards bigness in industry, with the increase and speeding-up of machinery, for the common good, and, if so, why is it so difficult for a large section of the community to get hold of the commodities produced by these large industries?

ANSWER: The drift toward large-scale production is approved on the ground that it results in a larger production per head. But it also reduces the proportion of those productively engaged, and it leads to pronounced inequalities in the distribution of wealth produced. Thus, after 100 years of increasing productivity millions are still in poverty. The loss of human qualities which large-scale production entails was to be compensated by material gains. To many that price has not been paid.

QUESTION: Does Mr. Hilton not think that virtually all control in this country is in the hands of the professional classes, and is not this fact responsible for present conditions?

ANSWER: Control is in the hands of the "bosses" who dominate the systems—political, professional, industrial, commercial. The bigger the system the more powerful the man at the top, and the more abject the people at the bottom. The remedy is to gain popular control of the systems or to decentralise.

QUESTION: Does the speaker believe that State control would give greater freedom or less freedom to individual choice of industry?

ANSWER: The system which State control would produce, if developed, would be a system under which there would be less freedom than there was under the old economic system.

QUESTION: Would the writer of the paper explain how and by whom industries should be controlled?

ANSWER: I have touched upon several possible arrangements. Amongst them, private ownership under the control of the State: businesses and industries in the hands of joint committees, after

the manner of the Whitley recommendations. That is one method, another is to make a series of guilds in which the control of the industry is vested in the guilds. Another is nationalisation. If we take a great industry, like the railways or mines, it is very doubtful whether any democratic system of control can be established and maintained. Under either the guild system or nationalisation the "boss" would re-appear as official or bureaucrat. The problem is one of maintaining efficiency, while securing effective popular participation in control. The Whitley proposals offer a good line of experiment. They might take a wrong turn—that needs watching; but they are sound in principle.

QUESTION: Is a system of sectional Trade Unionism against huge amalgamations?

ANSWER: Combination is good, provided too much power is not given over to a central authority. It is always bad for the local groups to resign their control. The separate groups must preserve their own identity and will.

QUESTION: Does not Mr. Hilton think that it would be far better to nationalise the whole of the industries and revise the administrative policy after the nationalisation?

ANSWER: The industries of the country are of endless sorts. They range from a steel trust or a soap combine employing tens of thousands of people to the cobbler's shop and the fried-fish shop. That all the varied "industries" of this country could be run by the State from Whitehall is unthinkable.

DISCUSSION.

Councillor J. BINNS (Amalgamated Society of Engineers): I have read with interest the paper written by Mr. Hilton. On the first part I have nothing to say. It reviews the present position, but I certainly do take objection to the fourth paragraph on page 32. There Mr. Hilton states that whatever the faults of the system it will not be disputed that it results in an enormous output of stuff of one sort or another, or that it results in the production of that stuff in rather remarkable accordance with effective demand. I think that the term effective demand should mean a demand that will result in supplying the things required with the greatest satisfaction to the persons who require them, and I make bold to say that, whilst the competitive system does result in the production of an enormous amount of stuff, a considerable amount could be dispensed with and replaced with stuff of greater use with advantage to the community as a whole. At present comparatively few people decide respecting the requirements of the whole community. Later, Mr. Hilton said the fact that some good results followed from the pursuit of private profit by a hotch-potch world, largely unorganised and undirected, indicated that there was some self-regulating process at work. Admitted, but we want

to get right down to fundamentals and see what the bedrock principle at work is. I think the position is entirely wrong, and that the supply should be in accord with the natural requirements of the community.

Centralisation of industry means, according to the history of recent years, that it is not always necessary to have high prices to get huge profits. Take Lever Bros., for instance, or other people who can compete advantageously on the market and still receive huge profits—the Maypole Dairy, for example. Somewhere about 30 years ago our industrial masters began to realise that they could make large profits by centralisation and organisation—make those high profits they had previously obtained by freezing out other people who competed with them, and competition between sellers has been largely eliminated by the methods of capitalistic enterprise.

I want to bring to your notice a statement Mr. Hilton quotes in the second paragraph on page 35, rather a remarkable statement: “In the third place, agriculture has been restored to its proper position in the national economy. After long years of neglect, its vital importance not only for the production of food, but for the healthy balance of the life of the nation, has at last been recognised.” I want to ask Mr. Hilton what brought about the decay of the vital industry of the nation? Was it not competition? Are we going to recognise in the future that the fundamental activity should be a cash fundamental, or are we going to recognise that the fundamental of production is the necessity of the community? At the end of his paper Mr. Hilton made remarks which to me seem to place him in the position of being more in accord with the competitive system than with the system of State control. But when, after a competitive era which practically killed the vital industry of the nation, we have in the space of three and a-half years got that industry, through State control, largely re-established on sound lines, so that the land can be made to do the utmost to supply the nation with food, surely the day of competition is over. The people have got to organise from a different basis altogether.

Mr. Hilton was quite correct in stating that our bureaucratic departments at Whitehall and elsewhere are doing a great amount of harm, but that arises from the fact that our political machinery of past years has been defective; we are merely suffering from the defects of our machinery. It does not show that State control is wrong and injurious either to output or to the nation. It merely means that round men were placed in square holes, and that education in the past has not fitted these people to control industry effectively at short notice and to get the best out of it. Later on, Mr. Hilton takes the question of the shipping industry. Let us see what happened at the beginning of the war. The shipping industry at the beginning of the war did as much to throttle food

supplies to this nation as any known combination of interests. We found the War Emergency Committee very shortly—within twelve months of the commencement of the war—issuing the increase in cost of freightage for cereals, rising from a minimum of six times of what it was at the pre-war date to a maximum of 20 times the amount. That is what competition does. It eliminates entirely from its calculations and observations any consideration of the welfare of the nation when it is a purely business proposition, and the shipping industry certainly did hit this nation in the vitals for almost two years at the beginning of the war. This brings me to the point that nearly all your politicians had an interest in the shipping industry, and resisted any attempt by the nation to grip it and organise it on sane lines. In the railway industry, which is largely State-controlled, and has been ever since its inception some 80 years ago, there has been less dislocation due to the extreme urgencies of the war than any of the other industries I have named. Whilst I have somewhat modified my views during the war period, and am now convinced that to reach State control in its entirety will be a very slow process, I want to suggest that putting the competitive system under review in comparison with a State control system if the nation had to meet any vital urgency by rapid and great changes the competitive system would stand condemned. State control does not mean that local autonomy will be lessened at all, for the State can lay down general fundamentals for the organisation of the nation in all directions, that it is not absolutely necessary that laws in regard to the social and economic and industrial position of the people—whether employers or workers—shall be on one set straight line, but what I do claim is this, that in the reorganisation of the nation the fundamental principles must be the welfare of the people in preference to profits for the few. Mr. Hilton has mentioned the Whitley Report. I do not altogether accept the Whitley Report as a basis, but I do say that before anyone shall make high profits out of any industry in future guarantees must be given that the interests and welfare of the people concerned shall first be considered, and that minimum conditions must be given which guarantee to the employes a full life, so far as is humanly possible, with full opportunities for the development of their intellectual, moral, and physical capacities.

GENERAL DISCUSSION.

Mr. A. E. MABBS (Coventry Trades Council): The question I asked the lecturer seems to me to strike fundamentally at the attitude of mind the lecturer took up. While one can agree very largely with his generalisations with regard to the evil effects of monopoly, while we can sympathise with the bitter experience of the small trader, I think that things being what they are, and

human nature what it is, it is absolutely impossible for us ever to go back to the days of the small industries. I perfectly agree that the idea of nationalising all the industries of this country is an ideal which it is impossible to carry out immediately, but growth is one of the fundamental things, and as we cannot stop growth in the vegetable or animal world, so we cannot stop growth in the industrial world. Why is it that industry has gone from the small stage to the large stage? Not because we desired it, but because the natural condition of things has driven industry in that direction. Consequently, what we have to concentrate upon while recognising growth is how to get the form of organisation which will give the fullest benefit to the people engaged in it. I agree that that is impossible if we are going to look upon industrial development as being part of the development of the political machine.

The Whitley Report, unless carefully watched by the Trade Unions of the country, will mean the further enslavement of the working classes, and development should come rather in the direction of separate guilds organised on a democratic basis. The lecturer quite unconsciously misrepresented the Guildsmen. National guilds mean that an industry should be owned by the State but worked by the guild, and that seems to me to be the only way of preserving the personality of the people engaged. The politicians elected to the House of Commons are quite impossible people to deal with industry. Surely the people who should deal with the national working of industry are the people who are themselves engaged in industry. While we do not want to be too separatist as far as general principles are concerned it seems to me that the man who is an engineer is the best man to know all about engineering. There may be difficulties in the way, but these are not insuperable.

Mr. HANCOCK (Nottingham Miners): We have spoken of the State; by the State I mean every man, every woman, and every child. Politically speaking, the State finds its expression in the House of Commons, and the House of Commons should try as far as possible to give expression to the wishes of the State. I hold that the foremost duty of the House of Commons is to make the life of every man, woman, and child as happy, contented, and clean as possible. Whatever the political complexion of the House of Commons that is the duty devolving upon it. Then with regard to nationalisation. I note that some people would not carry it as far as I would. I believe in the nationalisation of land and also of the principal industries; in fact, I believe in the nationalisation of everything that is necessary to promote to the fullest extent the national well-being. But we cannot close our eyes to the dangers of State control. For instance, how far is it going to interfere with individual liberty? I am not sure that we can have State control and at the same time retain

individual liberty and freedom. For instance, how far will State control leave men and women free to choose their trade or occupation? We cannot advocate State control if our personal advantage is to be the measure of somebody else's personal disadvantage; we ought to consider how far we are going to increase the hardships of life for other people.

Mr. PARKIN (York Co-operative Society): We can all agree probably that control by the State may finally be the proper mode, and whether or not we get all we expect from it, it will be a great advance, but what I want is something that will guide us now and immediately after the war. There is a class interest that is preventing the workers from obtaining what they are out for. For ten years I have wanted an allotment, and after repeated applications, have been unable to get one. Why? Simply because class interest was against me, and would not allow facilities for a worker, as I am, to realise his wish. Then war came along. That class that realised the danger of shortage of food felt that the people were so united that if the lower classes or the workers had to suffer through a scarcity of food they would see to it that the upper classes suffered at the same time, with the result that they are now, and have been for some time, going down on their knees and praying of you to take an allotment. But it is too late. I have no time to take up an allotment now. Those little things make you realise the subtleties that are working against you.

Guilds have been spoken of, and I suggest that we have not got back to the ideals of the old guilds by a long way. I come from a place where, in 1750, no less than 66 guilds flourished. I will quote some items from their rules. One was that "material of an inferior quality shall not be used or mixed with good material to the detriment of the purchaser." Further, "Only tools of good quality shall be used in the production of work." Also, "Workmen shall not work after sunset or by candlelight." Then also, "It is necessary that reasonable time shall be given to citizenship." That is not followed out to-day by our workers. I am sorry to say that people will work double hours to get the overtime rates. This could not be under the guilds. "No man shall ever work with a person who is not a member of the Guild." Let the day come when no Trade Unionist will work with a non-unionist.

Mr. JESSE ARGYLE (Club and Institute Union): While I believe the whole of the meeting is entirely in favour of State control, we are not yet in possession of the full facts which will enable us definitely to decide as to whether it will be to the advantage of the community. We do know of certain facts; we know that it will involve great subsidies to great industries. The whole bill has got to be footed by the community, and, therefore, we ought to have, before we come to a conclusion one way or the other, a balance sheet in front of us in order to see what has been the cost of the subsidies and also of the gigantic machinery

which has had to be set up in order to carry out State control. It may be found that the game is not worth the candle, and that the State will be the loser. I hope that that will not be the case because my own sympathies are with the idea of State control.

Mr. HIGGINBOTHAM (Stockport Co-operative Society): Centralisation is causing riches and prosperity on the one hand and misery and destitution on the other. I believe that the intensity of industry is causing centralisation to a very great degree, and intensity of industry consists largely of the production of a lot of useless things. Wherever we have a great many commodities from which employers can make a profit there will be a heavy demand for labour, and if we could eliminate the luxury industries it would give the people some leisure and it would spread labour over a larger area. Then people would not have to work so hard. I am in favour of State control providing these things can be done in an equitable and honourable way. As long as we manufacture so many useless articles, so long shall we be involved in turmoil and squalor. Take, for instance, aviation. From a spectacular point of view it is a beautiful thing, but I am doubtful about it. I am not going to say it is useless, but if it is going to supplement transport it will lead to an extension of unnecessary business, and I for one do not want to see it develop.

Mr. MUNDY (Labour Co-partnership Association): I am merely intervening because yesterday it was borne in upon me that in discussing the democratic control of Labour we were leaving out the thought as to who the democracy meant. We talked of citizenship, and our thoughts were not really directed as to who the citizens were—whether they represented the consumer, the producer, the worker, or whether they represented the whole of the people. I agree with the gentleman who laid it down that the State meant the whole of the people. I agree that Labour must control industry, or at any rate must have a very large voice in it. I am in favour of something in the nature of guilds, and I think the Whitley Report lays down something which may lead in that direction. The feeling in the association I have represented for 25 years is that the workers should have some control in the workshop. I know that at the present time the workers have large ideas and are expecting to get the centralised control. The guild is a fine idea, but we have not yet got down to the machinery of it, and we speak of the guild as if somehow everybody in it would have personal control. We cannot even discover the way to get personal control in our politics. We might have returned an entirely working-class, democratic Parliament but we have not done it, and I fear that if we had guilds we should take a long time to train up the men who could manage them. I want to get every worker in every shop to have some power of control, first of all over the conditions of his life, and

as soon as possible over the direction of the work in his industry. Therefore we ought to concentrate on getting workshop committees. The Federation of British Industries has tried to draw a red herring across the trail by advocating that the whole thing should be centralised. To me that is like building a spire before we build the church. Anything that is democratic must have its foundations on the ground.

The CHAIRMAN: A good deal has been said as to the customs of the Guilds. It is a curious thing that during the three centuries from the 13th to the 16th century the Guild system was established in England, and every large town, as towns were then, had a considerable number of Guilds. Those Guilds were the municipal departments for carrying on the industry, and the regulations they framed were very interesting. Amongst the provisions they made were those relating to overtime, the quality of their material, the hours that should be worked, etc., and with reference to the number of hours they worked they also made a provision that if a member was not able to finish his work through illness the other members should finish his work for him, so that no loss should come on his household. They were immensely successful. Why did they break down? They broke down because the Guilds were separate societies belonging to different areas. It was like Liverpool and Manchester people legislating against each other, each regarding the other as foreigners. The men of Manchester would not allow the guildsmen of other towns to come into their community. Where the Guilds broke down—it was not that they contained the germ of their own destruction—it was because they were never under national control. They were never co-ordinated. The citizens of Manchester had a Guild or Guilds. They had a monopoly for producing certain articles. They were the only people who could trade in that particular thing, but the Guilds of Manchester had no relation to the Guilds of Stockport or Congleton or Liverpool, and consequently the Kings of those days, in some cases for sums of money, could remove the monopoly for producing a certain article from Manchester to Salford, or from Salford to Liverpool, and play one town against the other, and owing to the lack of State control the admirable Guild system, which contains that machinery which may help us to eliminate our present industrial defects, broke down. I do not say that any kind of machinery would satisfy everybody, but the machinery was there, and I am glad it has been noticed. I hope we shall be encouraged to look more closely into the old Guild constitutions. It is curious that the only man who has really written a reliable history of the Guild movement is the German author, Dr. Grosse, in his “Gilda Mercatoria.”

MR. HILTON'S REPLY.

There has been some confusion with regard to the word "State." Mr. Hancock said: "The State is Everyman." No: the nation is Everyman: the State is the politicians who rule Everyman. After the war, if State control is fastened on us, that will be still more so. If economic control is going to be super-added to political authority there will threaten a tyranny such as the world has not yet seen.

Mr. Mabbs said we were being driven on irresistibly to mass production—that we could not help ourselves, and must make the best of it. That is a kind of fatalism we must reject. There is nothing inevitable in the course of human affairs. The world will be as we will it. Mr. Parkin, in his very pertinent mention of the difficulty of getting land before the war, showed plainly how the way of escape from big industry was barred. We can at least take pains to keep that way open. Mr. J. L. Hammond, in his recent book, "The Town Labourer," has shown how in the 19th century people were driven from the fields into the factories. That was not "inevitable and natural."

The shipping industry has been mentioned by one or two speakers, particularly by Mr. Binns, who was hardly correct when he said that the shipping industry throttled the food supply. That was the one thing the shipping industry did not do. The ships were bringing in more cargo per voyage than they had ever carried before in the history of the shipping industry. What people objected to was that the shipowners were making such high profits. We were getting the food, but feeling ran high as regards the profits, and for this, among other reasons, the ships were requisitioned. The Government appeased the very natural indignation of the public at the expense of the public's stomach. The ships have not been worked as efficiently by the Government as they would have been by the shipowners working for private gain, but to allow that was neither tolerable nor practicable in the circumstances. The notion that if the mercantile marine had been in the hands of the State at the outset freights would not have risen will hardly hold water in view of the fact that since the mercantile fleet was requisitioned the State has raised freights—in some cases by as much as 250 per cent.

Much investigation will be needed before we can know the full story of State control during the war, and its lessons; but it seems evident that the political State, as at present constituted, is not a fit body to exercise economic control. If there is to be public control, first it must be placed in the hands of more localised public bodies, and there must be the greatest possible amount of decentralisation. Second, the conditions must be such that the initiative and control will always come back, as one speaker put it,

to every ordinary working man and woman in the industry. We must be capable of using our own wills to influence the laws and conditions under which we live. Developments on the lines of the Whitley scheme promise well. There is some danger that the Whitley Councils may be used for thwarting the desire of the workers for effective participation in the control of the industries in which they are engaged, but to say "We will not support this movement because we suspect a trap" is to play the craven. This is not a time for people to be afraid. It is for the workers to take their courage in both hands and make the Whitley Councils an instrument for the effective joint control of industry by employed and employers as co-equal partners. Following on that line, step by step, always keeping to small groups in which ultimate control is vested, an organisation of industry may be reached in which each individual worker feels himself not merely a hired productive unit, but a living responsible participant in the industry as a whole.

THIRD SESSION.

Councillor W. MELLOR (Manchester and Salford Trades Council), in taking the chair, said they had heard a good deal in the previous paper about the evils of State control, and he was glad they were now going to hear something of its positive effects. Referring to the question of Guild Socialism, he said that that movement had been considered too much from the point of view of the people concerned in special industries, and too little from the point of view of the consumers, and he was glad that Mr. Mallon was going to deal with the consumers' side.

THE STATE AND THE CONSUMER.

BY J. J. MALLON,

Secretary of the National Anti-Sweating League.

In the new orientation of industry, which will be one of the gravest after incidents of the war, what will be the place of the consumer?

He merits consideration, for he is everyman, the whole body of citizens, of which groups of producers are but small parts, and because therefore a social and industrial system, of which the pillars are justice and mercy, must be built up on the recognition of his deeds. This plea unquestionably loses something of its force so far as it is true that there are consumers who do not produce, and whose part has been selfishly to open their mouths and shut their eyes to whatever the forces of supply and demand might send them.

The introduction of the coupon system encourages the hope that the consumer may in the future be called upon to indicate the service, rendered or promised, in virtue of which he asks that he should be habited and housed and fed, and that this question ing will arouse him to inquire as to the labour with which men sweep and garnish the world for his enjoyment.

But having proved his title to be heard the consumer will be able to make a strong case. To his open mouth no doubt much has been given, but also much has been denied. Of the productive system of the country it is possible to prove anything more readily than that the system is efficient or commensurate with the need it is meant to serve. None who cherish dreams for the material enrichment of their kind can fail to be appalled by the disparity between their desire and what is offered for its fulfilment. It is not merely a question of the subtractions of the capitalist, for if

we adjudge that "worthy" to be purely "a cut-purse of the empire and the rood" and reclaim for the public all that he takes away from it, the addition, other things equal, that would thus be made to national resources would not serve to do more than temper by a little the austerity of the standard of life that, as things have been, is obtainable for us all. The valuable work of the Fabians in emphasising the "error of distribution" somewhat distracted attention from the primary and, to the consumer, the more serious error of production.

That error, as stated in the dramatic revelation of the Census of Production, may be summed up in these terms: 7,000,000 men and women and young persons of both sexes who carry on the industrial work of the United Kingdom produce annually an output of £700,000,000.

Allowing the capitalist, therefore, nothing at all for his money or his brains or for the maintenance and augmentation of his factory and plant, the country once reputed wealthiest in the world has available for the supply of the diverse and innumerable needs of these people (men, women, and children) an annual sum of £100 per head.

So far, therefore, as the charge against the capitalist is merely that he subtracts from the exiguous production of the country more than his due it is of importance, but to the consumer it is of minor importance. The wrath of the consumer is rather directed against the system whence comes this meagre return; a system which, as he sees it, so little touches the patriotism and finer spirit either of employer or workman that whereas these twain might labour effectually to enrich mankind and embellish the world, the employer's adulteration of a commodity or ruin of a competitor, and the workman's practice of "ca'canny" or struggle with a comrade on demarcation are but a prelude to strikes and lock-outs, in which they throw away again a portion, sometimes considerable, of the little which their labours have won.

The consumer's plea is then, in the first place, for a positive protection. He avers that, as he has seen it work, the system of competitive private enterprise does not produce the desired quantity or quality of supply, and that it wastes much of what it produces. Round about the seven millions of producers several millions more win a livelihood by rendering trumpery services or no service at all. Of a national income of about £2,000,000,000, one-fourth of the whole is estimated to go in paying for distribution.

Moreover, much of what is produced and distributed had better not have been. In an article written some years ago on a Furniture Exhibition at Olympia Sir Leo Chiozza Money, M.P., says: "I can only describe the impression the stuff made upon my mind as painful. The greater part of the exhibit consisted of vulgar trash." Just such trash as we all know forms a portion of the stock-in-trade of almost every retailer in the kingdom.

To inefficiency, conflict, waste, and vulgarity the system of competitive private enterprise adds the grave fault that, as Mr. Bernard Shaw, in his spirited "Commonsense of Municipal Trading," pointed out long ago, it ministers to demands not in the order of their social utility, but of their profitableness:—

"Let the problem be to fix the price of a newly invented patent flying machine for a single passenger. As the patent excludes competition, the patentee may fix its price at anything from its bare cost to a completely prohibitive figure. Our experience of the automobile shows us what he would do. He would offer the aeroplane first at £500,000. It is quite possible, in view of the insane distribution of riches at the present time, that he would sell half-a-dozen through Europe and America at that figure; for ridiculously rich people do spend such sums on much less attractive whims. That is, he would receive three millions. When there were no more buyers at half-a-million he would introduce the popular aeroplane at £100,000.

"Probably there would be no buyers; everybody would wait confidently for a further reduction. He would then come down to £1,000, and make a stand at that probably for some years, meanwhile paying artisans £2 a week to fly about in aeroplanes and familiarise the public with their existence and practicability, just as until quite recently the most expensive autocars were seen running on our main roads, crowded, not with dukes and millionaires, but with people whose average family income was clearly not much above 30s."

During the war the profound vice of capitalism to which Mr. Shaw calls attention has been plainly demonstrated. While supplies for the poor were restricted, luxuries were, and except in so far as the State has forbidden their production, still are, plentiful. When there was a dearth of milk for poor babies the gourmand had his cream. No sugar for Whitechapel coincided with much sugar in the form of expensive chocolates for Mayfair. The artisan going beerless, and therefore cheerless, to bed did not know that the cause of the shortage of his favourite beverage was the production of the full-bodied proprietary ales and stouts retailed at prices which only the wealthy could afford.

The competitive system has these faults when it is true to the law of its being, that is to say, when business men are actually competing, and not merely pretending to do so. The business man has no illusions about competition. If he rhapsodises about it be sure the State is threatening to interfere with him or to take his place. At other times his one desire regarding competition is to throttle it. Beneath an appearance of fierce rivalry traders are always concluding agreements. Owing to Free Trade, understandings, cartels, and rings are less easy to manufacture in the United

Kingdom than elsewhere, but the output of them is nevertheless considerable.

Indeed, our rough island story, the Free Trade chapter of it not excepted, is full of them.

The economists of a century ago would be incredulous of this even if the evidence were before them. In the simple faith that industrial combinations if attempted would provide for their own destruction, these seers bemused their generation and died. "No body of traders," said Buchanan, "can ever form an effectual combination against the public, as all such engagements are broken by the partial interest of the individual concerned." Happy Buchanan, who had not to buy cigarettes from the tobacco trust or a reel of cotton from the great firm of Coats'. In implying in the comprehensive dictum just quoted that the Standard Oil Trust is not an effectual combination, Buchanan would have difficulty in persuading any customer of that company to follow him. We, who see these great corporations levying a toll almost coterminous with mankind, know better than Buchanan by what star the ship of competition is steered.

It is not from the purely capitalist combination alone that the consumer has to fear attack. The famous alliance in the Birmingham bedstead trade conveys a hint of more sinister possibilities. How the employers and employed in that industry agreed some years ago to push up prices against the consumer on the understanding that a portion of the profits should go to the workman in higher wages, how the plot for a time succeeded and showered its fruits bountifully on both the parties to it, and how, when prices of bedsteads threatened to become prohibitive, bedsteads from abroad and wooden bedsteads came opportunely to the rescue, has often been chronicled.

The case of the "stop days" introduced by the South Wales miners in 1901 avowedly to send up prices in order that under the operation of their sliding scale wages might also rise, will illustrate a lesser but by no means negligible peril.

One may sum up the consumer's main objection to the system of capitalist production in the form of a dilemma: Either production is genuinely competitive, in which case its power is wasted by its lack of central government and aim, its narrow outlook and internal friction and confusion, or intentionally or in effect it is monopolistic, in which case its deficiency is not power but the purpose which uses power for moral ends. In the one case the consumer cannot get what he desires out of weak units of production, in the other strong units of production get what they desire out of him.

Experience during the war has quickened the consumer's appreciation of his exposed and unsatisfactory position. From the limitless pillage of private competition he is aware that he owes his rescue to the State. Since certain exponents of the Labour

point of view are beginning to jeer at "bureaucratic tyranny," let us be clear that the alternative is capitalistic tyranny. It is already forgotten that for the first 18 months of the war the trader was not restricted at all. The moratorium and other such emergency measures did much in 1914 to protect him from ruin. He was subservient then, and only felt about Government interference that the more he had of it the better. Peering into what seemed to be a sombre future he was prepared to accept thankfully any reasonable offer that the Government should make for his services. But the mood of the traders altered with the realisation that, so far from impoverishing them, the war was to put it in their power to impoverish everybody else. Then, as the financial papers say, the market recovered its composure. Prices rose, and, as the Departments tossed contracts to whoever would promise quickly to execute them, they rose more. The fine careless rapture with which at this period the authorities disbursed the money of the community has recently engaged the attention of a Committee of the House of Commons, and it is illustrated by the conduct of a meeting of manufacturers, who, on learning the terms on which certain contracts were to be given to them, expressed their feelings by singing the National Anthem several times. To the trader, after a period of darkened and lowering skies, the upsets and hazards of war revealed nothing less than the Golden Age. He held stocks and sold them at a profit, or he ordered them and sold them at a profit. Mistakes were impossible. The market took everything and asked for more. When cargoes came safely to land the trader was rewarded as though he had personally transported them. When they, and sometimes the men who sailed with them, were lost, he was as richly consoled. It is now hardly credible that at a moment when the community was undergoing a pillage as systematic as though footpads had rifled its pockets every day, the notion that we owed much to our exploiters was sedulously spread. Mr. Runciman, then President of the Board of Trade, explaining to the House of Commons the risks of interfering with shipowners and flour dealers, and urging a Labour Member not, by doing so, to attempt to create "Utopia," stands out of the muddles of the war as a figure of colossal comedy too near to us to be fully enjoyed.

It is subtle malice or sheer stupidity which, forgetting the depredations and collapse of private enterprise, emphasises now the inconvenience of short supplies, with the hampering regulations that accompany shortage, and attributes to the machinery of Government the confusion, inequality, and dearth which in fact it has, with extraordinary success, mitigated or removed.

We may proceed to ask, what of the consumer after the war? The reply must be that the signs are unpromising. Here, and in most of the belligerent and neutral countries, capital is

rapidly consolidating. The amalgamation of British banks has reached a stage at which we are threatened with a monopoly of finance. Portentous amalgamations are noted also in the worlds of coal, engineering, and shipbuilding. A similar movement in Germany is of imposing sweep and has some special features. Thus the firms in the German dyes industry have agreed to a scheme of syndication to last for 50 years: the probable reaction of this great trust upon the United Kingdom requires no emphasis. Side by side with the "horizontal" combination (that is, combination of like businesses to form a larger unit) of which the dyes amalgamation is a type, "vertical" combination (that is, combination with a view to obtaining command over supplies of raw material) is no less conspicuous. Outstanding figures in the second of these movements are several of the great armament firms, Krupp the chief of them, who have added enormously to their holdings in coal and ore.

But voluntary fusion of great interests is only one kind of fusion. In Germany in the hour of Mars, competitive private enterprise is practically "verboten." Making the fullest use of their power under the National Service Law, and their control of raw materials and transport, the German Government have imposed concentration on their industries wholesale. And when the Germans say "concentration," they mean it, as witness the letter of a leading manufacturer in the "Norddeutsche Allgemeine Zeitung":—

"Out of 1,700 spinning and weaving mills only 70 are still running at high pressure, whilst in the boot and shoe industry 1,400 factories have been amalgamated into 300. In the oil industry 15 factories working at high pressure have been formed out of 720 works previously existing. In the silk industry the number of spindles has been reduced from 45,000 to 2,500."

Is it to be expected that, having thus crushed competitive enterprise under their heavy military boot, the Fatherland will permit it to bloom again? And if the Germans extinguish it will not inexorable economic necessity be pleaded for its circumscription here?

After all, our latest Man-Power Act brings us within hail of Germany, and must hasten a development of combination which under war conditions has already made notable progress. Combination of individual trades is indeed a condition of Government control. The Ministry of Food, unable to purchase for or distribute to the innumerable businesses with which it now has to do, is compelling concentration, more gently and gradually perhaps, but not less effectively, than the Germans. In some trades no inducement to combine was waited for, and in one, the United Dairies Limited, having unified the wholesale and the retail interests in the London milk trade, are now asking the farmers to come in, so that of a capital of £4,000,000, farmers

will hold £1,333,333, one-third of the whole. Should the invitation be accepted, let us pray that the dairymen will deal in the milk of human kindness as well as in other varieties of that fluid, for before this trinity of powerful interests the milk consumer is incapable of defence.

Can there be any doubt that the drive is powerfully towards concentration, and that at the end of the war there will be an abundant crop of every species of combine, cartel, and ring?

The lesson of concentration will by that time have been learnt. The trades which when war began had no corporate identity, no organisation, no government, will then have realised and removed these defects.

When required by the War Office in 1914 to say of what output their trade was capable certain great business men confessed they had no means of obtaining this knowledge, and their guesses were in many instances ludicrously wide of the mark. Helped by the organisation which the "bureaucracy" has imposed upon them, they can make a much shrewder guess to-day.

There remains Protection, which, deriving an emotional stimulus from the war, will be harder to defeat than of old. Hatred of the Germans, trumped up or genuine, will sway elections; cries of "key trades" and "a self-sufficing empire," a cry most of all that a man who has fought for his country and not the foreigner, must be found employment, will be likely to muddle the wits of the voters and induce action which cooler judgment would avoid. Given Protection, the combine and ring come in as a matter of course.

The conclusion is that after the war we shall have to choose between one kind of combination and the other. Competitive enterprise (deeply regretted) lies in its grave, and through some form of monopolised industry production is to be raised to a higher power. What form shall we choose? Individual enterprise, ill-ordered, ill-conducted, mean-motived, carried waste, social antagonism, and corruption in its train, and hindered the conception of industry as a national service entrusted with the task of applying the great ideas of the inventors and the gifts of modern science for the improvement of the lot of mankind.

But is the combine on balance any better? And if we refuse to give the combine its head (because to do so would be equivalent to giving it our own) what workable policy do we offer society as an alternative? Let us look for an alternative policy in the experience of the war.

The steps taken by the Government for the protection of the consumer have been described in Mr. Sanderson Furniss's paper as constituting a system of State capitalism. In that system the shareholders get the equivalent of their profits before the war or something more than this, and the State gets the service it requires at a fixed price. The limitation of charge at which

State capitalism aims embodies, it is true, no new principle, and it may fail to embody any substantial reform. Railway companies have long been limited to a charge of 1d. a mile, but the limit, though greatly to the public advantage, has not produced an efficient railway system or prevented the companies from extracting from the community dividends which would be substantial were it not that owing to the folly of competition and excessive "watering" British railway capital is largely fictitious. But the system has done more than limit prices. Consider, for instance, the pass to which the ridiculous zig-zag of separately managed railway lines would have reduced the country during the war had it not been for the central government which for the first time has been imposed on them. Central government notwithstanding, the companies for nearly two years caused waste, delay, and confusion, of which we are still feeling the consequences, by refusing to "pool" their trucks, and they pooled them eventually only under specific compulsion, which, until action became imperatively necessary, Mr. Runciman had neglected to apply.

The higher efficiency of the railway system is to the credit of State capitalism. So is the distinction it enforces between the elements of finance and of management in industry. The men who actually plan and direct the work of the railways, and those who only make money out of them, are now seen in a relation of light and shade. The structure of industrialism is cleft by this separation of the great engineer and organiser from the great shareholder. The differentiation once planted in the popular mind simplifies the issues of nationalisation, and must lead to action. When we are urged in future to let the strong hand of the practical man still control our railway system it will be easier to answer that we propose to do so, but object to the "dead hand" of capital taking the money for the tickets.

In relation to the productive industries State capitalism has assumed numerous and very subtle and interesting forms. Unlike the railway companies, the establishments "controlled" by the Ministry of Munitions were allowed to exceed their pre-war profits by a fifth. As under war conditions the establishments, by charging high prices for individual jobs, could accumulate in a few weeks as much profit as was permitted to them for a whole year, thereby losing their incentive to produce anything else during that period, a strict examination of their costings became necessary.

In establishments not controlled, but largely engaged upon Government work, investigation was no less urgent. As a matter of fact, numbers of firms, finding the home market willing to pay whatever they might charge, desired, and still desire, to avoid Government orders, and the tenders of such firms to the various Contracts Departments have often been designedly at prohibitive figures. The response to these conditions is the elaboration by the Contracts Department of the War Office

of the method of "conversion costs," by which in a number of trades all the elements of outlay have been calculated for each operation (thus in the woollen trade the elements of outlay in spinning a pound of wool have been calculated), and to the sum of these elements an addition is made to represent reasonable profit.

Incidentally the discovery of this system, and its retention by manufacturers after the war, will itself have important consequences. In the woollen industry, especially, no general system of costings has previously existed, and much of the under-cutting in the trade has been due to the ignorance of the smaller employers as to whether a particular contract would or would not be remunerative.

The possibility of a precise ascertainment of costs will in future help the producer. Why also should it not help the consumer? If we are to have cartels and combines, is not the system of costings one way in which to keep their hands from sinking unduly deep into the pockets of the community? Combines behind a Protectionist wall invariably loot the home market. The protection of the American woollen trade means, for instance, that the American working man finds it more difficult to protect himself against the cold.

"Very few Americans now sleep under all woollen blankets," said a writer recently in the "New York World," meaning, of course, not that the Americans in question lay awake under these blankets, but that they could not get them to sleep under! The Americans are no worse off in bed than they are out of it, and the author of "The Story of Trusts" describes the "vast-bulk" of the American population as shivering in high-priced "cotton substitutes for wool," with such dire consequences to health that the National Society for the Prevention of Tuberculosis has felt compelled to agitate against the woollen tariff. A trust may be in any circumstances an evil to avoid, but a costings system applied with the assistance, say, of a Consumers' Council would limit its anti-social possibilities.

The importance of costings may be illustrated by the example of the "Standard suit." It is known that the Government, through their purchase of the wool clips of the United Kingdom and of Australia and New Zealand, now control all the supplies of raw wool, but they have not ended the exploitation of the civilian consumer of woollen manufactures. After their own requirements are met (at a price based on cost of production, plus a reasonable profit) the practice of the Government has been to permit the unconsumed raw material to be used (on a "profiteering" basis) for the civilian trade. The exploited workman, protesting vigorously against the excessive price of clothing, is now to be considered to the extent that a certain quantity of raw material is to be reserved for his special needs. Standard tweed,

produced in many varieties at about 25 per cent. less than the market price, will be made into "ready-made" suits by the clothing manufacturer, who in his turn will undertake the work at less than his present rate of profit. Thus the workman may obtain a suit of thoroughly good and attractive material at 57s. 6d. instead of at 70s. or 72s. 6d. Serge suits of better quality, produced on the same system, are to be sold at 80s. and 92s. 6d.

This scheme obviously is over modest. "Standard tweed," though some 25 per cent. cheaper than the present market rate, will still be 100 per cent. dearer than such cloth would have been before the war. Why, then, should the woollen trade be allowed to make on it more than the "reasonable profit" allowed on Army supplies? Why, further, should nothing be done for the poorer women? "Standard skirts" are not an attractive idea, but the "standard" need not any more than in the suitings be an outward and visible sign.

Notwithstanding its shortcomings, the scheme (and that for "standard" boots) is novel and richly suggestive. Worked under the supervision of a carefully selected Consumers' Council, with competent Civil Servants to assist them, and with power to advise the Government on the fixing of maximum prices, or on other action required in the public interest, it might be one shield of a people against the extortions of a trust.

Of Government control of productive industry, "costings" is one main branch: the other and the more important is the State ownership of raw material, which opens up issues of enduring moment.

Before discussing these fundamental questions it will be convenient to pass under brief review the remarkable achievements of the Ministry of Food.

It is easy to miss the immense significance of the work of the Ministry, and many of the prolific attacks upon it are designed to make us do so. But the work is sound enough to stand criticism, and study of it only heightens its impressiveness. Consider how completely before the war the Socialists failed in their attempt to municipalise the supply of the vital commodities of milk or bread. That these commodities were dearer than they ought to be, that the circumstances of their production and delivery were often such as to endanger public health, that numerous bakers paid for night work with their lives, and that the occupations of dairymen and women were made almost unendurable by the absurdly early hours in which they were compelled to leave their beds—all this the cities knew.

They fell back, however, before the vested interests of the trades and before the problem of their seemingly too tangled and intricate organisation. The work of the Ministry supplies information with which to confound these interests and to work through the tangles and intricacy. Through thorough exploration

and efficient direction, not only of the trades of bread and milk, but of all the other food trades, the Ministry have raised altogether the current estimate of the possibilities of Governmental action, and compelled us to consider whether a system which has worked so wonderfully in war, may not be of some usefulness during peace.

The main principles on which the food trades have been dealt with may be said briefly to be as follows:—

The Ministry have centralised purchase. Where multitudinous buyers, representing each of the different nations, used to struggle against one another and so inflate prices, there is now joint buying.

The Wheat Commission, which in 1917 purchased wheat to the value of £400,000,000, is the most striking case of concerted action, for its scope includes Spain as well as Great Britain, France, Portugal, Italy, and Greece. These vast purchases are made through agents who receive a reasonable commission on their work. Men no longer gamble or speculate in wheat, or, in the old sense, no longer make profit out of it. The several countries having unified their demand present it to the producer through intermediaries, who are now merely the servants of the purchasing body. The Wheat Commission is, of course, only one of a network of purchasing bodies. There is the Sugar Commission. There is a Committee to purchase meat, and another to purchase oils and seeds and fats (mainly for the manufacture of margarine). There is also the organisation for purchase of home-grown product in the United Kingdom.

Considered on the side of its purchases, the Ministry runs a machine vaster and more powerful than anything of the kind that has ever existed in the world.

Purchase is only a small part of the total activity of the Ministry. Manufacturers in a score of great trades—buying prescribed materials at prescribed prices from prescribed sellers, turning them into prescribed varieties of foodstuffs, to be disposed of to distributors no less prescribed—are kept under the most searching and minute control. The direction of the Ministry is now almost co-extensive with the whole of the food supply. At the end of 1917 the "National Food Journal" could boast that:—

"Under the authority of the Food Minister at the present time every essential article of food, whether for man himself or for the cattle on which most men in civilised countries largely depend for sustenance, has been brought under control."

About the same time Mr. Clynes (Parliamentary Secretary to the Ministry) claimed that practically all these essential foodstuffs were protected against profiteering.

Add to the lynx-eyed control of these foods and of the 100,000 firms, now little more than agencies of Government, that retail them, the almost unimaginable intricacies of rationing upwards of 40,000,000 people, and one is still far from measuring the stupendous task that a quickly improvised machine of Government has undertaken in desperate emergency and, notwithstanding misrepresentation and powerful opposition, has carried to substantial success.

The most striking part of the work of the Ministry, that in which it has striven to create and improve food as well as to regulate it, has still to be described. It ranks with the feats of the Ministry of Munitions and the Contracts Department of the War Office as a resounding triumph for State capitalism. When the Army was perishing for the munitions which private enterprise had failed to produce at exorbitant prices, State capitalism produced them cheaply and in abundance: when the troops could not obtain enough sandbags at 9d. per bag to enable them to advance, State capitalism reduced the price to 3d., and many times multiplied output: and when private enterprise could not produce margarine but only queues to wait for it, State capitalism once more came to the rescue.

As illustrative of the creative work of the Ministry, take the facts of the increase in the production of margarine.

In 1913, the consumption of butter in the United Kingdom was 16½lb. per head per annum, and of margarine 4½lb. per head; that is, the consumption of butter was nearly four times that of margarine. To-day the weekly output of home-produced margarine is three times what it was in 1913, while imported margarine in January stood nearly at the 1913 level. The import vital a few months ago is no longer essential. In a few weeks the United Kingdom will have become self-supporting in margarine production.

How has this increase been made possible? Firstly, by the Government purchase of the total production of West African palm kernels; secondly, through the control of all oleaginous seeds, nuts, and kernels, and of all vegetable oils in the United Kingdom; thirdly, by diverting a portion of these ingredients from their use in the manufacture of commodities other than foodstuffs; fourthly, by speeding up manufacture on the same lines as those that led to the historic augmentation of the supply of munitions. The work of the Ministry has thus sent up production: it has been no less efficacious in keeping down prices. The "National Food Journal," February 27th, 1918, states:—

“REGULATION OF PRICES.

“It has been the declared policy of the Food Controller in dealing with oils and fats, as in the case of other commodities, that the prices paid at each step in the process of transforming oilseeds and nuts into margarine should be based on pre-war

profits plus the present actual working cost, the latter having been established by an examination of the books of representative traders in the Costings Section of the Finance Department of the Ministry of Food. By these means the prices of refined oils to the margarine maker have been kept down far below the point to which they would have soared in the open market. Two facts may be given in illustration of this point:—

“ (1) Prices of refined oils in this country are at present approximately one-third of the prices of the same refined oils in France.

“ (2) The price of non-edible tallow (which is not under control) is to-day £135 per ton, while edible tallow, a superior article, is sold to the consumer at £68 per ton.”

The story of meat is no whit less remarkable. That meat prices could effectively be controlled practical butchers flatly denied. The Ministry, by that time familiar with denials, went cheerfully ahead, and after weeks of struggling emerged from a tangle of questions of live weight and dead weight, grading, railage, and the classification of cuts, with a scheme of organisation of the trade and of maximum prices, which still deprives the untutored butcher of breath.

A reform which the Ministry, so to say, have taken in their stride is the reorganisation of Smithfield Market. Six months ago each of 300 highly competitive firms in the markets delivered meat to all parts of the London area. These firms are now in an association, working for the Ministry of Food on commission, which they share according to turn-over prior to reorganisation. Smithfield Market is run at present by the ten directors of the association, each of whom controls a section of the market, to which all the retailers from one of ten London areas are allocated. Here, again, profiteering is for the time being at an end, and makes way for the principle of payment for public service actually rendered.

We now return to the policy of the centralisation of purchase, on which, as we have seen, the several systems of Government control mainly depend. Can centralisation of purchase be retained after the war, and would there be public advantage in retaining it? The opponents of centralisation would no doubt dispute the advantage. They would point out that the merchanting firms in most large industries were few, and they would claim that the gains of these firms were not out of proportion to the services they rendered; they would say that if any economy inhered in centralisation these firms would long ago have combined in order to obtain it; more weightily they would point out that the concentration of purchase might concentrate hostility against the purchaser, thereby possibly causing serious international difficulties, and

eventually would concentrate sale, in which case it would be difficult or impossible to establish a basis on which transactions could go forward. To these arguments it would be replied: Admitting for the moment that the intermediate firms are not in all cases numerous, and that their gains may often be regarded as reasonable, the fact remains that the competition of these firms with one another worsens substantially the strategic position of the consuming against the producing country. Moreover, the failure of individual firms to concentrate their purchasing power is not evidence that it would not profit the community to do so, possessing as it does financial resources greater and conceptions of economy wider than those of business men. Finally, let it be granted that one concentration would imply the other, and that the producers thus brought together might refuse or even strike against the terms offered by the purchasing authority. It is to be considered, first, that "corners," the commercial equivalent of a strike, are frequently attempted now; secondly, that the main desire of the producer is for long-term contracts, which protect him from bad seasons and enable him to plan his operations with confidence over an appropriate period of time, and that it would be the interest of the purchasing authority to enter into such contracts, and in other ways powerfully to aid production, and thus to enrich the producer; and, thirdly, that the inability of the producers, separated in several countries, to form a strong combination, and the inability of the purchasing authority to compel producers to work at a price deemed by them to be inadequate, would cancel each other, and lead ultimately to the acceptance by both sides of the cost of production as the basis of selling price.

The case that emerges in favour of concentrated purchase might be summed up provisionally under these headings:—

1. Increase of economic power and its systematic use in the national interest.
2. Power to make long-term contracts at fixed prices.
3. Stability of all the prices of foodstuffs for substantial periods (foodstuffs thus becoming a stable element in wages).

Assuming, however, that the purely economic gain from centralisation is negligible, may it not still be contended that the power given by the control of raw materials will in future become vital to the assertion of the sovereignty of the community? That supplies precious to human life should be gambled in is increasingly objectionable to democracies, which find in the practice conclusive proof of the soullessness of so-called civilisation. Not less important is the consideration that the barrier in the way of the realisation of the workman's demand to enter into the control of industry is just the power that the ownership of materials confers upon his employer. Reasons for transcending considerations of monetary gain may induce the community to

decide that this power is too far-reaching to be devolved upon any shoulders but its own.

It remains to consider what alternative is open in the event of the system of State purchase being impracticable or undesirable. The chief advantages of that system were shown to be an elimination of waste and a purification of the business of supplying the nation's needs. Could these main purposes be secured by any other method? The commercial trust or combine, while representing often in a high degree the advantages of economy, has been proved by experience to be inimical to the public interest. Shortly, it represents power without responsibility, and as a solution of the present problems it may be dismissed. We must look, therefore, for some other method by which the trust can be so bitted and bridled that it shall become the servant, and not the master, the reins being in the hands of the democracy. Such a means may appear to be ready to hand in the co-operative system. The salient features of that system can be briefly reviewed. Retail stores directly in contact with the diversified demands of the ordinary man or family are established where a need for them exists. Through the focussing glass of the retail establishment the classified and aggregate demands are transmitted to the wholesale society, which then proceeds to satisfy them in bulk. The control of the purchaser over his retail stores is immediate and direct. If he is dissatisfied he need not withdraw his custom; he can elect a new management. This elected management of the retail stores has a similar direct control over the management of the wholesale store, and as the individual purchaser can judge the efficiency of the organisation by reference to his own specialised requirements, so the directing committee of the retail store can bring a similar test to bear on the basis of the large or aggregated requirements. By such a system the purchaser or consumer is given the power of control over the machinery by which his demands are satisfied. In fact, the machinery is *his*, and its efficiency largely depends upon his vigilance and power of intelligent criticism. If it fails in its purpose of supplying the necessary amenities of life honestly, economically, and humanely it will be from the incompetency of the people to exercise the powers of self-government with which we all claim that as a matter of right they shall be invested.

The limits of the success of the co-operative organisation in its rôle as a purchaser in the open market are, of course, determined by the scale of its transactions. If it were small it would have to accommodate itself to the condition of the various interests as we know them now, with their "shorts" and the rest of their Stock Exchange jargon. In proportion as it grew, however, it would, as was shown to be the case with purchasing concentrated in the State, control the market, and substitute for tortuous, intricate, and wasteful negotiations a simple and straightforward transaction.

Because, however, size is the essence of the case the co-operative system can be offered as a solution of the present and pressing problems only with reservations. The number of co-operators is indeed large, comprising no less than one-fifth of the whole population, though from this number should be deducted those whose attachment is casual and slight. It is, however, far short of being large enough to fulfil the requirements that must be laid down, and there appears to be no way in which its growth could be so accelerated as to provide a solution that shall be ready for application at the critical moment following the close of the war, when the whole of the social organism is ready to receive an impress for good or evil. Compulsory membership of a co-operative society is difficult to conceive; the spirit of the movement is so distinctly that of freedom and goodwill, yet propaganda, even energetically carried on, must yet be too slow by many years to achieve its full purpose. This being the case, co-operation for the present must be left with regret, nevertheless with a feeling that its importance in the industrial scheme is a developing one, and that it will soon demand a less cursory statement than that here given to it. When that occasion arises it will be necessary to say a word on the problem of the relation of co-operation to the State, in which many of the questions already touched upon in relation to centralised purchase would attain new importance.

If co-operation is not able at present to take the community under its protection, may we hope that a system of national Guilds or of compulsory arbitration might do so. The answer in both cases must be negative. The conception of national Guilds co-ordinated in a parliament of producers between whom and a parliament of consumers all economic questions would be determined is new and bracing. But the idea of the Guilds is as yet insufficiently theorised, and it has not yet obtained wide discussion or wide understanding, to say nothing of wide acceptance among the Trade Unionists, who, of course, have most to hope from its adoption.

A system of compulsory arbitration which would extend to the profits of the employer as well as to the wages of the workman might be practicable in a community which had laid down a basis for the apportionment of the national dividend between its citizens, or in which arbitrators were so highly esteemed for impartiality and wisdom that all men would willingly accept their awards. Capitalistic society, by its very nature, cannot fulfil either condition.

We arrive, then, at the conclusion that at the end of the war the country will have to choose between a policy of reverting to the methods of uncontrolled capitalistic production and that of retaining and developing the mixed system to which we have lately become accustomed.

The first of these policies will involve a tremendous endowment of private capitalism, for the industries which the State has

reorganised have added enormously to their capacity for wealth production. These possibilities of greater wealth will, as we have seen, be exercised in many trades by combinations of manufacturers whose monopoly of the home market may be made secure by a system of protection. Under such a policy exploitation would increase; inequality of wealth become more gross and oppressive, and class embitterment more thoroughly than before poison the life-blood of the community. The alternative policy would mean that the doors were held open to the development of communal control, which would gradually express itself in terms adjusted to the conditions of the various types of industry with which it had to do.

It must be remembered that the problem before us is not the ultimate constitution of industry, but the arrangement we are going to make when the war ends and we have to restore industry to the purposes of peace. From this point of view, we see that the control that has been exercised during the war must be continued through the transition period. Questions of priority in the allocation of shipping, materials, possibly capital, will have to be settled; the grant of priority confers a privilege, and privilege carries with it responsibility. How is this responsibility to be brought home? The sudden change in the objects of production will introduce an immense element of speculation; how is the element of uncertainty to be reduced and the possibility of speculative profits curbed? There will be an urgent need for certain necessities; how are these to be insured? A system of control such as has been already described offers the only immediately practical answer to these questions, as it offers the only existing administrative machinery for dealing with them.

Nor need we hesitate to extend this policy if we look beyond the transition period and take a longer view. The experience of the war has demonstrated its possibilities, which have been indicated above, and may be summed up, briefly, thus: In the first place, it brings the productive organisation of the country under public control and makes it possible to direct it to first needs first. It makes it possible to apply our spinning frames and looms to plain, good fabrics for "Standard suits," even if it would pay their owners a little better to apply them to expensive fabrics for luxury trades. In the second place, it makes excessive profits impossible; it leaves the capitalist some profit, a "fair" profit, if that term may be used, reached by a careful study of costs, and maintained by a central control and allocation of materials. The same control ensures the consumer a good article at the lowest price at which it can be produced. In the third place, it makes possible immediately the association of the workmen in an industry with the general direction of the policy of the industry, by giving Trade Unions representation on Boards of Control. This representation on bodies armed with the power of the State is the best assurance that could be devised of the humanising of conditions

in industry. Finally, it does not put the producer, capitalist or worker, or both, in the position of a monopolist, able to exact what he will from the consumer. The consumer also has been associated with these controls by representative Consumers' Councils. These are only at the beginning of their development. As they develop they will complete an organisation in which, pending an ideal solution of all industrial troubles, the State, private employers, organised workmen, and consumers are associated in the control of the industries, on which they all depend, for the public good.

Mr. J. J. MALLON, in speaking on his paper said the true object of industry was to produce things for the use of the community. It was not to give profit or high wages. The people who supplied any commodity were, relatively to the users of the commodity, a very small body. If, for instance, the bakers were allowed to determine the price of bread the great mass of the people might be exploited by the few. It did not matter whether profiteers or workers exploited them. Miserable sinners they were, no doubt, but they deserved better houses, better clothing, better bread, a better apparatus of enjoyment than they in fact obtained. Why were these better supplies unavailable? Because one side of the question (production) had been emphasised at the expense of the other (consumption). They must try to correct that. The competitive system had failed. But whether they had competitive or combined industry, so long as it was capitalist industry failure was inevitable. Mr. Hilton had said that morning that a vital industry—agriculture—had been allowed to go to pieces. That was precisely what happened when they had an industrial system inspired by motives of profit. To the profit maker there was no vital industry; there was only profitable industry. He need not dwell on the question of profiteering during the war. He might mention, however, one case. The shares of a certain company were at the beginning of the war worth £2. They were now worth £36. Profiteering during the war reminded him of the man who stole a wreath from a grave and won a prize with it at a flower show. What was going to happen after the war? It was plain that the power of capitalism was going to increase unless they did something. It was in their power to prevent that, though they might not be able to rearrange society. Under State capitalism the distinction was drawn between the man who performed some useful work in industry and the man who merely took something out of it. They must retain the one element and get rid of the other. A system of costings had been elaborated which would be a necessary part of any industrial system from which exploitation was banished—also centralisation of purchase had been established, which involved one of the greatest issues which had been presented.

If they were not going to retain that mixed system, what were they going to do? There were two big ideas which they should

consider carefully. One was co-operation. If co-operation was not more powerful it was the fault of themselves for standing outside it. It was a great power—a world-embracing influence which they could use—and when people talked about taking over industry, and about all kinds of vast schemes, he pointed to the co-operative movement. There it was, waiting to be helped, powerful to reform the world. Let them develop co-operation until all consumers were co-operators. As things were, there were two shortcomings in the co-operative movement. First it was not big enough, and secondly they had not got the proper organisation of producers inside it. The movement, nevertheless, effectively represented the consumers. Therefore, in his paper he had commended it to Labour. The second big idea was that of national guilds. He believed the idea of the guilds was an important and pregnant one, but if anybody in that room or out of it put it to him that the Trade Unions were in a condition to take over industry he would tell them that they were living in a fool's paradise. They would have to go through a generation of experiment and training before they could do it. Therefore, he would end on this note, that they had got this system, which had been developed during the war. Grossly imperfect as it was, it had got in it the germ of something better. Let them not allow one tittle of the power it gave them to be taken out of their hands. There were employers who would say that they must get rid of State interference, and he was sorry to say that there were leaders of workers who joined with the employers in saying that sort of thing. That way destruction lay. Let them keep every particle of power they had won from capital and let them see how they could develop the system into a better one, and thus let the consumer into the realms at the door of which he had been knocking so long.

QUESTIONS.

QUESTION: Does Mr. Mallon think that "combines" are necessarily an evil if it can be proved that the workers in the industry are benefited, and that the consumers are benefited by getting cheaper goods?

ANSWER: If that *can* be proved, combines are, to that extent, a good thing.

QUESTION: From a consumer's point of view is it a good thing for the working classes to be represented on councils with the employers?

ANSWER: If the reference is to the Whitley Report (to which I was a signatory) I would say that the Whitley proposals are intended for fully organised trades. I am in a state of terror lest they be taken up by other trades. I would not have signed the Report if I had thought that the unorganised and semi-organised

trades would apply for Industrial Councils. I am only in favour of the fully organised trades going under the scheme.

QUESTION: Does Mr. Mallon agree that producers can only work at a profit because people require the things that are produced?

ANSWER: People may "require" something because something better is not available. I have not said, however, that the capitalist only produces what is profitable. What I said was that the capitalist only produced what he thought would be profitable. Very frequently he makes mistakes.

QUESTION: What would the speaker put in place of the incentive of profit-seeking?

ANSWER: I can only give a general reply—public service.

DISCUSSION.

Professor FRED HALL (Co-operative Union): I agree with all that Mr. Mallon had to say with regard to the motive of industry. He hardly stated the case, however, as strongly as he might have stated it. It is beyond doubt that the motive of profit-making has failed to supply us throughout the war with the things we required at the price we required them. I look forward, as I am quite sure Mr. Mallon does, to the time when we shall have a higher motive in industry than profit-making. Therefore, it is not in any sense of cavilling that I criticise some points adversely. I want him to illustrate certain points. Right throughout his paper Mr. Mallon was advocating a continuation of Government control. I quite agree that for some time after the war Government control will have to be continued, but, personally, I have not had my admiration for Government control much increased during the war, and if we are wise we shall not worship Government control as such, but shall try to find out whether it is wiser to adopt it or to modify it. I take it that everyone in this room desires liberty. There is not one of us, however much in favour of Government ownership, who does not desire liberty of action for himself, and Government control, even with the workers themselves in power, might be tyrannical in its bearings towards the members of the community. I am not suggesting that the workers are incapable of exercising control in a wise manner; but I want to suggest that the control must be exercised in the right manner and the right spirit, or Government control will be discredited. Both Mr. Mallon and I would regret that. Mr. Mallon rather glorified Government control, and I want to state the opposite view. There have been bad features as well as good features of Government control. Those who have been students of social development during the war have in their minds the likelihood of a danger arising from the growth of the trust movement during the war, and undoubtedly State action will be necessary if the monopolists are to be controlled. One

of the dangers is that the State will be asked to help the trusts to develop on their own lines in order to meet foreign competition. While some of these things may be done in the name of efficiency, we must see that the consumer at home is not exploited, by State aid being given to the monopolies now being created or suggested. No doubt the movement for the development of trusts will be stimulated by the knowledge of what is going on in foreign countries, but we need to bear in mind not only the relation of our industries to foreign countries but to the consumer at home.

Mr. Mallon made a point in his paper about the importance of increasing productiveness, but he did not make many suggestions as to how productiveness could be increased. With regard to the control of industry on the lines suggested by Mr. Mallon, I see no suggestion as to how the commencement of new businesses is to be provided for.

Mr. Mallon rightly referred to the regulation of prices, but it seems to me we cannot consider the consumer alone, for besides being a consumer he is also a producer. If we are to have control of prices it involves control of wages, and these must be fixed in relation to the cost of living. Then Mr. Mallon might tell us more about the relation of controlled prices to the export trade. It is not a difficult matter to control prices so long as we are dealing with a self-contained country, but when we come to deal with normal conditions how is our foreign trade going to be affected by the controlled prices? I think we are all agreed that there are great advantages possible from some system of central control of imports of raw material, but we need to do more thinking about that aspect of the subject. Take, for example, the question of wheat. How are we going to reconcile the price of wheat grown at home and the price of wheat grown abroad? What is going to be the attitude of the State towards the farmer at home? The control of industry, as we have seen during the last few years, has been in effect a State guarantee of profits. Are we satisfied with that? Mr. Mallon suggested the taking out from the books of the producers the exact cost of production. I think we should agree it is very difficult to find out what is the cost price of various articles. In some firms it is higher than in others. When the war ends, and prices come down a little, people will be keener with regard to the prices they pay for goods, and we need to have more light with regard to the cost of production. At the present time, manufacturers are not very particular about their working expenses because of the high prices they can get on the one hand, and on the other because the excess profits go to the Government. Mr. Mallon did not suggest what articles should be controlled and what should not be controlled. I should like him to say something on that point, because it is one of some importance. I quite agree that by

State control we might secure a better allocation of labour and capital than at present. I also think it is desirable that we should make necessities cheap and luxuries dear, and that we should divert capital to securing necessary articles even if it makes luxuries scarce. I do not think Government control is sufficient. Despite our experiences of the war, I am inclined to think that when the novelty and freshness has worn off, Government control will become more bureaucratic. Certainly it is not very responsive to public opinion. Then with regard to Government ownership and administration, will it not be bureaucratic also? I think it wise to concentrate upon a few things and do them well. I think, for example, that the time has come when the land and the minerals should be nationalised, and that the railways and canals should be not merely State controlled but State owned. We are also quite ready for the municipalisation of milk and bread and coal delivery. But there must be other forms of collective ownership and control besides that by the State.

Then with regard to the co-operative movement Mr. Mallon has not done it justice. It represents a quarter to a third of the population, and I think Mr. Mallon's remarks would tend to divert people from the possibilities of the co-operative movement. Mr. Mallon omitted to mention the fact that the co-operative movement is not only an association of consumers but also includes associations of producers. I think we can say that the war has weakened our faith in men but strengthened our faith in principles, and one of the principles in which our faith has been strengthened is the principle of association. We shall find that social organisation will be most satisfactory if the principle of association is applied in various forms. The great problem of the future, not only in the interests of the consumer alone, is to consider how these various forms can be best applied in the interests of the community at large. If we do that we shall, of course, require to have a social ideal, and Mr. Mallon has given us an idea of that social ideal, namely, that industry should be carried on for the service of the people and not for the profit of the industrial organisers. We shall require a new outlook on our economic life and a new educational system. Government control will have to continue after the war, but we shall make a big mistake if we worship Government control for its own sake.

GENERAL DISCUSSION.

Mr. SHAW (Huddersfield Trades Council): The majority of the questions raised by Mr. Mallon would have been far better put to a meeting of capitalists than to a meeting of workers. The interest of the consumer, so far as the worker is concerned, is really bound up with the wages system. The constant changes in the prices of commodities have their reflection in the agitation of the workers for increased wages. The speaker pointed out that the capitalist system had been mostly concerned in producing shoddy commodities. In that statement he practically cut the ground from under the feet of the utility school of political economy. The question is an economic one, and I should say that, so far as the working classes are concerned, we have to look at the science of political economy from the point of view of producers. The worker, as a producer of wealth, finds that exploitation is in the workshop. As a consumer he is merely one amongst many. I have come to the definite conclusion that these questions about consumers are not for the working classes. The real question is one of ownership and control, and not one of consumers' councils or taxation or any of the middle-class ideas. It is a waste of effort to attack the question from the consumers' point of view. The working classes are not citizens. From 1900 we have realised that in any dispute, and we must come to the definite conclusion that the only objective for the workers is to obtain for their class the ownership of the means of production. In the last ten or 20 years there has grown up a philosophy, in which the Trade Union leaders have taken a part, of collectivism, conciliation and arbitration, consuming and consumers—the ideology of the Fabian Society. If we follow on the lines of those people we are following middle-class ideas, and are not advancing the cause of the workers.

Mr. A. LIDDALL BRIDGE (Club and Institute Union, Manchester): As a member of the strongest Trade Union in the world, I say that Trade Unions have received during the present war such a shock as they had not received since what was called the industrial revolution began. We should see to it that all Trade Unions are recognised. They are not all recognised to-day, because of the halting methods of the leaders. If we insist on the unions being recognised, and that the shop stewards are not to be regarded as the rag-tag and bobtail, we shall be all right. For most of the points raised legislation is necessary, and Trade Unions are the great lever for securing it.

Mr. CLAPHAM (Carpenters and Joiners, Manchester): As a producer, I am only second to what I am as a consumer; therefore the whole business is wrapped up in the one question of consumption. My wages are only relative to what I consume. If I can get my food easily and cheaply I can be satisfied with less wages. One thing that might be done—and we are powerful enough to do it—is to insist upon the quality of the article supplied. For a

long while we have had a standard of weights and measures enforced by the State. But while we insist upon proper measure we never insist upon quality, and that is what we could do immediately after the war if we make up our minds. We have heard a good deal during the Congress about co-operation, which has been almost pitted against State control. To my mind, there is hardly any difference between the co-operative society as we dream it ought to be and the State as we dream it ought to be—that is, a co-operative State.

Mr. DEMPSTER (Toolmakers): I feel thoroughly convinced that it would not do for the State to relax absolutely the control it has adopted during the last few years. It has been said in the House of Commons that the employers have had six hundred million pounds worth of machinery supplied by the Government, and that it would be a very valuable asset in competition with foreign employers after the war; but it may also be used to fight against us. Therefore, a certain measure of control will require to be kept. I hope, however, that this control will only be for the transition period, and that during that time the workers will become efficient in the management of their own affairs.

Mr. ISHERWOOD (Lithographic Artists): I have listened with enjoyment to the beautiful ideals expressed, but hoped there would have been something of a more practical character submitted. The Whitley business is the only thing we can come to immediately. We must educate ourselves to be worthy of something better in administration. As to the question of control, it might be simple for some large industries, but how can we control an artist, or a poet, or a musician, or even interfere with his individuality? Are we going to arrange remuneration for such men?

Mr. A. J. DOBBS (Club and Institute Union, Leeds): I was surprised to find how much dogmatism has been expressed by the delegates. If the war has taught me anything, it is that one is not safe in expressing definite opinions about anything at the present time. It is not safe to express an opinion, at any rate, on what will happen after the war, as the happenings of the last few years have made all the financial experts, and even economists, look silly. I have been much pleased with Mr. Mallon's paper, and I feel that whatever the critics may say about State control being bad, there is something to be said on the other side. State control has made things possible which before were not possible. Take the costings of different industries. This has been done under State control. In the boot industry the State has taken costings, and has fixed the prices of boots for the Army and Navy. The Government is buying boots at 20s. and 25s. which have at least 33 per cent. more value in leather than those being bought by other people at 33s. and 35s. That is one effect of State control. It has also solved the difficulty of capitalistic production. It has

produced things out of which a profit can be made, and it has avoided a glut. The Government knows exactly what is required for the Army and for the people, and they can so organise production as to satisfy their needs, without leaving a surplus. What is required more than anything else is to create a desire on the part of the people for the things that will benefit them. Is there a demand on the part of the public for the ideals expressed at this Conference? If we suggest things to the working classes for their benefit and advantage, to make their lives brighter and better, we shall find that our opponents will be not so much the capitalists as the working classes themselves.

Mrs. MARSHALL (Huddersfield Co-operative Society): The discussion on the papers has been of a most helpful character. Most of the speakers are leaders in their different organisations, and I would ask them whether they are doing the best they can in those different organisations to preach the principles which have been spoken of. I know how difficult it is to get the rank and file to do what we want them to do. But I would urge you all to do what you can to educate the rank and file so that in the future they will be better equipped than the present generation. I want to see another and a better generation growing up, and I am glad that women are going to help. Men may say they can manage for themselves, but when you feel out of patience with the women workers remember your own blunders of the past, and that all the women want to do is to help to leave a better world behind them. I am disappointed that Mr. Mallon did not give sufficient credit to the work of the co-operative movement. If there were more members in the movement it would be better. What on earth are all the Trade Unionists doing if they are not members of their co-operative societies?

Mr. W. GIVENS (A.S.E., Coventry): The question of the consumer and the State is so wrapped up in the question of the producer and the State that it is impossible to separate the two papers. One subject which has hardly been mentioned is the municipality. I look upon the municipality with an even more favourable eye than the co-operative society, because we must develop both on municipal and on national lines. The ideal of nationalisation is a noble ideal, but it is too big to visualise. I want to get down to the municipality. It is all very well to speak of the national control of railways, but the national control of agriculture, which is equally important, is not so simple. We have a variety of interests to consider. There are corn-bearing districts, cheese and butter and milk producing districts, root producing districts, and forestry, and I would like to see the control brought down to those various districts. I would suggest that the consumers be grouped together from the municipal point of view—that the producers should produce the things best suited to them in their districts, but that the problem of consumption should be dealt

with by the whole of the community, through the municipalities. Therefore, instead of national consumers' councils, we should set up for the benefit of consumers smaller councils, where their needs could be easily ascertained, and where the supplies could be regulated so as to secure a continuous supply of the necessaries of life.

MR. MALLON'S REPLY.

The criticism of my paper which I felt most was the criticism that I had not given the co-operative movement its due place. That goes to the centre of what I have been saying, as nothing could overwhelm me more than having been culpable in that connection. If, however, my critic will read what I said she will find my sin is not scarlet. I was dealing with an immediate issue—that of the close of the war. Can the co-operative movement do all that we wish it to do? It cannot, for two reasons. Professor Hall said that the co-operative movement stood for about a quarter of the whole population. A fourth is an important fraction, but it is only a fraction, it is not the whole; it is not the State; and at the end of the war the exercise of the power of the State is essential. Let us assume that we have to continue the rationing system. It is a weird thought. Let us assume that we give the whole business to the co-operative societies, and one of them has to deal with some fellow who attempts to get more than his share. What will the society do with him? We are driven back on the power and majesty of the State. Again, when you touch centralised purchase you touch political issues, and for these you require sovereign authority. Great Britain could not devolve the purchase of Australian wool upon the C.W.S. or upon any authority not co-terminous with the community. That is why I do not think the co-operative movement can do all that is required. As to the future, I am entirely with Mrs. Marshall. Nothing that can be said as to the failure of the working classes to get more out of the co-operative movement than they have got is too strong. Mr. Hall asked a number of questions the relevancy of which I entirely accept, but it is not possible to reply to them in the fulness they deserve, largely because they are so important. What I will say, however, is this, that we are at present passing from one conception of Government to another. The conception has been that nothing must be done—the capitalist must not be interfered with. A friend of mine who went into a Government department, used to relate that as soon as he got to work another official was appointed to see what he was doing and to tell him to stop it. We have now to work out a new theory of State activity, and of checks and controls. I agree that the State might press too hard on individual liberty, but we can draw a line. If a man says, "As an exercise of my individual liberty I insist on frying fish for the community," the community may reply, "We won't have your

fish. Fish can be fried very satisfactorily by the cooks of the community." Would such a prohibition diminish any liberty that ought to be preserved? Mr. Hall asked how I would suggest that productivity might be increased. What has happened during the war I agree is phenomenal. But just think of what has happened how in the great services private supply has broken down and public supply has done the job. We can use the infinitely powerful mechanism of the community for any purpose we please. Let us say, "We desire good houses, good clothes," or whatever is our most urgent want, and as it was possible to supply munitions and aeroplanes, so it will be possible to provide these also, and in the same abundance. A good illustration is the question of milk. Something has been said about municipalisation, which, I think, is insufficient, because municipalities cannot deal with national production. A combine has been formed in the milk trade, and though it deals with London it draws its supplies from the country. It has revealed the extreme muddle which exists in regard to milk. Milk goes from County A to County B, but it also goes from County B to County A. Within the London area any salesman in the milk trade who finds he has not enough sends a cart over to Paddington Station and buys milk at that station. It is an enormous waste. So great is it that it is estimated that the milk combine will be able to supply better milk than the public gets at 1½d. per gallon less than is now paid. But a combine is not the right body to deal with that problem.

The problem touches the land question, and other questions. It is, therefore, a problem for our national Government. If we apply our national power, we can enormously multiply output, the output, that is, of milk, not microbes.

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I have not touched on many matters, but I hope we shall have other opportunities of discussing these, and that the interesting position we have reached to-day will be carried further.

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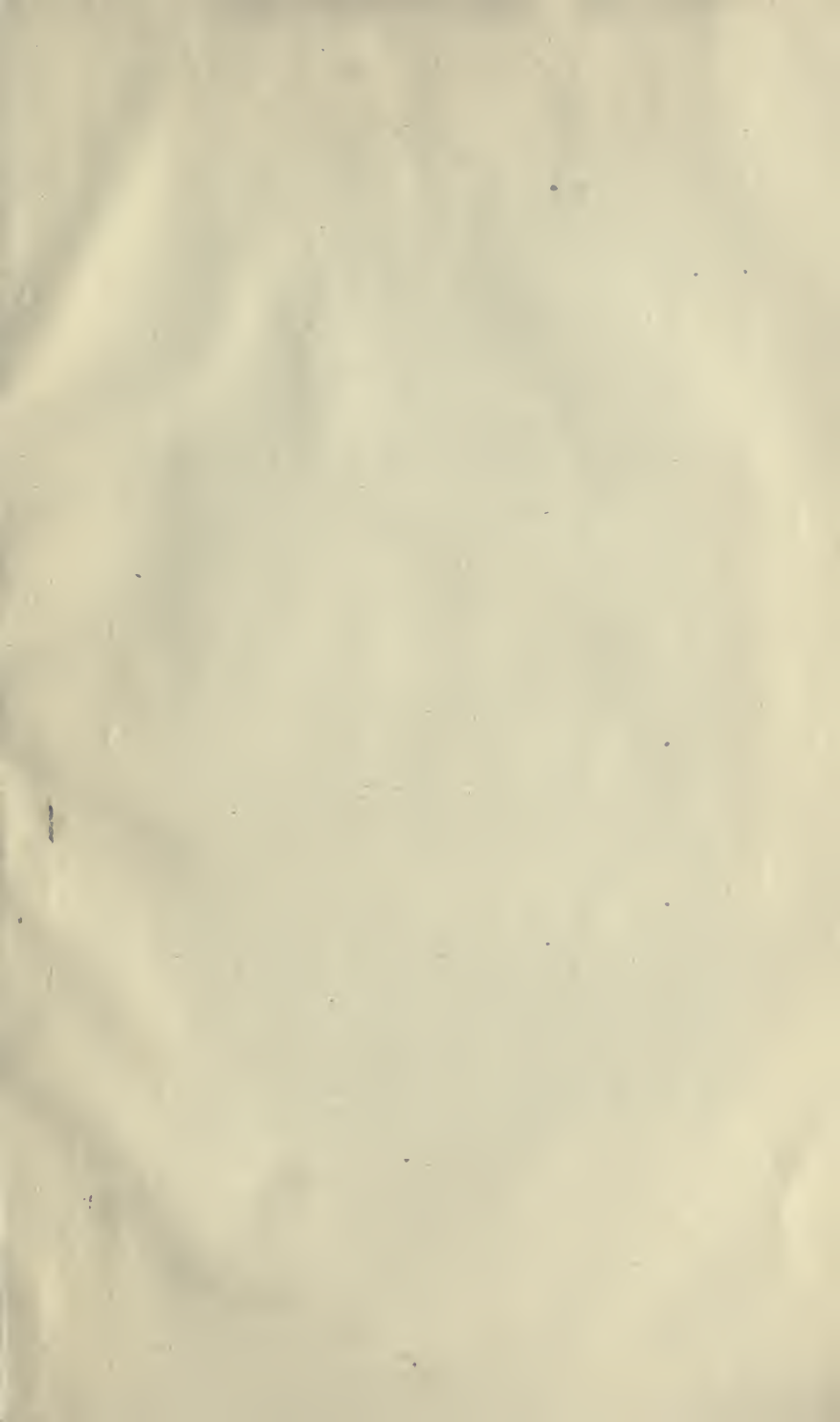
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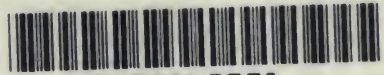
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