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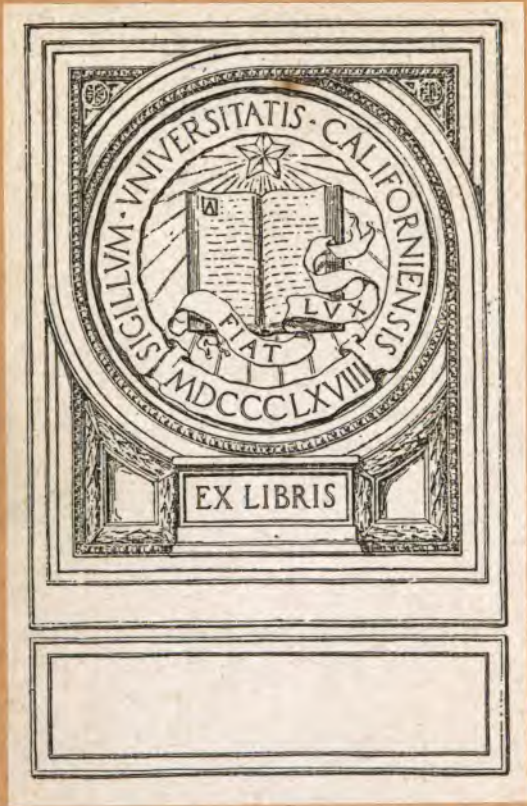
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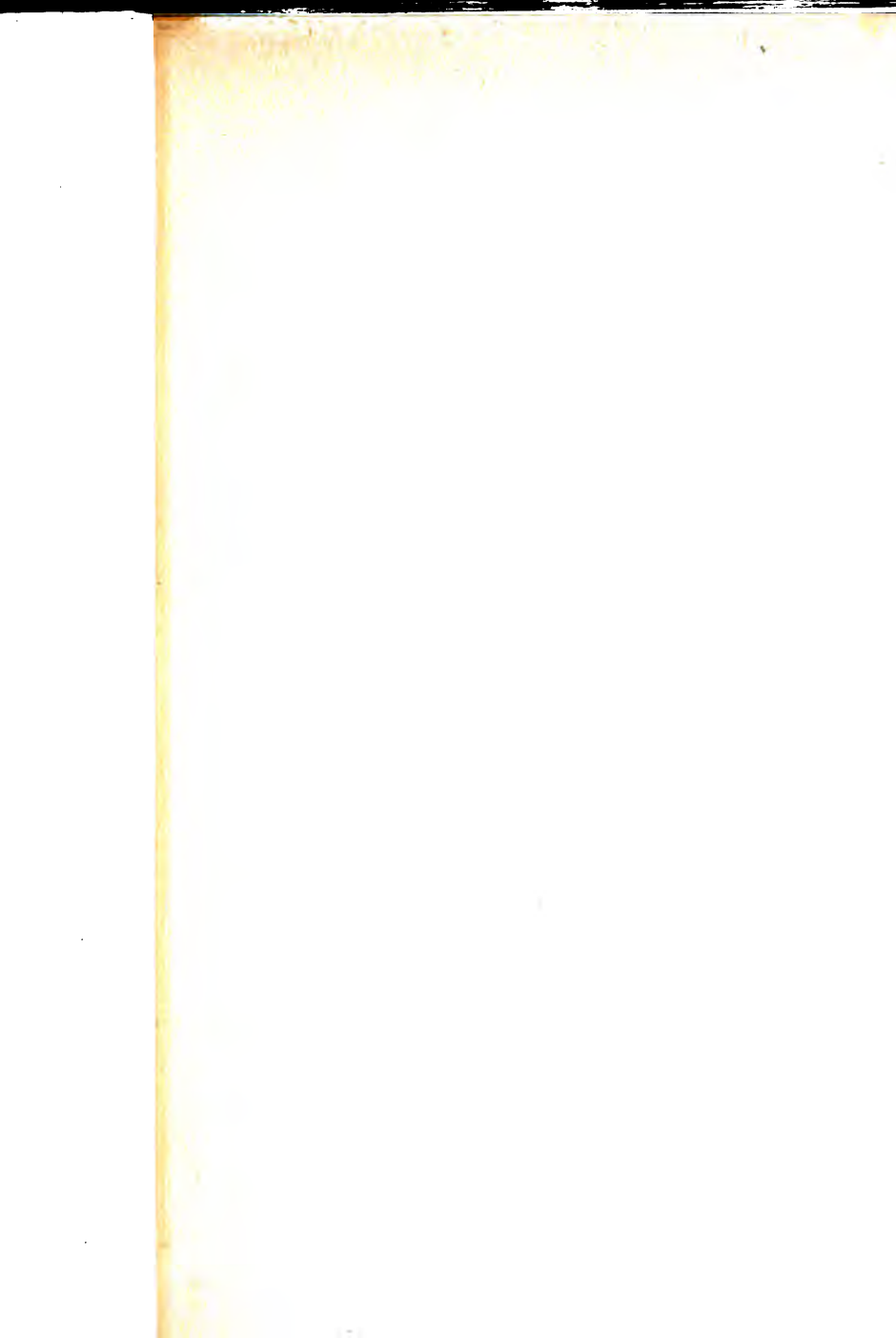
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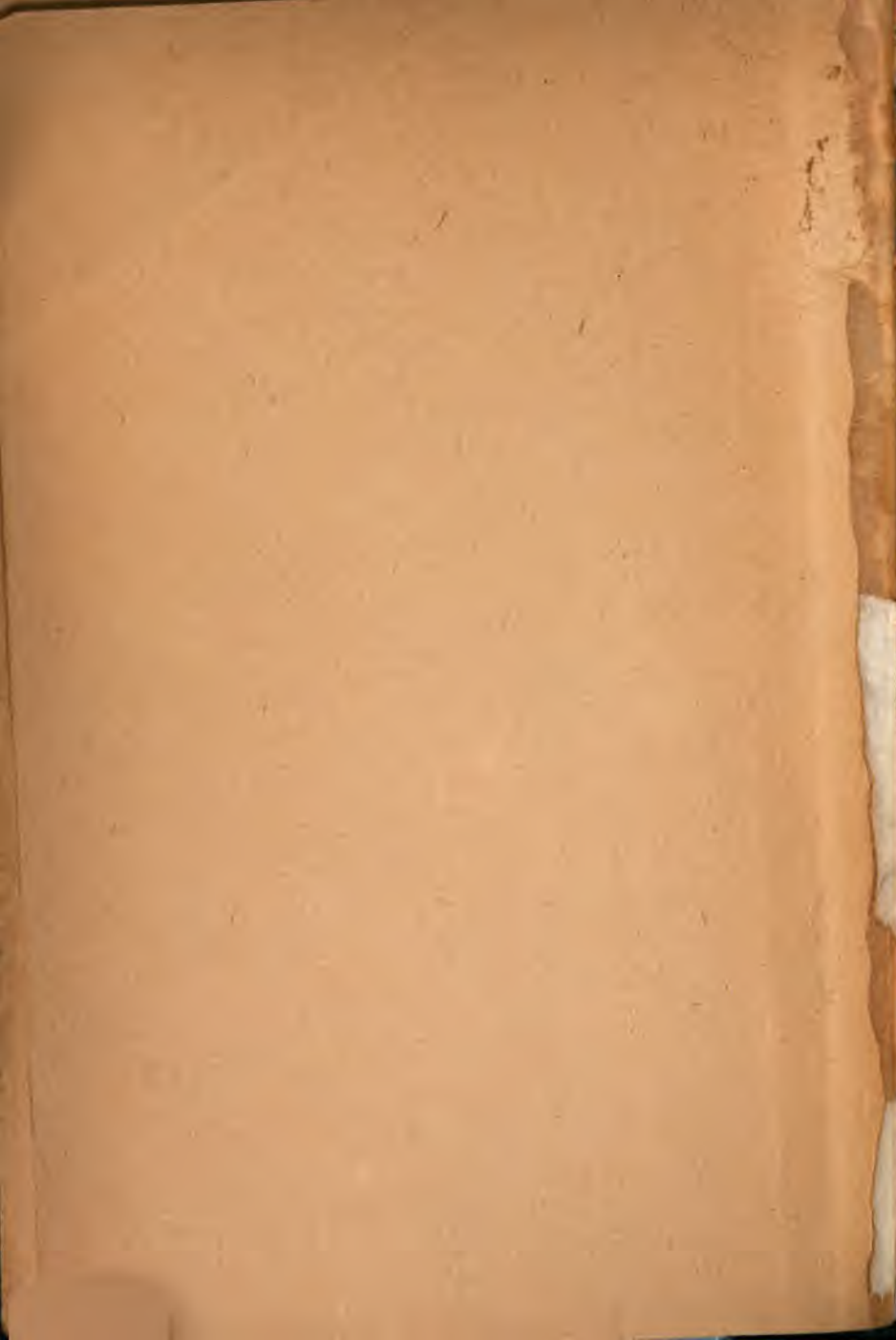
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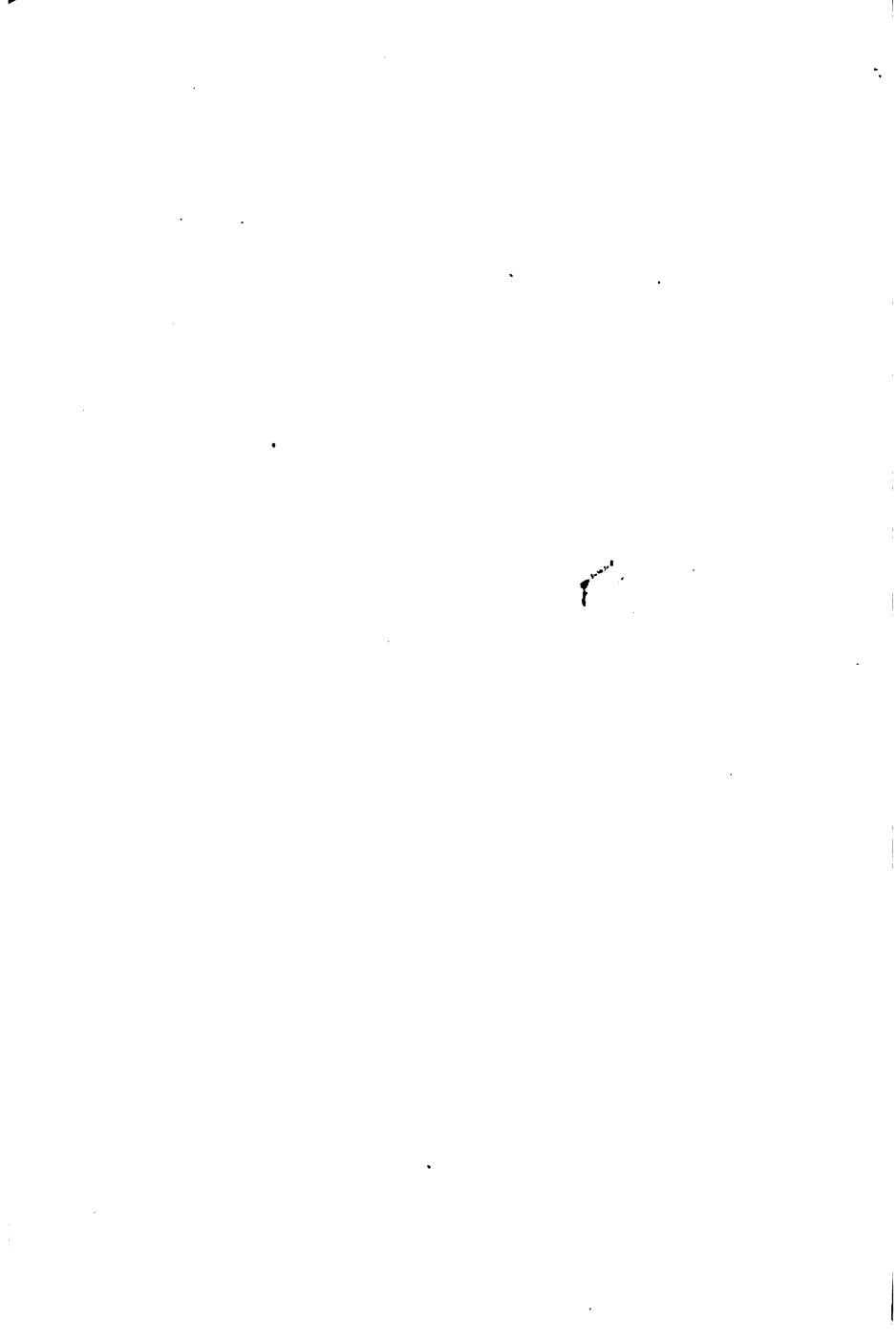


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**THE SIX-HOUR SHIFT AND
INDUSTRIAL EFFICIENCY**



THE SIX-HOUR SHIFT AND INDUSTRIAL EFFICIENCY

BY
LORD LEVERHULME

"

BEING AN ABRIDGED AND REARRANGED
EDITION OF THE AUTHOR'S *SIX-HOUR DAY*

WITH AN INTRODUCTION BY
HENRY R. SEAGER

THE
HENRY HOLT COMPANY



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FOREWORD

PROGRESSIVE American employers are little troubled to-day by lack of capital. Also they very generally understand how to embody capital in plants and equipment that are technically up-to-date and efficient. It is not these factors that limit production but rather the failure of employees to put forth their best efforts.

There are various explanations of this failure. Some employers say that the workers have deteriorated. Others place the blame on restrictions on output deliberately decided upon in the belief that the less work each does the more employment there will be for all. Whatever degree of truth there may be in these or other explanations, it is obvious that the root cause lies in the workers' *indifference*.

Outside of the factory, American wage-earners are alert and intelligent enough. The trouble is that as factory employments have become more and more minutely subdivided, the tasks to be performed by each worker are no longer very interesting in themselves, and the consciousness of partnership with the employer in the common enterprise which might save the worker from degenerating into a human automaton is too often lacking.

This unfortunate situation is not peculiar to American industry. British employers deplore the unresponsiveness of the British wage-earner as bitterly, and apparently with as good reason, as do American employers that of the American wage-earner.

Happily all British employers are not mere fault-finders. The great merit of the chapters that follow is that they deal with this central problem of modern industry, the indifference of the worker, not negatively but constructively. They

describe practical measures by means of which this indifference may be overcome. These measures are not the vague proposals of an academic student of the labour problem. Most of them have been actually tried out by Lord Leverhulme in his great factories, and their success is registered in the well-being of his employees in the famous model city, Port Sunlight, and in the recurring dividends of Lever Brothers, Limited.

Lord Leverhulme's remedy for the defects of modern industry may be summed up in one word, *co-partnership*. By this he means an attitude on the part of the employer that is truly and consistently that of an elder partner towards junior partners. He has no illusions about the preparedness of employees to assume at once a large share in the responsibilities of business management. There must continue to be a business head. Discipline must still be maintained. But the point of view must be that of leadership, not of mastership.

To the extent that the employer will regard and treat his employees as partners in the business, Lord Leverhulme feels confident, from his own practical experience, that the employees will respond by developing on their side the partnership attitude. And he believes that this relationship of partners, if honestly adhered to, may be expanded by gradual stages into outright co-operation, in which the capital of the common enterprise is owned jointly by the employees, including the original employer, and in which all share in the management.

Up to this point Lord Leverhulme's proposals differ little from those of other progressive and democratically minded employers. His striking departure is in his serious advocacy of the Six Hour Shift as the productive period of maximum efficiency. To attempt to summarize his reasons for advocating the Six Hour Shift would be to weaken the force of his argument. He urges it in part because of his sympa-

thetic appreciation of the viewpoint of the junior partners, the employees. Even more he sees in it the indispensable condition to that leisure for continued education in adult years which he deems essential to the development of the latent capacities of the workers and the realization of their fullest efficiency. For he makes it very clear that his advocacy of the Six Hour Shift is not due to any exaggerated notion of the value of increased leisure for its own sake. It is based rather upon his conviction that in the long run it will be found to be the work period leading to maximum *per capita* production.

Should any reader conclude that advocacy of such extreme curtailment of the average work day must betoken some visionary twist in a mind otherwise sane and practical, it may be well for him to begin with the final chapter of this book. In it Lord Leverhulme pays his respects to Socialists and other extremists and shows his firm grasp of the reasons in human nature and in human history for the superiority of an industrial system based on freedom of individual enterprise. Having convinced himself that the author is both clear-headed and hard-headed, the reader may turn to the earlier chapters with confidence that the same qualities are dominant there also. Only in these earlier chapters he will find them re-enforced by an insight into human nature and a vision of human potentialities which make Lord Leverhulme something more than a great industrial leader. He is a veritable prophet of a new and better industrial age.

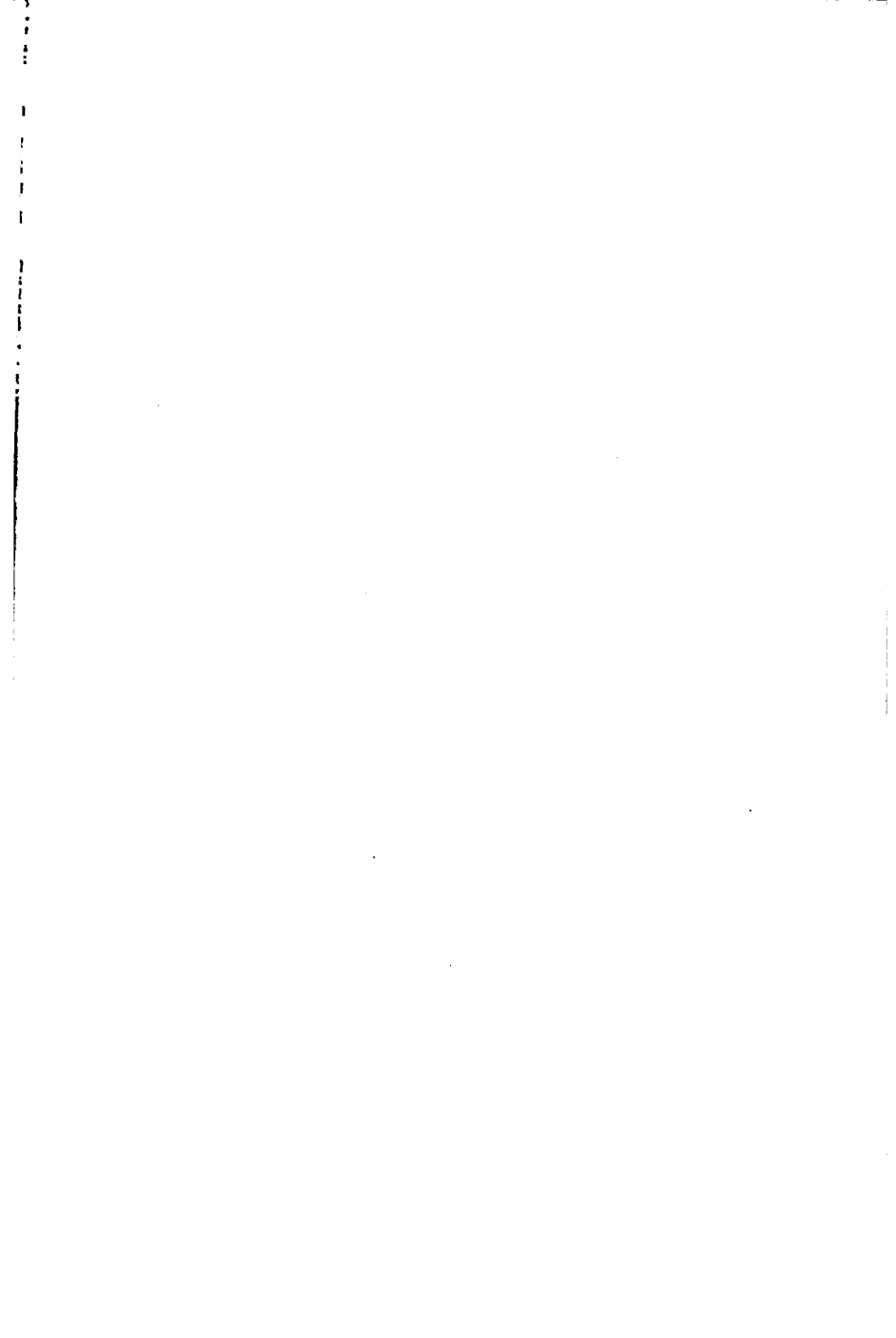
Because these chapters are based on the actual experience of a successful employer; because they are inspired by a sympathetic understanding of the desires and aspirations of Anglo-American wage-earners; and because they propose remedies equally adapted to the American as to the British situation, they are commended to the attention of all who feel dissatisfaction with present industrial conditions.

The preparation of this new and abridged American edition has been entrusted to Mr. Frank Tannenbaum. He has been careful to make no alterations in the text of the original essays and addresses but has limited himself to the rearrangement of the material and the renaming of some of the chapters so as to make clearer their contribution to the development of the author's argument. The materials used are the addresses and articles which appeared originally under the title of **THE SIX-HOUR DAY**.

HENRY R. SEAGER.

CONTENTS

CHAPTER	PAGE
I. THE PROBLEM OF INDUSTRIAL EFFICIENCY .	3
II. THE SIX-HOUR SHIFT	17
III. THE SIX-HOUR SHIFT (<i>Continued</i>)	38
IV. HARMONIZING CAPITAL AND LABOR	56
V. CO-PARTNERSHIP	69
VI. CO-PARTNERSHIP AND BUSINESS MANAGEMENT	85
VII. CO-PARTNERSHIP AND EFFICIENCY	113
VIII. CO-OPERATIVE ASPECT OF BUSINESS	131
IX. HEALTH AND HOUSING	145
X. SHOP COMMITTEES AND SHOP EFFICIENCY .	164
XI. INDUSTRIAL ADMINISTRATION	181
XII. THE WORKERS' INTEREST IN PRODUCTIVITY .	197
XIII. PRINCIPLES OF RECONSTRUCTION	217
XIV. SOCIALISM, OR EQUALITY <i>vs.</i> EQUITY	241



**THE SIX-HOUR SHIFT AND
INDUSTRIAL EFFICIENCY**

TO VIND
ABSORLIA

I

THE PROBLEM OF INDUSTRIAL EFFICIENCY

WHEN this world-war is over we shall be confronted with problems which, whilst in no way new, will be presented in new and acute forms. How shall we, as an empire, emerge from this ordeal? Are we to continue a progressive democracy or sink into the slough of Socialism and Anarchy? The decision will rest not with the Socialists or Anarchists; not with politicians or Governments, but with the business men and working men of the Empire. Hitherto on both sides there has been a disastrous exhibition of short-sightedness and of greed, or lack of knowledge of those economic laws on which all solid well-being must and can only rest. Every increase in wages and shortening of hours has been resisted by business men as a raid on their ability to meet competition and make reasonable profits. And every attempt by business men to increase output and reduce costs has been met by the workers with sullen indifference or the active opposition of "ca' canny" methods.

Now we shall, after the war, be entering upon the most fateful and critical stage of our Empire's career. This war has thrown all previous rules and practices into the melting-pot. How will the Empire emerge? Are we to attempt after the war to restore old decayed, wrong, and ruinous practices, or is there to be a radical recasting of all our business and labour methods? It has been truly said that "to govern and in turn to be governed is the only form of true liberty." In a true democracy and

THE SIX-HOUR SHIFT

in this sense there is no governing class and no class that is governed: all classes govern, and all classes in turn serve alike and together. All classes serve one master—the only master whose service all liberty-loving citizens can be proud to serve—and that is their country's welfare.

Amidst all this confusion and clash of arms, this return to conditions of savage barbarism, our great encouragement and confidence are that the British Empire stands solid and united to face her foes, and loyal to our King as Sovereign of the British race at home and in our Colonies as never before in her history. Some timid people, suffering from an attack of cold feet, nervously ask, "What about Labour?" The answer we can find most clearly written in our history is, "Trust labour wholeheartedly and wisely, and all will be well." A good and wise lover of the cause of Labour can never be a bad or undesirable citizen of the British Empire. And it will be our own fault if, by distrust and suspicions, we make him so. Let us never forget that the British spirit responds best when trusted, and can only become stupid, morose, and bad when distrusted and viewed with suspicion. This nation as a whole has never yet really trusted Labour. We have always borne a mental attitude of suspicion and distrust towards Labour. Well, this attitude won't help us, and is doomed to most serious failure and may bring possible disaster to the Empire. We have, with unbounded success, trusted our Colonies and other sections of the community that make up the British Empire, and, when we have done so, all has been well. We have even trusted the Boers in South Africa, who were so recently at war against us; and now who amongst us dare to-day to come forward and say that our trust has not been amply and fully repaid by the loyalty and devotion to the British

Empire of our South African brothers, Boer or Briton? Distrust and suspicion can only breed distrust and suspicion, whilst confidence and trust inspire confidence and trust. The sympathy of every right-thinking man or woman is with those who toil; with those who produce the necessities and comforts of life; with those who bear the burden and heat of the day in whatever position they may be working: employer-capitalists or employee-workers.

Our national future stability has its sure foundation in the fact that both employer-capitalist and employee-worker are each becoming more and more intelligent every year that passes. The day is fast coming when both will be intelligent enough to recognize that their interests are identical and that the prosperity of either depends on the prosperity of both.

Life is not merely a respite between the sentence of death which is passed on all life at birth and the execution of that sentence. Every healthy human being seeks for happiness, and has to find happiness in supplying the wants of the body with food, clothing, and shelter. And equally happiness can only be found in feeding mind and soul with ideals of beauty, art, and learning. Happiness of the lasting, permanent type, without after shadows of regrets or ghosts of repentances, is the only good, and everything that tends to produce such happiness in men and women is good, and to do whatever produces this state and condition is to achieve the highest possible gain for the Empire and the whole of mankind.

Our industries progress, science progresses, but we have little or no corresponding progress in conditions of comfort of the workers. The employee-worker lags behind in that culture, education, social and economic well-being which he ought to enjoy under modern conditions of civilization. Our manufacturing towns are squalid

and overcrowded, with ugly dwellings, without gardens. They are unlovely congestions, without beauty or possibility of refinement, and the great bulk of the workers remain at a relatively low state of betterment. The individual Home is the solid rock and basis of every strong, intelligent race. The more homes there are and the better these homes are, the more stable and strong the nation becomes. Men and women who get up to go to work before daylight and return from that work after dark, cannot find life worth living. They are simply working to earn enough one day to prepare themselves to go to work again the next day. Their whole life is one grey, dull, monotonous grind, and soon their lives become of no more value to themselves or the nation than that of mere machines.

Every year the workers become more intelligent and more acute reasoners. Think of the intelligence required in the workers to produce a modern locomotive or a greyhound of the Atlantic, or to work and operate the same, and to make and operate all the thousands of different types of machines now producing and working for the good of man. And each succeeding year demands still higher intelligence to produce still higher, better, and more complex mechanical utilities.

The requirements of our ancestors were few, but as civilization advances, not only do the wants of the body for variety in food, raiment, and shelter increase, but as the mind and soul expand, the intellectual horizon widens and the higher plane of living demands more and more leisure to feed its hunger for better conditions of life.

In the dark ages that are past, man believed in the supernatural as the direction in which he should search to satisfy his super-wants. To meet disease and death, primitive man believed in charms, magics, fetishes, and

incantations. In chemistry he sought for the transmutation of base metals into gold, and his idea of mechanics was a search for perpetual motion; and as to Governments, he relied on the Divine Right of Kings and Infallibility of Popes.

Are we not equally ignorant and equally doomed to disappointment if to-day the employer-capitalist relies on the magic of the "perpetual motion" fetish of long hours of toil, with low wages for employee-workers; and are we not also doomed to disappointment if to-day the employee-workers rely on the "Philosopher's Stone" of "ca' canny" and the "transmutation" of restriction of output into the "Elixir of Life"?

The struggle of science and right thinking against ignorance and prejudice during the dark ages was long and bitter, but to-day no chemist is seeking for the "Elixir of Life" or trying to discover the "Philosopher's Stone." And equally our present-day ignorance of those economic laws that govern costs of production will disappear, and we shall learn that by development and encouragement of individual effort for increased output in fewer hours with higher wages we can best serve all mankind and best overcome all obstacles to progress; and so, by taking advantage of discoveries of science in invention and industrial development, supply all our wants with less exertion and secure a greater reserve of leisure to satisfy the hunger of mind and soul.

We are all agreed that the industrial situation has become the most pressing after-war problem to be solved, and that the solution will not be easy, not because there is more poverty in the United Kingdom to-day than ever—as a matter of fact there is less poverty than ever before in our history—but because there is a wholesome Labour unrest and national craving for vastly better conditions of life. The poor are not growing poorer, and

the workman of to-day is better off than his employer was two centuries ago. But because—and I rejoice that it is so—the workman is each day becoming more ambitious, his mind and soul are expanding at a greater rate than, under existing conditions—even with higher wages—his leisure time permits him to keep pace with. Each year the workman is becoming a better educated man, with better social outlook. Whilst his social outlook is expanding, the workman in the twentieth century finds himself simply a seller of service, and that he has gradually become a cipher in a most complex industrial system, and has his life absorbed and controlled as a mere unit in a great factory or workshop that leaves him no scope for the exercise of the higher intellectual developments of modern life.

While science is making life more livable and lovable by means of rapid transit and greater range of interests and wider scope, the time of the worker is occupied almost entirely in the provision of food, shelter, and clothing, with little or no leisure time remaining, even if he had the means, to provide for a higher level of living. He sees other sections of the community dashing about in motor-cars and generally living what appear to be, in contrast with his own life, lives of leisure and comfort. So long as the workman's life is passed in monotonous toil in factory and workshop from daybreak to sunset, no wages, however high, can make up for this separation from all that is highest and best in life: the workman is not content to be exhausted in the task of providing food, shelter, and clothing for himself, wife, and children, with practically no leisure for other pursuits.

This is perhaps a subconscious state, and is a condition that the workman himself would probably be unable to put into clear language, but that it exists is plainly shown

by the so-called "Labour Unrest," and by the readiness with which a section of the Labour Party is prepared, Samson like, to break the pillars and throw down the whole structure of Society, rather than continue under the present conditions of the workman's life (which hateful conditions are far from being merely and solely a question of wages)—he disregards social usages, awards of umpires, his own Trade Union leaders, and the legal rights of Society, and would seek industrial revolution in order to obtain redress from his present industrial position, and often merely imaginary grievances.

All this "Labour Unrest" arises from the fact that his life in factory and workshop has become one dull, monotonous grind, from schoolage to dotage, and this state of mind is as dangerous to the workman himself as it is to the nation—dangerous to himself, because, while he smarts under the oppression of his lot in life, he does not quite know how to obtain that fullness of life and happiness, comfort and well-being, leisure and advancement for which he hungers.

It is a basic law of all healthy, permanent growth that no one part of a whole can increase and develop without all other parts being symmetrically and proportionately increased and developed. This is equally true of Society as a whole or viewed in sections. No section of Society can enjoy improved conditions without all other sections enjoying improved conditions—otherwise there would be a lack of symmetry in the whole and danger of the social tree toppling over at the first gale that tested the strength of the hold of its roots on the solid ground. The future security, or the present danger that menaces the industrial world, will be exactly in proportion to the symmetrical growth or lack thereof in all its parts. We can have no so-called leisured class or moneyed class un-

less all classes can enjoy the opportunity in their lives of leisure and money in symmetrical proportion. Not in equal proportions, because there is no such thing as equality or uniformity in God's scheme of man or of nature. But nature's and man's Creator never planned that one section should be starved whilst another section be overfed without decay and death resulting. Therefore our problem can only be solved by increasing wealth and increasing leisure. Then equal distribution would have no meaning, because the mere fact of equal distribution would increase neither the total wealth nor the total leisure—in fact, equal distribution would decrease both, by withdrawing the stimulus of reward from those possessed of the power to create wealth and leisure, and would encourage the "leaners" and "apathetics" to cease from all efforts and to make no use of opportunity as a means for development in skill and knowledge for production of wealth.

The power to create wealth is not a power against the public interest and well-being, any more than is bodily health and strength or great intellectual power. A man is not an enemy of the human race because, by exercise of foresight, thrift, and intelligence, he has accumulated great wealth, any more than is the man who, by temperate living and good habits, accumulates a store of good health, and consequently is fitted to live a long life. It would be as logical, as right, and as reasonable for the consumptives, the weak, the feeble, and the diseased to denounce the healthy and strong as it is for those possessing little or no wealth to denounce the rich and wealthy. And it would be just as effective a cure for consumption, weakness, feebleness, and disease to take steps to reduce the healthy and strong to a state of weakness, feebleness, and disease as it would be a cure for poverty to attempt to conscript the riches of the wealthy.

Take, for instance, the crude Henry George theories that to abolish all property in land by confiscating the rents received from land, and the more recent suggestions of others, that to abolish all ownership in capital by confiscating all interest and profits on capital would abolish poverty, and this wealth, when shared in by all equally, would bring about the millennium. These proposals are shown up in all their grotesque absurdity when we examine the figures, for we then find that their product, on pre-war basis, would, if divided equally, be under 11d. per head per day for each man, woman, and child in the United Kingdom. In this calculation we take, of course, no count of salaries or wages, or of foreign investments, but merely of profits, rents, and interest on capital invested in the United Kingdom.

So that equality or uniformity of wealth is clearly no way to abolish poverty.

A man is not a criminal merely because he is wealthy nor is a man a criminal merely because he is weak, feeble, or diseased. A man is not judged merely by his state of health or disease, or his state of wealth or poverty, but by his acts and how he lives, be he healthy or diseased, be he wealthy or poor, and he is also rightly judged by how he came by his health or disease and how he came by his wealth or poverty.

Some men acquired their health and strength, their feebleness, ill-health, or disease from their parents; others gained their strength and health, or acquired their ill-health, feebleness, or disease, by their own acts. Equally, some men inherit their wealth or poverty from their parents, whilst others have gained their wealth or become poor by their own acts. A strong, healthy man can use his health and strength not only for his own benefit and happiness, but also for the good and happiness of others; and so become a gain to the whole human

race. Equally, a wealthy man can use his wealth and riches not only for his own benefit and happiness, but also for the good and happiness of others, and so become a gain to the whole human race. The well-being and happiness of the whole human race depend not on equality of health or of wealth, but on each man and woman making the best use of their health or wealth, be either or both little or great, for the production of more health and more wealth. It is only so that gradually all can become healthy and all wealthy. Every advantage must be taken of every opportunity for creation of conditions that make it easier for each man and woman—if they so will—to become more and more healthy and strong, more and more wealthy and happy.

The great end and aim of life is happiness. The happy man or woman is the highest product the world can produce, whatever their state of health or wealth, but health and wealth are great removers of limitations. And that is all that either health or wealth can do for any of us—just remove our limitations and give us a wider scope for usefulness to our fellow-men.

We are forced, therefore, to direct our whole energies to the production of more wealth, and in doing so we must concentrate on machine power and not on human energy. This will enable us to increase wages by creating a larger fund out of which to pay Labour—to increase leisure by reducing costs, so that fewer hours of toil are required to produce more goods, better goods, and cheaper goods by an ever-increasing use of machine power, so that the worker becomes, as he was intended to be, a director of machinery and not himself a machine or part of a machine. The man must be master and controller of the machine, and not the machine be master and so swallow up the mind and personality of the man.

We find all over the world, in the semi-civilized countries as well as in the most highly civilized, that wealth is the greatest, wages are the highest, and hours of labour are the shortest where capital invested in machine power is the greatest per head of the people. This outstanding fact has yet to be learned by both employer-capitalist and employee-worker. The employer-capitalist must get rid of his infatuation for the error that low wages and long hours of toil for the employee-worker mean cheaper production and consequently higher profits. It is only by the extended use of machine power and the prompt adoption of every labour-saving device that cheaper production can be achieved by obtaining a greater volume of products. And it is only by the paying of the highest possible rate of wages to the employee-worker for the fewest possible number of hours that an adequate demand for this increased volume of products can be found. Leisure increases wants, whilst over-fatigue and long hours decrease wants. The British employee-worker will then recognize the fallacy of restriction of output as a means to social betterment for the workers, and will for ever discard this folly.

Mr. Gompers, the American Labour Leader, has told us that the workman in the United States abandoned the fallacy of restriction of output thirty years ago, which was, by a strange coincidence, about the very period the British workman first began to adopt extensively "ca' canny" and restriction of output; and since 1886 there has been a steady rise in the production per head of the workers in the United States and an equally steady reduction in the production per head of the workers in the United Kingdom, with the result, as shown by the census of production issued recently, that of the seven million workers in Great Britain, four million were engaged in trades yielding a net annual increased value of

only £75 to £100 per head over the value of the material used. In most of the principal industries in the United States the output per worker averages from three to five times that amount.

We have to reconsider our methods and change all this. The power and ability to produce by means of machinery is from a hundred to a thousand times greater than the power to produce by hand labour, and demands from the man less fatigue. Notwithstanding the enormous increase in machinery, and simultaneously in complexity and intricacy of parts of machines, the workman always finds himself master of his machine—the machine cannot master the workman. And further, the better our equipment of machinery, the better and more intelligent our workman becomes. This is shown by the fact that, however high the type of machine may be, man can always improve on the same, so that each year the new machine shows improvements on the old machine. The man who can best effect this improvement is the man who works at the machine. He knows the machine he works with as a rider knows his horse. He understands its peculiarities and its weaknesses, and gradually comes to view it almost as a living creature. Then why do we not get more inventions and suggested improvements from the man working the machine? The reason is that suggestions for improvement require thought, and thought requires leisure, and the present industrial system gives no leisure. To provide more leisure, it can be proved that men properly trained to their task and to working together can accomplish from 50 per cent. to 100 per cent. more work than the same number of ill-selected, badly organized men. Similarly the man working with machinery; the trained, skilled, unfatigued worker can produce a larger volume of product than the fatigued workman. The mastery of the machine can only be accom-

plished by development of high character as well as high skill in the employee-worker. The obtaining of the most from machines requires the highest intelligence along with highest character, and so we tend to get further from the brutes and nearer to the angels. Without machines, man required mere brute force and strength, with relatively little skill and no special high character or moral laws to guide him. The drunken or debauched workman is incapable of running a modern complicated machine in the factory or a modern high-speed locomotive. He is unable to keep up with the strain that machine or locomotive makes upon him, whilst the steady workman of character is complete master of his job and his machine. The whole tendency of modern machinery is to improve the workman whilst increasing his wages and reducing his hours of labour. A handloom weaver might be semi-drunk and take no harm at his work beyond loss of output. A man driving a horse and cart or carriage may be half drunk, and yet his horse will find home in safety whilst the driver nods a drunken half-sleep. But not so the modern workman, with many and delicate intricate looms to watch and keep running, nor the man on the footplate of the express mail-train locomotive. The drunkard would be an impossibility for these modern machines, and would lack that nerve and steadiness of eye and hand essential to their operation.

The modern machine knows nothing of religion or moral laws, yet it is one of the greatest religious and moral teachers the world has produced in modern times. However far and wide we extend mechanical utilities and machine power, we come finally to the necessity of providing intelligent and careful men for their control and running. Machines cannot run alone, and workmen of skill, high character, and moral conduct are essential to successful control. Man remains man and machine

remains machine. Therefore we may look to the future with confidence. All the tendencies of the greater use of machinery are in the direction of improving man. Machinery properly used need not degrade man, but is capable of raising him indefinitely.

Equally, modern industrial conditions improve the employer-capitalist. Modern industrial conditions demand and necessitate an employer of not only high ability, but also of high character.

Can employer-capitalists and employee-workers so conduct productive and distributive industries, so work together, so adjust themselves to new ideals, so govern and serve the Empire, so, in brief, review their own private, selfish ideas on the lines of most enlightened self-interest that they may both realize the truth that in best serving the Empire and the public they will best serve themselves? There never was a greater need for employer-capitalist and employee-worker to exercise the wisest and most enlightened self-interest. There never was such an opportunity for the immediate and prompt exercise of a far-sighted, wise, and enlightened policy. Narrow, selfish greed and cunning on either side would bring this Empire and its peoples to ruin and disaster. The future of civilization and of our Empire, and the future of our race, the happiness and prosperity of our children and our children's children, will depend in no small degree on the wisdom of our employer-capitalists and employee-workers, in whose hands now and after the war lie the guidance and control of our policy.

II

THE SIX-HOUR SHIFT

THERE exists to-day profound and widespread anti-capitalist and anti-Trade Union labour prejudice and distrust. "A plague on both your houses" says the consumer, who feels uneasy and vaguely suspicious that he is not well and truly served by either. And with this widespread unrest there is the most profound ignorance of the very rudiments of the economics of production, of profits, and of wages.

We may search, with painstaking care and attention, through the present-day writings of those who attempt to deal with industrial conditions and wages and hours of work, whether the writers be Socialists or Trades Unionists, but we shall search in vain for any recognition of the fact that the economical cost of production and volume of product are the all-important factors, or any reference to the fact that over 90 per cent., and possibly even over 95 per cent., of the products of labour are consumed by the employee-workers themselves, and not by the employer-capitalists. So that restriction of output, or the "ca' canny" policy, can only, whatever might be the rate of wages, make wages nominal by reducing their exchange value when measured in terms of clothing, food, and shelter.

At this present moment there is in the mind of many writers and speakers the most shallow and dangerously wrong views as to the patriotism, during war-time, of so-called profits of capital and the patriotism of demands for higher wages of labour. It is not easy to get the

public or the employee-worker to recognize that it would be the reverse of patriotic—in fact, absolutely ruinous to the national well-being—for the employer-capitalist to forgo profits during war-time. And it is not easy to get the public or the employer-capitalist to see that it would equally be the reverse of patriotic for the employee-worker to waive demands for higher wages during war-time. ♥The economic truth is that unless the employer-capitalist be able to make reasonably higher profits during war-time than during peace-time, and the employee-worker to earn reasonably higher wages during war-time than during peace-time—the profits to enable the employer-capitalist to expand production to the utmost and to meet post-war contractions and losses, and the wages to enable the employee-worker to meet the higher cost of living, and also the increased cost of higher living—it would be impossible to maintain the industries of the country at concert pitch during the war.

In short, reasonable and fair, full profits to the employer-capitalist, and reasonable, generous, and full wages to the employee-worker during war-time are essential to the maintenance of our Empire's stability and to prevent widespread national and business prostration. How to conduct our industries, how to handle capital and labour, how to run what we may call in brief the business of the Empire during the war, is one of the problems of the war, as it will be our problem after the war is over.

Can we bear our post-war loads and carry the Empire after the war with its trade and commerce back into the calm safety of prosperity? We can only do so provided all classes and both sexes, following the example set us by our King and Queen, continue to make, after the war, the same sacrifices of ease or comfort, and continue to work as hard and with the same spirit

of brotherhood as has been displayed by all classes, without exception, during the war. This will be no easy task; but we can and must face it, and, facing it promptly, it will be easier to accomplish than if we hesitate and procrastinate. Sound principles of finance and our national credit will necessitate our not only paying promptly the interest on our War Loans, but also providing for the repayment of the loans with all possible speed.

Our National Debt at the end of the present financial year, 1918-19, we are told by the Chancellor of the Exchequer, will be about eight thousand millions sterling. Our crushing burden of taxation during the current financial year is estimated to yield about nine hundred millions sterling. Hundreds of thousands of the flower of our manhood will have been killed in battle or will have died of war diseases, or have been permanently maimed or crippled. We have a house famine actually with us, and are exerting every nerve and muscle to prevent a food famine and to provide munitions of war, ships for commerce, and ships for war, submarines, aircraft, and all known weapons of war for the destruction of life and property. Our programme of social reforms and betterment and of extended education is a long and an overdue one.

And first of all we must learn the most serious importance of the avoidance of waste—waste of child life, waste of adult life, waste of energy, waste of time, waste of opportunity, and, greatest waste of all, the appalling waste caused by over-fatigue of the workers, resulting in inefficiency, bad health, lost time, and premature decay and death.

But we have learned much during the last three years on the subject of fatigue, overwork, and excessively long working hours. We have proved conclusively that

prolonged hours of toil, with resulting excessive fatigue, produce, after a certain point, actually smaller results in quantity, quality, and value than can be produced in fewer hours when there is an entire absence of over-strain or fatigue. Fortunately, however, this logical effect of over-long hours of continuous work does not apply, except to a very limited extent, to the case of machinery and mechanical utilities. True, even machinery must have times of rest for cleaning, overhauling, repairs, and lubrication; but these stoppages are not serious, and require only slight intervals that are easily arranged for. Therefore, as we shall require an enormously increased output of goods to replenish stocks that have been allowed to run down, both for our home and export trade, and as we have the machinery available, and which hitherto in most industries has been run for only 48 hours per week, a solution of this one of our difficulties can be best and most readily found by working our machinery for more hours and our men and women for fewer hours.

We must have a six-hour working day for men and women, and by means of six-hour shifts for men and women we must work our machinery twelve, eighteen, or twenty-four hours per day.

We have in the United Kingdom the finest type of work people in the human race—second to none in the whole world. If we are to make the most of this rare humanity, and have more of the inventions to which I have alluded, there must be some change in our industrial system of hours of working. We must remember the deadening effect of general factory life. From fourteen years of age to seventy years of age is a long life-span, and if you consider the conditions of attending, for eight hours a day, the same automatic machinery and following the same routine, with its continual deadly,

monotonous round of toil, those of us whose employment is varied will realize how this bites into the soul of a man or woman and tends to corrode it. There is not that variety which human life thrives on. The horses of the coaches which went out of London along the level Slough and Windsor road were done up and had to be sold long before the horses that went a similar distance through Highgate, where they climbed the hill to the summit and then trotted down into the valleys with collars loose. And so also those who work in factories with unbroken monotony till tired and weary, only preparing by rest and sleep for the beginning of another similar dull day, must inevitably wear out at a premature age and become enfeebled under such conditions.

Of all welfare work in factories, a proper apportionment of the time is the one that will yield the best results, and is the problem most pressing for solution. Let us take as an illustration of our meaning the position with regard to London and overcrowding. We know the slums of London and the overcrowding of London; but do we realize that the Metropolitan area, with its $7\frac{1}{4}$ millions of people, covers the extensive area of 450,000 acres of ground? If, therefore, we had planned for building under ideal conditions of some ten houses to the acre over the whole of this Metropolitan area, instead of having, as we have at present, badly packed slum districts in some quarters and so on, and of badly housing only $7\frac{1}{4}$ millions of people, we could in that area have provided for housing $22\frac{1}{2}$ millions of people, three times the number, with ideal surroundings for comfort and happiness. It is merely a case of bad packing. Now, I believe this is not an unfair parallel for me to take with regard to working hours. We can get into a working day of six hours all the work we are capable of when that work is monotonous—attending machinery and general work

in a factory. To get the work condensed into six hours would enable us to produce not only everything that we require, but to produce it without fatigue.

Not only can we produce, when all ranks and all classes of both sexes are workers for six hours each day for six days each week, all the ships, machinery, factories, houses, and goods we require both for home requirements and for exchange for raw materials through our export markets, but the houses can be built in beautiful garden suburbs; we can provide adequately for education, mental and physical, and military training for national defence. In addition, all being workers, our burden of taxation will—being then wisely laid on the wealth produced—be borne by all without impoverishment or oppression of any. The only wise, sane basis of taxation is to avoid all tariffs on goods except luxuries, and then solely for revenue purposes, and to raise further revenue mainly by graduated income tax and death duties. The only possible way to produce wealth is by the labour of all classes working shoulder to shoulder together in co-partnership during reasonable hours and without individual over-fatigue or overwork. There must be neither idle overfed and underworked men or women nor overworked, underfed men or women. It has been estimated that less than half of our total population are actual producers of wealth, but if we are, as a nation, to make good the wastage of this war and to maintain our position amongst the nations of the world after we have won complete victory and the unconditional surrender of our enemies, then it will require that all able-bodied men and women from schoolage to dotage, of all ranks and stations, shall be workers for six hours each day for six days each week. There will be no place in the whole British Empire for the idle rich or the idle or "ca' canny" poor. We cannot consent as a

nation to there being any loafers, nor can the British Empire, if it is to continue to exist, become a loafer's paradise.

But the adoption simultaneously, in all industries of the United Kingdom, of a six-hour working day is absolutely impossible and impracticable. As with the acorn that produces the British oak, the growth of the six-hour day movement will be slow, but none the less sure. It can only be adopted in such industries as those in which it will, by its application, give lower costs of production by working machinery for longer hours and humanity, in two or more shifts, for fewer hours. The six-hour day, for instance, is not immediately applicable to agriculture, because at present there is little labour-saving machinery used in agriculture. But already steam and petrol tractors for ploughing, cultivation, seed-sowing, harvesting, and haulage are each succeeding year being more and more used, and it is quite evident that the time will come when a six-hour day and two shifts of workmen will be the most profitable and most economical employment for humanity in agriculture.

It is already applicable without loss to all those industries in which the cost of production in overhead charges is equal in amount to the cost of wages. But in most workshops and factories the cost of production in the form of overhead charges is double or more the cost of wages. In all these latter the six-hour day can be applied forthwith with enormous gains in cost of production, provided the supply of raw material and of labour is available and the demand for products exists.

The six-hour day is already a most urgent and much-needed condition of working hours in all industries where women and girls are employed. It must be remembered that a large proportion of women engaged in

industries, whether married or single, have, unlike their fathers and brothers, some housework to do as well as their work in industrial employment. And these hours of housework and the resulting fatigue must be remembered when considering their hours of work in the factory, workshop, or office.

In the textile industries and all others where the cost of overhead charges, such as interest on capital, salaries of partners and managers, repairs and renewals, depreciation, rates and taxes (omitting all taxes on income or profits) is about equal to the cost for weekly wages, the change from a 48-hour week to a 72-hour week of two shifts of 36 hours each would affect the cost of production somewhat as follows:

Working a 48-hour week and assuming that the product was 1,000 items per week at a cost of £ 1,000 per week for overhead charges and of £ 1,000 per week for wages, the resulting total cost of production per item, exclusive of raw material and such other proportionate costs as would always be in exact relation to volume produced, would be 40s. per item.

If such textile or other factories adopted the six-hour working day system they would work 72 hours per week in two shifts of 36 hours each shift per week, and assuming that no increase of production per hour worked was achieved, which need not necessarily be the case, and that the wages paid for a 36-hour week were the same as for a 48-hour week, which must always necessarily be the case, then the resulting product would be 1,500 items. The cost of production for overhead charges would not be seriously affected, as machinery almost invariably becomes obsolete before it is worn out, and fixed capital in plant, buildings, and machinery would be the same, the cost of overhead charges would again be £ 1,000, but the cost for wages would now be £ 2,000,

or a total of £ 3,000 for 1,500 items, or again a cost, exclusive of raw materials, of 40s. per item.

But supposing, as one is justified in doing by past and present experience, that the unfatigued worker could produce as much in six hours as formerly was produced in eight hours—and we will examine into this later on—then the figures as to cost of production would be somewhat the following, and show a great gain in economical production: 2,000 items would then be produced in a 72-hour week of two shifts of 36 hours each shift at a cost of £ 1,000 for overhead charges and of £ 2,000 for wages, a total of £ 3,000, or of 30s. per item, which would be a reduction of 25 per cent. on cost of production compared with cost when working a 48-hour week. This economy might wisely be used, partly in increased payment to the workers by means of a bonus on production in addition to wages, which wages would be the same for 36 hours as formerly for 48 hours, and the balance to the consumer in reduced selling price of the product—so that practically the whole of the benefits of economy of production would go to the workers first directly in shorter hours of labour with higher total earnings as wages and bonus, and afterwards as consumers in lower cost of living.

The employer-capitalist would not need to share in this economy of production, because his share would come to him on his increased production and quicker turnover of capital, with resulting increase in dividend-earning capacity.

It is clear from this rough and ready calculation that in all industries where overhead charges exceed the portion of cost of production paid as wages to the worker, the advantages would be greater in proportion to the ratio of increase in cost of overhead charges. And equally it is clear that where the cost of overhead charges

is less than the portion of the cost of production paid as wages, there would be a resulting increase in cost of production in proportion to the ratio that the lesser cost of overhead charges bore to the cost paid as wages, and that a point would be reached at which the immediate adoption of a 72-hour working week in two shifts of 36 hours each would be impossible and impracticable.

And now as to the possibility of the unfatigued worker producing as much in a 36-hour week as in a 48-hour week, let us refer to the experience of our forefathers as recorded in the debates in Parliament during the passing of the Ten Hours and other Bills, and let us remember also that nowadays, with more or less automatic machinery, increased production per hour by the workers can be effected in two ways: firstly, by the unfatigued workers' increased efficiency, and secondly, by the unfatigued and alert workers being able to attend to a greater number of machines.

At this stage some may be asking themselves, Why not work a 96-hour week in two shifts of 48 hours each? and in answer to this we can apply the experience of Russia cited by Mr. Romaine Callender in a debate in the House of Commons on the Factory Acts Amendment Bill in 1874. He said:—

The hours worked in Russia were of extraordinary duration—one case being cited when, by a double shift of workers, 132 hours were made per week, yet in this case the production per spindle was barely more than that of an English mill working 60 hours.

Mr. Baxter, in an adjourned debate on the same Bill, also referring to the practice in Scotland at that time of

working twelve hours, and when the trade was good some fourteen or fifteen hours a day for a part of the week, said :—

Now, I was so convinced that this could not be a good system, that twelve years ago I issued a peremptory order that no man in my employ should under any pretext whatever be permitted to work in those premises for more than ten hours a day. And what was the consequence? The very first year—and it has continued ever since—we turned out more bales in the ten hours than ever we had done in twelve or fifteen hours.

In the same debate Mr. Hermon, who was, I believe, Member for Preston, stated :—

There was a very strong opposition to the Sixty Hours Bill, but it might now be safely said that there was no manufacturer who wished to repeal it. He entirely disagreed with the Commissioners when they said that by giving more time in the evening to the operatives there would be an increase in debauchery. No such effect had followed from the Ten Hours Bill, but, on the contrary, as soon as it passed, the operatives had improved their position socially, mentally, and educationally, while it had advanced a most important branch of national industry.

It is well known in the trade that more bad work accumulated during the last half-hour or hour than during the whole of the day. During this time a drowsiness crept over the factory hands, so that they became themselves like machines, and almost all the disputes and unpleasantness that occurred during the day had their source in the present prolonged hours of labour.

Mr. Mundella, speaking towards the end of the debate, said :—

The Hon. Gentleman (Mr. Fawcett) contended that if the working hours were reduced 6 per cent. the outcome would be reduced in the same proportion unless the machinery or its rate of speed were increased. That was, however, an argument which was answered by Mr. Hugh Mason, who, after he had reduced the hours of labour without adding a single revolution to the speed of his motive power, declared that he had not turned out a breadth less in the year after he had made the change as compared with that which preceded it.

Miss Victorine Jeans, in her Cobden Club Prize Essay entitled *Factory Act Legislation: Its Industrial and Commercial Effects, Actual and Prospective*, states :—

If we had to sum up in a single sentence the general effect of the Factory Acts on the textile manufactures, we should say that the legislation tended to enforce everywhere the principles of the selection of the fittest; in other words, it helped to bring about the fittest use of capital, of invention, and of human skill and energy, and therefore it did not diminish production or lower wages, neither probably did it lead to a fall in profits nor a permanent loss of foreign trade. . . .

No nation can long maintain a commercial supremacy unless its labouring class is strong and intelligent.

There are those who will assert to-day, as Mr. Webb does, that the English cotton-spinner finds competition keenest, not where the hours of work are longest, as in Russia and India, but where they are shortest, as in Massachusetts. Certain it is that the most perfect machinery, the largest

system of production, the lowest amount of waste time, are all features characteristic of those industries and those countries where the shortest working day obtains.

But our greatest encouragement and inspiration come from reading the various speeches of the late Lord Shaftesbury (then Lord Ashley), when speaking in Parliament on the Ten Hours Bill. The Government of the day resisted the evidence he brought forward to show that the hours of labour could be reduced without economic loss. On May 10, 1844, he spoke to the House as follows:—

Here then springs up a curious and important problem for solution by this House—no, not by this House, for they have already resolved it—but for Her Majesty's Government, who deny our conclusions and oppose themselves to the thrice-recorded wishes of the British Empire. Which is the preferable condition for the people—high wages with privation of social and domestic enjoyment, without the means of knowledge or the opportunities of virtue, acquiring ways which they waste through ignorance of household economy, and placed in a state of moral and physical deterioration; or lower earnings with increased advantages for mental improvement and bodily health—for the understanding and performance of those duties which now they either know not or neglect; for obtaining the humble but necessary accomplishments of domestic life and cultivating its best affections? Clouds of witnesses attest these things—clergy, ministers of every persuasion, doctors, master-manufacturers, and operatives have given, and are ready to give again, the most conclusive evidence, but Her Majesty's Ministers refuse to listen, and will neither adopt the remedy we are proposing nor assist us with one of their own.

Speaking sixteen years afterwards as Lord Shaftesbury in the Town Hall, Manchester, on October 6, 1866, he referred to the agitation for the Ten Hours Bill and to the success of the workers in carrying their point, and the effects on the workers themselves as well as on the nation resulting therefrom. He recalled the attitude the workers had taken up during the agitation. They had said:—

“We are standing for the limitation of the hours of labour as our great right, as the charter of our liberties; give us but that and you will never hear of sedition in Lancashire; you will never hear of discontent; you will see that we are among the most loyal of Her Majesty’s subjects, and we shall be both able and willing to discharge every duty that can become a citizen. No more (they had said) shall you hear of disturbances in Lancashire if once that right is conceded, if once our just demands are acknowledged.”

Speaking of the better times, Lord Shaftesbury continued:—

I cannot but congratulate you from the very bottom of my heart, and I know you will congratulate me that we are met under such favourable auspices. We are collected together in this room, not to talk of grievances, nor to devise methods for the purpose of removing them—not to talk of what we shall do, nor of what we fear; but simply and solely to exchange congratulations that we have, by the blessing of God, attained to the present condition of things, and that the whole of this great country is working in perfect harmony, men with masters and masters with men.

There is no sour feeling, no angry heart, no difficulty existing among them.

And how was this achieved? Recollect this was achieved without violence, without menace, without strikes, without resort to any extraordinary or illicit means.

God's blessing rested upon so peaceful a course; and when you obtained your triumph, when you gained your end, I tell you I think in no one part of your career, in all the long agitation we had, did you exhibit a more generous spirit, a truer policy, a more thorough development of that which is the greatest blessing man can have—common sense, than the way in which you took your victory, and the way in which you acknowledged your triumph. There was no boasting, there was no pæan, no crowing of cocks, no cry of victory, no desire to exult, and no saying to the masters: "We have carried the victory and will make you feel you are under our feet." On the contrary, you said: "We have been enemies, but let us now be friends. We have come now to the grand point; you may fancy you may lose, but only give us a fair chance, only meet us with an open heart and generous treatment, and you will find that when worked out the issue will be quite as beneficial to yourselves as it is to the operatives."

You have that statement from the Chairman, who from his own experience says that the measure has been beneficial alike to master and man, to employers and employed; and so it is, and in all great works of this kind, in which the real rights of mankind are concerned, in which the physical and moral interests of the human race are in jeopardy, in all matters of the kind, depend upon it, the truer economy is justice and humanity, and when you have achieved the triumph the truer wisdom is to say, "We forget the past; we have been enemies, but for God's sake let us be friends; we have in time to prepare ourselves for eternity: let us have no feuds, no differences, but let us join hands and go forward, and God will bless the issue."

And coming down to modern times, experience still demonstrates that working shorter hours with lessened fatigue does not reduce output, but generally, and with very few exceptions, tends to increase output.

The Report of Dr. Vernon on the Health of Munition Workers gives facts which will remove any doubt existing in the mind of any one as to the six-hour working day. In that Report he states that from experiments spread over thirteen and a half months upon the output of workers making fuses, a reduction of working hours was associated with an increase of production, both relative and absolute. Hours of work were changed first from a twelve-hour day to a ten-hour day, and Sunday work abolished. A group of women making aluminium fuse bodies provided the following results: A twelve-hour nominal day, after deducting lost time, making eleven hours net, yielded 100 articles, say, per hour, and 100 totals, say, per week. A ten-hour nominal day, after deducting lost time, making nine hours net, yielded 134 articles per hour and 111 totals per week. A nominal eight and a half-hour day, after deducting lost time, making a seven and a half-hour day net, yielded 158 articles per hour and 109 totals per week, thus proving that an eight and a half-hour working day, or 52-hour week, yielded more in products, both per hour and per week, than a twelve-hour day or 72-hour week, calculated either per hour or per week.

From other reports also that have been issued since the war began on fatigue of munition workers, we find this astonishing fact—that a larger output, not only per hour but per week, has been made when fewer hours have been worked. Recently an employer stated that in the early days of the war the nominal hours in his factory were 53 for the women; and he was staggered to find that the women were losing an average of 14 hours

each per week. Fourteen hours a week was the average lost time for each woman, bringing the actual average time worked by each down to 39 hours, and he said: "Oh, this won't do; we will let the women come an hour later in the mornings, and we will let them go an hour earlier in the evenings," making twelve hours a week reduction. So he made the hours 41 a week, and then he found that the lost time averaged one hour per woman per week; therefore, they were making 40 hours instead of 39 as previously. But he found, in addition, that in the 40 hours that they now worked—this was after deducting lost time—he had an increase in the output in the week of 44 per cent.

Government reports repeat over and over again, from definite experiments, that in a reasonable number of hours the human being turns out its maximum output. Fatigue the human being one day, let the man or woman come fatigued to work the following day, and so on, and after two or three days the output goes down, down, down, and is continually falling. Let the human being work no harder each day than the body can accomplish without fatigue, and he or she will come again fresh the next day; and the output will increase and increase. And it has been found that the increased output by working a reasonable number of hours varied, according to the industry, from 50 per cent. to 120 per cent., and the 50 per cent., it will be seen, agrees very nearly with the figures given in the above record. Therefore, it is not difficult to imagine that with two shifts working six hours each shift, the output might go up 33 1-3 per cent. per hour, and so give the same output in a 36-hour week as previously in a 48-hour week.

Sir Robert Hadfield, of Sheffield, stated (1917), in the course of an interview:—

At our plants we have reduced working hours with that largely beneficial result which seems to be inevitable. It has become clear that this procedure is even better business than it is humanity. Shorter hours make good men better, and bring the medium workman up to something higher than the old-time average. The hostility of the men to various progressive things was as unflinching as, for instance, their opposition to labour-saving machinery. Now they have learned that the better the tools the better the workman, and that the better the workman the better his pay.

The fact that workmen are not themselves machines is not yet appreciated in its full value.

Mr. Cecil Walton, of Glasgow, than whom there is no one who has a wider experience or speaks with greater authority on the subject of hours, fatigue, and output, has stated in an address given in Glasgow as follows:—

There is only one way of reducing hours of a working day, and that is by increased production. Any attempt to shorten the working day without this must end in national failure.

He cites the following amongst many other proofs of the possibility of greatly increasing output and greatly reducing hours:—

A factory producing 15,000 items a week was divided into six units of machinery, each unit producing 2,500 items per week. It was decided during 1917 to transfer some of these units of machinery to another factory in another part of the country, and to do this in one complete unit of machinery at one time, and to introduce a bonus on output arrangement with the operators. After removal of the first unit it was found that the remaining five units

still produced 15,000 items a week. The second, third, and fourth unit were similarly removed, leaving only two units of machinery, and these again and alone produced 15,000 items per week.

And again Mr. Walton has stated:—

If we turn to the authorities on the subject and study the figures as given us with regard to output per head of our industrial armies, we are staggered to find that Germany and America produce per worker in the twenty-six principal industries something like five times as much as we do. This sounds a terrible indictment, and it is. But if we study the question closer still, we find it is not a disaster we cannot overcome. Their industrial efficiency is below what it ought to be, and although our own industrial efficiency is lower, still we can so improve our efficiency as to bring ourselves easily in advance of either the German or American scale of industrial efficiency.

He then proceeds to refer to the economy and increased efficiency to be achieved by one only of the many changes possible in our industrial operation—that contemplated in the "All Electric" Scheme,¹ by which it is shown that we are at present paying wages to at least one-half our industrial population for producing waste. It is claimed that by the introduction of such a scheme and the transfer of these producers of waste into the ranks of producers of essentials, we can reduce the working hours of all workers by 50 per cent. without

¹ By the so-called "All Electric" Scheme it is proposed to burn the coal at the pit mouth, thus saving transport on rails to house or factory or locomotive, recovering the by-products for fertilizers, aniline dyes, and coke, and using the gas in internal combustion engines for generation of electricity, to be conveyed by truck, cables, and wires to wherever required.

reducing wages or increasing costs. So that the 25 per cent. reduction of hours involved in the scheme of a six-hour day can then become universal with increased wages to the workers and reduced selling prices to the consumer. He concludes with the deduction that this is a clean-cut proposition for which the nation should strive, and that he is quite convinced that by intensive production without fatigue in fewer hours we can greatly increase our production.

But whilst under the scheme for a six-hour day the employee-workers would be working only for six hours each day, the machinery would be working for twelve, eighteen, or twenty-four hours each day, with resulting enormous increase in production at reduced cost.

We need not fear too slow an adoption of the principles of economy of production—our fears are of too hasty adoption before supplies of raw materials, supplies of workers required for increased production are available, as well as increased demand sufficient to absorb all increased production. We are not likely in any case to move as slowly towards adoption as was the movement towards the Ten Hours Bill, which was first proposed in Parliament in 1802, and only finally carried by Lord Ashley through Parliament in 1850.

It would be useless to increase the output of all the factories in the United Kingdom if we had no purchasers who could absorb the increased output. There are two great factors in increasing demand—one is increased wages and the other is reduced cost. Both these increase the purchasing power of the home-market consumer and equip us the better to compete with the foreigner abroad, by enabling us to supply cheaper articles for export, so that, as a commercial proposition, the six-hour day based on increased production would be absolutely sound, and could be depended upon to result in the increased demand

for our products essential to its success. It is stated that a Scotchman once wrongly attributed a quotation from Shakespeare to Robert Burns. On being corrected he replied: "Ah, weel, it was guid enough for Rob tae ha'e written it." It is not known who first said that if one makes but a mousetrap better and cheaper than any one else the whole world will soon beat a path to one's door, but these words are good enough to have been said by the wisest business sage the world ever produced, and to date back to the very first dawn of civilized dealings between man and fellow-man.

In addition to the effect of a six-hour working day in giving all that we require in production from our workers, so that we can pay to the workers the same wages for the reduced hours that they receive for the longer hours, it would give us this great additional national advantage: it would enable us the better to solve our after-war problem of employment for the men and women who will then be released from actual war and war supply work..

III

THE SIX-HOUR SHIFT

(Continued)

AFTER the war we shall have a demand, which must be met, for increased supplies of all kinds of products to replenish exhausted stocks both at home and for export markets. This will necessitate, for many years after the war, an increased production, if Great Britain is to retain her home and export trade, amounting to at least 50 per cent. over and above the normal production required in pre-war times. In addition, we shall require to build, it is estimated, at least one million homes to house the workers under proper reasonable conditions. We shall also require to replenish our mercantile marine by many millions of tons of new ships.

All these will make a demand upon our labour to such an extent that it will not be possible immediately to build additional factories and workshops, or to erect plant and machinery for the same, in order to provide for the 50 per cent. increased production demanded. We shall be short of factories and workshops, but we shall not be short of labour, for it is estimated that the termination of the war will release at least $11\frac{1}{4}$ millions of men and women who are at present engaged either in active work on the field of battle or in workshops and factories and transport service necessitated to supply the army in the field with material and supplies required for the prosecution of the war.

The raw material we shall require is mainly produced within the British Empire: therefore, so far as raw materials are concerned, and so far as labour is concerned, we shall not be in any serious difficulty, but we shall be in difficulties with regard to providing the factories and workshops and machinery required to work up raw materials into the finished product. We shall have an overwhelming demand for goods: we shall have the necessary raw material and men and women required to make the goods, but we shall not have the equipment to manufacture the goods to meet the demand for the finished product, owing to the lack of workshops, factories, plant, and machinery.

But even if we could immediately at the close of the war erect new factories and workshops, we must remember that it is estimated the cost of building would then be 75 per cent. more than pre-war rates; and the cost of plant and machinery would be anything from 100 to 200 per cent. above pre-war rates. Therefore the erecting of new factories and equipping with new plant and machinery would seriously handicap our home manufacturers in their competition with manufacturers in Neutral and Allied countries, such as Holland and the United States in supplying economically the demand in the Neutral markets of the world which demand we had previously very largely ourselves supplied. But by the adoption of the six-hour working day we could automatically and immediately increase our production by at least 50 per cent. just as effectively as if we had been able to build 50 per cent. additional factories, workshops, plant, and machinery. And we could do this without making any call on capital or any call on labour for the mere erection of these mechanical utilities.

After the war, therefore, the times will be ripe for the six-hour working day of two shifts. There will be

the demand and there will be the labour to meet the demand, and by working double shift we shall have the machinery sufficient to meet all our requirements. The 11¼ million men and women released when the war is over cannot be found work on any permanent basis by means of philanthropic effort or subscription lists or good intentions. They can only be provided permanently with employment on sound economic lines of greater economy in production and of a greatly increased demand for products resulting from that economy in production.

The six-hour day would also solve the question of the education of the boy and girl on their first leaving school: it would also solve the question of their physical training; it would solve the question of military training, so that we could have a trained citizen army; and it would solve the question of the outlook on life of our workers. Can we fancy anything more sordid than the life of a boy (or girl) who goes into the factory to-day under the stress of modern conditions? His grandfather probably went to work at eight years of age. The present-day boy goes at fourteen years of age, and from then to seventy years of age (if he survive) he sees nothing but the factory, except for a few holidays, so few that he scarcely knows how to systematize and make the most of them, and his horizon, his whole outlook on life, is so stunted that he cannot live the life he was intended to live. It was never the Creator's intention to send us into this world as so many "hands"—He sent us with imagination, He sent us with the love of the country, He sent us with ideals and outlook, and these are simply stifled under our present industrial system.

How can we wonder at what is called "Labour Unrest"? If men and women were satisfied to endure quietly such conditions, then we might indeed despair of their future and the future of the British race.

Let us make the most of our English-speaking race, the finest race, in our opinion—of course, we may not be impartial judges as to that—on the face of the globe. Let us face the problem of the boy and girl of fourteen—it is a pressing one. What to do with boys from fourteen to sixteen is a most important problem. We know how, at that age, boys delight in getting into all sorts of scrapes and mischief. The training of boys in Boys' Brigades and the Boy Scout movement, for which we are indebted to General Sir Robert Baden-Powell, has proved a great remedy for that state of affairs. But if we could take the boy and girl at the age of fourteen and give them, say, two hours' schooling in the morning or afternoon, and continue this right on until the age of thirty, what could we not make of them? Evening classes, we know are a failure. The boy or girl attending these classes after a hard day's work is not in a receptive state of mind for instruction—both mind and body are weary, and therefore the evening classes are not a means to an end—they are a substitute and not a success. Education cannot be completed at fourteen for the very simple reason that the necessary number of hours have not been devoted to it, and the number of subjects have not been covered that ought to be covered. But under the six-hour day scheme these two hours of instruction on alternate mornings and afternoons could be continued from fourteen to eighteen, and from eighteen to twenty-four years of age, during which period the scholars would be receiving instruction of a still higher character, with physical training, and would be learning how to improve in their work. The very fact that during their working hours they are working with their hands would help their brain education, and eventually make them infinitely superior citizens.

These two hours for education and training each day, from fourteen to thirty years of age, must be made absolutely compulsory, must be what we may call "conscripted" for the benefit of the whole nation. From fourteen to eighteen years of age, let it be extended education of what we may call the High School character, together with physical training; from eighteen to twenty-four years of age, education of what we may call the Technical and University character, with extended physical training; from twenty-four to thirty years of age, training for military service for national service, for the duties of citizenship, preparing for membership of Village and Town Councils, and so on, and general study of all that goes to make for government, of ourselves, for ourselves, by ourselves, which ideal is very often merely a catch phrase. Then each of us after reaching thirty years of age will be a unit in a nation of educated, trained men and women and within the limits of the law we can be trusted then to make the best use, for whatever appears good to us, of the two hours a day, for we do not think a conscription of time after thirty years of age would serve any useful purpose. The organizing of our time in this way would give us a fully educated nation, a nation capable of assuming responsibility, and with initiative. We should all be the better for it—we should have better bodies and better minds; not even University education could compare with the education which would be obtained under the above conditions simultaneously through hand and eye and brain.

The man in the University gets his brain developed, but if he had simultaneously the training of hand which manual industries impose upon those who work in factories, his brain would be better for that discipline and for that training of hand and eye. We should produce under these conditions a population in the United King-

dom more highly trained, more hard-headed, and more practical than ever we can produce with a Public School education followed by that of a University. We believe most thoroughly in the combination of the training of hand and brain and eye simultaneously and we believe most sincerely that a six-hour working day would solve that modern problem experienced in all our industries of the scarcity of men and women to fill the positions of foremen, managers, and directors. All through our industrial system this scarcity is so great, that unless the nation takes in hand the proper and efficient education of her people, with definite courses of study for definite careers, agriculture will suffer, manufactures will suffer, shipping will suffer, business will suffer, and the progress of the whole Empire will be retarded in competition with other nations.

There is a great desire and not an unreasonable desire, and certainly a healthy desire, on the part of the workman to take some share in the control of the factory he works in, and it is a desire that should be encouraged; but we cannot take a rank-and-file worker out of the factory to-day and put him on the Board of Directors and expect that he will be able to give valuable help and assistance. He must be trained; we have all had to be trained. There must be healthy growth and development towards this end, for there can be no sound business without previous training. The desire to have a seat on Boards of Directors and a share in the control of the industries is a healthy sign; but it would be madness and ruin to the industries of this country if our Boards of Directors were not composed of trained men, and only by better education shall we be able to satisfy that reasonable ambition of the employee-workers.

It is a curious fact that this talk of the reorganization of the control of industry should come forward at the

time when the great nation, our kindred across the Atlantic, is giving greater consideration to efficiency, and a larger output and a cheaper cost of production with higher wages and shorter hours. Now, any mistake on our part in the peaceful lines of commerce when this war is over would be only second as a disaster to a mistake on the field of battle. Either would be irredeemable. If a nation once loses its position in commerce, it requires a matter of centuries to recover it. We have seen commerce in the Mediterranean pass from the Venetians to the Spaniards. Why? Because the Venetians got an idea that they were strong and powerful and could dictate terms to the world. They thought they could make their own rules—selfish rules, entirely for the benefit of the Venetians. The trade passed to Spain, and Spain was in her glory at the time when she began to consider that she had arrived at the point when she could ignore the basis upon which her trade had been built up, and became more narrow and selfish, less considerate of the interests of others. Then the trade passed from Spain to Holland, and Holland, in turn, got to the pinnacle that we enjoy to-day, because although we are only 45 millions of people in this country, we can say with truth that we stand in advance in manufactures, in trade and commerce, of any other nation in the world, whatever its population may be.

Holland, in her turn, lost the trade to England, and we are now at the cross-roads, and have to consider carefully what way we take, or the pre-eminent position of British manufacturers, and the pre-eminent position of the workers, and of interest in them, may pass from our hands to those of other and more alert nations. You remember we are told that above all things we are to desire wisdom. And I do believe myself that what we in Lancashire call "nous," wisdom, is one of those rare

faculties which, possessed in full, can take us through life to a realization of our wildest dreams and ambitions. But if we neglect wisdom, and rush to make changes without due consideration—very much like the proverbial bull in the china shop—then we only court wreckage and ruin and disaster.

Now, what are our ambitions? What are the ambitions of any true democratic people? Surely our ambitions are a better life for each of us, more equal distribution of wealth, higher wages in order to attain to a better living, more plentiful supply of all that we require in the way of boots, shoes, and clothing, better homes—homes with gardens, homes that are really places in which a soul can live and expand, and not caves in which we can crouch out of the light. Well, these things will not drop down from the skies for us. They are not very much good until we can get them on the earth on which we live our narrow span of life. There is no other way. Some people see the curse of Adam in work. I believe it was the greatest blessing that ever came to us. Of all people, those without work are the most miserable. That is no reason why "A" should be worn down and fatigued, whilst "B," without much work, apparently gets more than his fair share of the good things of this world.

There is no logic in that, and I am bound to say I feel it very intensely that it has to be recorded at the beginning of the twentieth century that nine-tenths of the wealth of the United Kingdom—and I believe the same equally applies to most other countries—should be possessed by less than one-tenth of the people, and that nine-tenths of the people should possess only one-tenth of the wealth. That is a system that cannot be defended for one single moment. But you must remember this, that through all the centuries we have had such a system

of taxation in this country that the taxes have not been laid on the backs best able to bear them, but have been laid on the worker. I remember very well years ago, when I was a Liberal candidate, pointing out that, including the rates on the house, and if the man happened to be a moderate drinker and a moderate smoker, and his wife enjoyed her cup of tea and so on, the rates and taxes collected from the workman were from 4s. to 5s. in the pound of his income; whilst the contributions of the wealthy man at that time could not be totalled up to any more than 1s. in the pound. The income tax at that time was about 6d. or 8d. in the pound, there was no super-tax, no graduated death duties, and no excess profits tax. But now how do we stand? If a man is wealthy, he has 5s. in the pound to pay in income tax, 3s. 6d. in the pound super-tax; if he possesses a fortune of a million, it will have to pay 20 per cent. in death duties. Take the death duties as payable on an insurance basis (that is the easiest way to reckon it), and you will find that it will bring his total taxation to-day (1917-18) up to 12s. 6d. in the pound. We have only had this system a few years; but I venture to say—and this is apart from excess profits tax—that under the present system of taxation it can no longer be said that the wealthy are not bearing their fair share of the burden of the country.

I do not say they are bearing more than they ought to bear; but I feel proud of the fact that the opportunity is now given to each man in the country, whatever his riches may be, whether he is a weekly wage-earner or a wealthy man, to bear his fair share of the burden of the country. The wealthy are bearing it in the form of taxation and in every other form—by their sons fighting in the trenches, and in all other ways. We never were a more united nation, a more equal nation on the basis of

taxation; and we ought to be proud of it. But the echo of the former complaint still reverberates around the land, that the rich are not paying their share. That has ceased to be the fact. And it is not really the fact that land does not pay its fair proportion, that property does not pay its fair share, that the incomes of the wealthy do not pay their fair share. All this we have altered very largely since 1896. The years 1909 and 1910 were the crucial years, when a big advance was made; but the biggest advance of all has been made since the war began. I want us to bear that fact in mind, because, believe me, it has accomplished more to improve the conditions of the people of this country, to raise their spirits, and to give them an outlook on life than anything in the century preceding it. I am confident and happy to acknowledge that that is so; but our hearts, having begun to show sympathy in one direction, must show it in all. That is the rule of nature. You cannot be warm-hearted and sympathetic in one direction only; you must be in all. You cannot be cold and brutal on one question; you are cold and brutal on all. That is the law of life. We have also seen the Health Insurance Acts, and I had the honour of carrying two bills preceding the Government Acts—the Old Age Pensions Act and the Payment of Members Act—which latter gives the means to any constituency to select its member without consideration as to whether he can afford to pay his railway fares to London and his lodgings when he is in London. Just think what it has meant to give old age pensions, improved education, medical attendance on school children, and health insurance. The total expenditure on these—education, old age pensions, labour bureaux, and health insurance—is 61 millions a year. That amount is taken out of the taxes (mainly income tax) and distributed throughout amongst the workers.

It is thought by some that democracy means absolute uniformity, and you will notice one of the questions put by the Prime Minister yesterday, in reply to a questioner about the conscription of wealth and the acquisition of wealth, was not answered by the questioner. The Prime Minister had asked whether equality of wealth ideal was to apply all round, whether we were to be bound by the ideal of the skilled engineer receiving the same wages as the labourer. He was not answered; but if equality all round would achieve anything to better the conditions of life, I am sure the skilled engineer and all of us would agree that a system that made for the greatest good of the greatest number would be a right system in a democratic country. But, believe me, human nature is founded upon very distinct principles. First of all, we are social. We love to live in communities, in towns. Very few of us love to live in scattered districts. The men in the backwoods of Australia are always longing to go to Sydney, Melbourne, Adelaide, Brisbane, or wherever their big city may be. But whilst we are social in our habits and love our fellow-men, we are individualistic in that we love our own homes. We do not want to have our homes in a barracks, there to live a barracks life with others. Each one of us feels that we have an individuality. We are not only a body, but we have a soul, and our individuality wants room for expression. I always think the earning power of a man, whether in the factory or in the office, whether he is or is not the proprietor of the business, is in proportion to his mental attributes. As the young tree sends its roots in every direction, searching for nourishment and water, so does human nature send out its roots to feed its soul. If you were to say that the man in the factory must not do some duty apart from the workshop, and that the employer must not undertake some task apart from his

business, you would cramp the aspirations and desires of every human being. We have to attempt to satisfy our souls as well as our bodies by our effort. Take inspiration for that effort away, and we should just become automata.

We have to-day, I believe, in the United Kingdom, by means of steam-power and machinery, the productive capacity of over 1,000 millions of human beings working twenty-four hours a day, and by means of that power we produce, by possibly 14 or 15 millions of human beings, all that could be produced by the thousand million producers without that power. But, as I say, there was in the past a great power running to waste, and some of it is running to waste yet (such as the ocean tides), in spite of us. I venture to say there is not one of us in this room who without fatigue, in terms of thought and organized inspiration and aspiration, is not capable of infinitely more for the common good than we are doing to-day; but we have never been studied; the best has not been brought out of us. We have been made into automata to go to our work at six or seven in the morning and finish at five or six in the evening. And it has become almost a fetish with some of us that the less they can do in that period, not only the easier is it for themselves but the better for their mates. And on the employers' side it has been equally a fetish that the lower the wages paid, the longer the hours worked, the cheaper the product would be. They are both wrong, absolutely wrong. But is it to be wondered at that under this system the idea should have leaped into the minds of some trade unionists as to the restriction of output? I do not know whether you have read recently what has been said by a great Trade Union leader in America. I want you to consider this very carefully, because we are in competition with America. Don't think for a moment

that our Allies in the trenches will be our allies in commerce. It is in noble devotion to the cause of democracy that the Americans are throwing themselves into the war. They have no territory in dispute, no object to pursue in European politics. They are doing it from the highest ideals of democracy and to free Europe from the hell of militarism. They are not children who are doing this, and when this war is over, and we come to consider the trade of the world, whatever ideals we have in this country, we shall have to reckon with the ideals the Americans have.

I will read to you what Mr. Gompers, the President of the American Federation of Labour, representing many millions of working men, said in a recent speech: "We are not going to have the trouble here that Britain had through restriction of production." He is speaking for Labour, not for the masters; but you might think he was speaking for the masters. "There has not been any restriction of output for over thirty years in America. We, in the United States, have followed an entirely different policy." Well, I can say that I have been to America, and found a man in charge of five lathes, automatic machines. I remember asking, when I got back, why a man should not look after five lathes here, and I was told the Union rules were against it. That is a mistake. I do not want you to believe that I think the Unions are not doing good work according to their lights. I have never met a Trade Union official yet who has not impressed me with his sincerity in desiring to do the best for his members; but it is a mistaken policy, that is all. It is exactly the same as many mistakes on the side of the masters; but they are both wrong. "We say to the employers"—there is no doubt about letting employers know—"bring in all the improved machinery and new tools you can find. We will help you to improve them

still more, and we will get the utmost product out of them; but what we insist on is the limitation of hours of labour for the individual to eight." This might be my speech if you take the eight and put it at six. It is exactly what I am preaching. I believe in England we are ripe for a six-hour day in many industries. I have had experience of eight hours for twenty-five years. The same type of people who say that six hours is impossible, said eight hours was impossible, said that ten hours was impossible, and that twelve hours was impossible, and so on at each stage of reduction from a fourteen-hour to the eight-hour day, so that I am not made despondent by the fact that I am told it is impossible.

"Work two shifts if you please, or work your machinery all round the twenty-four hours if you like, with three shifts, and we will agree, but we insist on the normal working day, with full physical effort. We will not agree to that over-work, producing the effect of over-fatigue, which destroys the maximum of production, undermines the health of the individual worker and destroys his capacity for full industrial effort." That is almost word for word what I have said, except for the eight instead of six. We want higher wages, shorter hours, a larger production of everything, so that we can get a cheaper cost. Without that cheaper cost we have no funds to pay higher wages. Higher wages are merely a shadow unless you have lower costs giving increased purchasing power with the higher wages; and I believe with that and with shorter hours we can realize all that we are striving for. I am told that at Ford's works they employ 40,000 persons. A boy worker can get £1 per day, and all employees are paid double Trade Union rates; and there I am told that it is the exception for the workman not to have his own motor-car. Why should not the workmen have their own motor-cars? They will

not get motor-cars under a system of restricted output; there won't be enough to go round. Every time we increase the output and reduce the cost we have a fund out of which we can increase the wages. It ought to be possible for men to have more leisure than they have to-day, when they commence work at six, or seven, or eight in the morning and work on until five or five-thirty in the evening. More leisure than that is an absolute essential if we are to live a complete, full life citizenship. I say without hesitation, and I say it is within reach, now that we have got the wages up, we can afford automatic machinery, and so by means of automatic machinery we can produce more goods.

Everybody should be given an interest in the results of their work, and then they can have more satisfaction in it. And there could be more relief for the employer, so that employers also could devote themselves to a realization of shorter hours, with harder work during the time they are at work without fatigue, cheaper production and more leisure. Well, now, that is what we want, but what are we drifting to? I will show you. Gompers said: "It is thirty years since we had limitation of output," and so I will go back thirty years, when they dropped it and we began it. It is sometimes said that a dog returns to its own vomit. It seems to me we were a dog that returned to another dog's vomit. In 1886 the output of a certain class of worker in the United Kingdom was 312 units; in 1906 (twenty years after) this output had been reduced to 275 and in 1912 (that is the last recorded year before the war) it had dropped to 244—from 312 to 244 in twenty-six years in the United Kingdom. In the United States, whilst in 1886 the output per worker was at 400, it went up to 596 in 1906, and in 1912 to 600, so that whilst we went down the United States have gone up 50 per cent. But we have Englishmen in other parts

of the world—we have them in Australia. Do you mean to tell me that the Australians are not as strong trade unionists as any others? And the same applies to the New Zealander and the Canadian. We all know they are strong trade unionists. In Australia in 1886 the output per head was 333, in 1906 462, in 1912 542, more than double per man what the workers are producing in the United Kingdom. Yes, but the wages are double. I want to tell you as the output goes up the wages go up; as the output goes down, if the wages go up, the purchasing power goes down. In New Zealand the output per worker increased from 359 in 1886 to 470 in 1906, and 503 in 1912, and in Canada from 341 to 472. Of all the English-speaking races all over the world, we, in the United Kingdom, are the only ones who have fallen behind in our production per head of the workers. And is our condition improved under this policy? Are we satisfied and happy with it?

I think if any of you have gone, as I have, to Australia, and seen the homes of the workers—seen them having their summer holidays on their beaches with their wives and families—you would see that their wages are not improperly used. Well, but for it all, they would tell us that increased output is the road to betterment and prosperity. Australia settled with the I.W.W., put a number of them in gaol, and this under a Labour Government. “Ca’ canny” is a canker. I want to say how sincerely and earnestly I am, and have been all my life, with every master and worker in this room, although I cannot say whether there are more masters or more workers. I cannot say, but I do think this, that Lancashire men and Yorkshire men have very similar views, and very similar aspirations.

What I want is that we shall just inquire, if any change is to be made, whether it is right, and the first step to

lead in the right direction. I do not want to claim that what I have said this afternoon represents the whole Alpha and Omega of this great question. I have only touched the fringe of it but, believe me, the truth I started with is an absolute truth—that we shall not get our clothes, and boots and shoes, and houses dropping down from the sky, or jumping up from the ground like mushrooms. We will have to work for them, and in working for them, it is our business to consider how we can produce them with the least fatigue, the utmost leisure, the greatest cheapness, with the largest volume, so that out of the things created in this way there shall be an ever-increasing demand, so that however great this output it shall all be absorbed; a demand for all the necessaries, comforts, and luxuries of life as much from the workers as from those who are so-called masters, with such a fair and right system of graduated taxation, that those who have the ability to make money may utilize their creative powers or their opportunities to bear a strong man's burden of taxation, and so each in proportion to his strength will bear the taxation of the country. Working on these lines, I see an England where we can work a reasonable number of hours, where our children shall receive the fullest and most complete education—the children of the workman just as good an education as the children of the employer—so that there shall be every opportunity for all of us; that there shall be a ladder for every man, and he shall be left to climb it if he wishes.

We should gain vastly in all directions by the introduction of the six-hour day; the worker would have opportunities for recreation, for education, and for the achievement of a higher social standing. The term "factory hand"—that most hateful of terms, as if the "hand" possessed no soul, no intellect and no ambition in life at all—that term would go. The factory employee, no

longer a "hand," would go for six hours a day to the factory in the true spirit of service. He or she would receive for that six hours, at least the same pay that he or she now receives for eight hours. Those now receiving one shilling an hour and working eight hours a day would, in future, receive 1s. 4d. per hour and work six hours, and would be able to produce as much in the six hours as is now produced in the eight, while the machinery, running in two six-hour shifts, would produce a vastly increased output.

This is the very rough and crude outline of what we suggest should be done in order to meet industrial conditions after the war. With all modesty and sincerity, the six-hour working day proposal is submitted to careful consideration and vigorous criticism. Out of all this wreckage of war must ultimately come better and more ideal conditions of living for all classes, and under better conditions we can raise from our British stock the finest race the world has hitherto seen, and build up an empire founded on principles of health, happiness, justice, and equal rights for all—an empire that will be the friend of all nations and the enemy of none. Then this war will not have been fought in vain, and fathers, brothers, and sons will not in vain have surrendered their lives; mothers, wives, and sisters will not in vain have mourned the sacrifice of their dear ones, and Peace, never again to be broken, will smile once more, and kindly Nature will reward our labour with enough and to spare, and with lengthening life, deepening joy, and happiness for all.

IV

HARMONIZING CAPITAL AND LABOUR

I FIND from old records that it was nearly forty years ago—in the year 1877—that I began to experiment on lines which, eleven years later, namely in 1888, led me to adopt a system of what, for want of a better name, I called Prosperity-Sharing. But it was not until twenty-one years after that, namely in 1909, that I adopted Co-Partnership completely and fully, as a practical business relationship between so-called employer and employee—so you will see I have not “rushed in where angels fear to tread,” but gone cautiously, and not too hurriedly forward to full development, as becomes a Lancashire man whose father was born in Bolton and whose mother was born in Manchester—and not even north of the Tweed can more prudent, cautious forbears be found. If you asked me where I first met with the idea of Co-Partnership, I should have to answer with the Lancashire man who was asked where he first met his wife, and who replied: “I did not meet her, she overtook me.”

Before launching myself fully on the tempestuous ocean of Capital and Labour, I would like, with your permission, to change the title, which was “Mutuality of Capital and Labour,” to “Harmonizing Capital and Labour.” The dictionary meaning of “harmonizing” is “adjusting in fit proportion,” and, really, this meaning seems to define my address much more accurately than any other.

The very idea of an attempt at harmonizing may upset many deep-rooted eighteenth- and nineteenth-century

false ideas, founded on "master and man" theories that Labour is merely the paid tool of Capital. These false ideas have got to go "bag and baggage," for the solution of our problem can only be found by frankly admitting that no individual, or body of individuals, representing either Capital or Labour, can disregard the rights of others or their own duties. What these rights and duties of each to the other are we must endeavour to find out, but the solution can only be found on sound economic lines. Mere desire for harmony will not suffice, however earnest and sincere it may be. Business is not only the science of the production and distribution of goods, it is also a social science. But the human elements combined in Capital and Labour are neither social scientists nor political economists nor philanthropists; yet to be able to meet the modern twentieth-century outlook they ought to be acquainted with certain general basic principles.

We must admit that in spite of better conditions of employment and higher wages the present position occupied by Labour is not acceptable to the workers.

The so-called practical business man, ostrich-like, buries his head in his ledger and ignores the writing on the wall. We must not let this attitude influence ourselves, for, after all, has it not been truly said that the so-called practical business man is one who continues to practise the mistakes of his predecessors? Our duty is to search out certain basic principles that must serve Capital and Labour somewhat in the same way as the compass serves the mariner in navigating the trackless sea, or as the calculations of the astronomer make clear the mysteries of the starry heavens, or as the investigations of the chemist have laid bare the secrets of organic and inorganic matter. For in this relation between Capital and Labour, which must be acknowledged to be the

greatest and most intricate problem of all, no attempt has yet been made to get down to first principles. As regards Capital alone, and solely as Capital, this remark does not apply; for in respect of the science of banking, compilation of statistics on currency, bank reserves, rates of exchange, and so on *ad infinitum*, business men representative of Capital have taken care to be fully equipped for every emergency. But no corresponding statistics dealing with the human element in Labour have been prepared.

Of course, I do not say that statistics of wages, hours of employment, strikes, lock-outs, are not available, because these can be obtained to the finest detail; but Labour as a human element in production and distribution has not been scientifically analysed as Capital has been for the guidance of Capital. The workman called "Labour" is no longer a "hand"; Labour to-day is an educated man and his wants are growing and his outlook is extending. He is to-day the hope of the optimist and the despair of the pessimist. Labour to-day is ambitious, and has created for himself and his wife and family new and better standards of living than his father, and still more than his grandfather, ever dreamt of.

In our first consideration of the new conditions, let us remember that in dealing with them sound methods are more important than the attainment of immediate results; unfortunately, as between Capital and Labour, it is too often only the immediate spot-view that prevails. Present relationships and present conditions are causing profound dissatisfaction to both Capital and Labour. This great war has forced upon us a better and closer relationship between all classes in the British Empire and has aroused our industrial conscience. This war has revealed to us that, bedded in each and every stratum of society, we can find the highest ideals of truest patriotic service;

that for the cause of right, life itself is as freely given up by the lord as by the labourer; and that the British Empire possesses the finest material in men and women, bred both in mansion and cottage, that the world can produce.

We only require to recognize the rights of others and our own duties by adapting our industrial system to these high ideals to do away for all time with the bogey of clash of interests between Capital and Labour. Cannot Capital and Labour, after having fought and died side by side in the trenches of Flanders and France, regardless of wealth or station, be won over to fight for the success of our Empire industrially after the final war victory on the sanguinary field of battle? Too long has there existed a wide gulf between Capital and Labour; for too long have suspicion and distrust produced active opposition between these twin brothers in productive enterprise. Not until Capital and Labour have solved their difficulties in working frankly and whole-heartedly together can the Empire be as well equipped for the coming war of commerce as she has been rapidly and efficiently equipped for the war of armaments, or be able to devote all her energies to expansion and betterment.

It is merely a question of harmonizing interests and forces. It is not a question altogether of higher wages, shorter hours, or better welfare conditions of employment. The profound dissatisfaction with present conditions goes much deeper than this. This dissatisfaction has its root and spring in the fact that no attempt has been made by Capital to study the human element to be dealt with and handled. The cause of disagreement between Capital and Labour is quite as much psychological as it is material. Human nature called Labour has two very strongly marked characteristics—it is at one and the same time gregarious and individualistic. To the Socialist, man is purely a gregarious being, and Socialists

find that they preach in vain the doctrine that every man ought to contribute to the Commonwealth according to his abilities and to share out of the Commonwealth according to his necessities. But apart from the impracticability of this theory, in that it provides no solution as to who shall be the fair just judge possessed of superhuman insight, to decide as to claims in contribution according to abilities or to award benefits according to necessities, it has failed hopelessly to interest Labour, because it has ignored the other equally marked characteristic of our common humanity, namely, that in addition to being gregarious, man is also strongly and intensely individualistic.

These being two very strongly marked characteristics of human nature, we are not surprised to find that, whilst the greatly preponderating majority of mankind prefer to live in communities, such as cities and towns, rather than in villages or on the scattered country-side, mankind demands, and insists upon having, his own individual house and home; and that when housed in barracks or huge tenements piled floor upon floor, one on top of another, with common staircases, he rapidly degenerates. Give mankind homes free from overcrowding, where each can enjoy his own individualistic garden in addition to the public park, then, with such a combination of the communal life with individualistic environment, they improve in bodily health and in mental and moral strength. Equally, mankind prefer to follow their daily occupation in groups and masses, as in workshop and factory. But the individual still insists on retaining his individualism and looks for his own individualistic recognition and reward for his labour. The joiner or mechanic will not be willing, as the Socialist would wish, to contribute according to his trained skill and ability and receive as reward exactly the equal, provided his necessi-

ties were the same, as the unskilled labourer. He would not do so whether working at the State Dockyard, or Woolwich Arsenal, or in Government Postal Service, any more than for the capitalist. And he is right, because the socialistic system would make parasites and paupers of one-half the human race.

Now, this is the situation we have to face. Each of us contains in his own mental outlook the elements of an oligarchy and of a democracy; and as our present industrial system is founded on these attributes, it is scarcely surprising that it has been described, and correctly so, as an oligarchy existing in a democratic country. This position of our British industrial system is the result of the haphazard way in which industries have grown up from the small workshop of two or three centuries ago, when the capitalist was also a workman, and master and man met on terms of equality. But modern industrial conditions, with thousands and tens of thousands of workmen, and in at least one industry a quarter of a million workmen, under one oligarchical rule, are intensely anti-democratic, and as such violate the gregarious instincts of humanity. And just as it is true that the position of British industries to-day is the result of yesterday, so their position to-morrow will depend on our actions of to-day. Capitalists have now the task set them to democratize their system, and to create conditions that will enable Labour to take some democratic share in management, and some responsibility for the success of the undertaking. Productive and distributive business must in the future be carried on under less oligarchic and under more democratic conditions. Labour will not be brought to work side by side with and to harmonize with Capital merely by ever higher and higher wages, shorter and shorter hours, combined with better and better welfare conditions.

The wages system has broken down as a sole and only solution. As huge businesses have sprung into existence, the difficulties of the wages system as such have increased. It is impossible under the wages system alone to make Labour realize that the true interests of Labour and Capital are identical. There is a story told of a Lancashire farmer who, on his wedding-day, after the return from church, took his wife into the orchard, where he had arranged a long rope hanging over the fork of a big tree. He asked his wife to get hold of one end of the rope, and he himself took hold of the other. He then gave the signal for them both to pull their strongest, and he soon convinced his wife that, pulling against each other, neither could pull the rope over to his or her side. Having taught this lesson, he asked that they should both pull together at one and the same end, when, of course, the rope was pulled over almost without an effort. Let us hope that pulling against each other during the centuries past has taught this lesson to both Capital and Labour; that no progress can be made in that way, as compared with the progress to be made by both pulling together.

Productive and distributive business must be so organized as to harmonize the relative positions of Capital and Labour. The claim of Capital for as big an output as possible at as low a cost as possible has hitherto had to pull against the claims and aims of Labour for as high wages as possible with as restricted an output as possible. The capitalist has a deep-rooted belief in the fallacy that the lower the wages and the longer the hours worked by Labour are, the lower the cost of production must be—the falsehood of which has been proved, over and over again, by the low wages and long hours of Hindoos and Chinamen, as compared with the lower cost obtained by the extremely high wages and shorter hours of the

United States. Labour has a deep-rooted belief in the fallacy that there is only a certain limited amount of work to be divided amongst an ever-increasing number of workmen, and that, consequently, restriction of output is the most sure and certain way to provide work for all; the falsehood of which has been proved by the fact that restriction of output has been shown always to act as a deterrent to consumption and to demand for labour, whilst the increased output per man in the United States has stimulated and increased demand and resulting employment and wages. The lesson of this for the capitalist is that high wages, short hours, and good healthy conditions, by increasing intelligence and efficiency, increase output and actually reduce costs. And the lesson for Labour is that increased output stimulates consumption, and, consequently, demand for production and distributive labour, the fact being that consumers of all classes supply themselves where they can be best and most economically served.

These are such well-known and simple truths that it is almost necessary to apologize for calling attention to them. We thus see that Capital and Labour, by faith in these fallacies, are merely pulling against each other. How can we harmonize these conflicting elements? Only by Capital identifying itself with Labour, and creating for Labour the same economic environment and conditions as Capital itself enjoys. Only by entrance into Co-Partnership together can Capital and Labour be brought to pull together, and only by Co-Partnership can they be harmonized.

We are agreed that the elements in production and distribution are Capital and Labour—I prefer myself to make it a three-legged stool by including Management as apart from both Capital and Labour. But sometimes Management is part of the activities of Capital, and at

other times must be included with Labour. We British have always been well supplied with all three. We acquired the capital because we had Management and Labour, and good Management always accumulates capital. The accumulation of capital that we may look forward to during the twentieth century is bound to be greater than was the case during the nineteenth century, and still more so than during preceding centuries. But whilst we had no difficulty under the existing system in the acquisition of capital, we have not been equally successful in its distribution, and this is the root and cause of all the antagonism between Capital and Labour. This system, under which all the profits or losses go to Capital, ignores entirely the psychology of the workman. He is not a mere machine to be kept well oiled with good wages, well tended by not being worked for too long hours, and kept in good going repair by welfare systems, canteens, and good housing conditions. He is a complex human being, with all the ambitions, ideals, and mental outlook possessed by the capitalist in an equal and sometimes superior degree.

If high wages, short hours, good housing meant finality to Labour Unrest, then Labour would not be a man but a vegetable. Labour has economic interests that also require satisfying, and that press on Capital for their solution. We have heard it said of our educational system, that to make it complete a ladder must be provided by which a boy or girl can climb from Board School to University; so that an apt pupil might have the opportunity of living its full life without limitations from the environment in which it was born. To harmonize Capital and Labour similarly, a ladder must be provided from the humblest position in industrial organization to a seat on the Board of Directors. Capital must provide a broader outlook for Labour.

Has not the political orator speechified, has not the eloquent preacher sermonized, and the profound philosopher theorized, on the necessity for harmonizing Capital and Labour? And yet it is all so very easy and simple. The only possible way of harmonizing Capital and Labour is to provide both with the same outlook by dividing the profits their joint labour has created fairly and squarely between them. On this system, each will also automatically share and suffer from losses when they have to be faced. Step by step the lesson is being taught and learned that the Co-Partnership system is the only possible system for harmonizing Capital and Labour; and, fortunately, it is capable of application in principle, by varying methods, to all but a very limited few occupations; and when applied honestly and faithfully, it has invariably produced improved relations, with better commercial results. With Co-Partnership comes less anxiety and reduced responsibility for Capital, for with division of profits must also be included division of responsibility and sharing of control. Co-Partners become more and more interested in the policy of the business as a whole, and associate themselves more and more with Management. There is no conflict in these Co-Partnership results; and they satisfy the gregarious and democratic instincts of Labour and the equally strong individualistic instincts. Whilst Co-Partnership satisfies the aspirations of the civic and democratic spirit of Labour, the wages system (varied as to rates to meet varying skill, strength, or ability, or combined with piece-work rates or bonus or premium scales) still continues as a necessary basis of remuneration to satisfy the aspirations of our individualistic instincts.

If Co-Partnership resulted in exclusion of individual reward for individual effort, then Co-Partnership would be foredoomed to failure in harmonizing Capital and

Labour. Co-Partnership is required, and indeed is essential to success, as a means of equalization in the final division of profits, and as the preventor of the intrusion of a spirit of greed between Capital and Labour. But there is no reason why Co-Partnership, to meet the civic and democratic nature of humanity, should not be combined with salaries or wages varied to fit abilities and efficiency, and plus bonus, or premium, or piece-work, to supply the need of the individualistic spirit. And there is no reason why this combination, by meeting the civic and democratic wants of humanity and satisfying individualistic aspirations, should not prove as successful a harmonizer as is possible in the present stage of advancement and development of industrial relationships.

But Co-Partnership must be more than a mere division of profits. It must have its base resting firmly on the deep solid rock of human nature. It must be the means of enabling men under modern conditions, wherein thousands of workmen are operating together in factories, mines, and workshops, to do so as real Co-Partners. Labour must be Co-Partner with Capital in fact as well as in name. But this Co-Partnership must not extinguish or crush the strong spirit of individualism which is such a pronounced element in human nature. It must give to each man the stimulus and security of the man in business for himself. The British workman has a profound distrust and dislike of paternalism. Co-Partnership can only fail when Capital or Labour expect too much as a result of it, and where Labour, after being taken into Co-Partnership, is not treated as a partner. Capital must not expect that Labour, after Co-Partnership, will cease to make demands for higher wages, or relinquish its right to combine in Trade Unions, or will not show disaffection if other conditions irritate or create a feeling of oppression; and, equally, Co-Partnership

must not be shipwrecked by Labour expecting that Capital shall cease to fill its function of control and to maintain discipline.

At the same time, Trade Unionism ought not to be a barrier. Trade Unions are as essential under Co-Partnership as under the present existing system. Trade Unions are, for both Capital and Labour, indispensable as a means of collective bargaining. There is no reason why Trade Unions should be either apathetic, or, as is most often the case, openly hostile to Co-Partnership. Such hostility on the part of Trade Unions can only exist so long as they ignore the obvious fact that to make Labour Co-Partner with Capital is a democratic step tending in the right direction, by putting Labour on the road to share in Management and to enjoy increased welfare. For by Co-Partnership the total earnings will be increased by Profit-Sharing, and the total earnings must always include the payment of full wages on the Trade Union scale and for the Trade Union working hours. And it is obvious that if the total earnings are larger in Co-Partnership workshops, then this improvement is bound to react on all other workshops, and so Co-Partnership must inevitably tend to the improvement of backward industries. An intelligent Co-Partner, working under the above conditions, receiving full Trade Union wages and working Trade Union hours (including, when such is the rule either bonus, premium, or piece-work additions), is bound to realize the value of his efforts to the business as a whole, as well as to himself as an individual. And so the outlook of the Co-Partner becomes broader and he becomes keen to adopt new methods calculated to produce a larger output with lessened cost of production, with the result of adding to the profits in which he himself and all Co-Partners share. High wages, bonuses, premiums, or piece-work, apart from a system of Co-

Partnership, can alone bring no solution of Labour difficulties. Only the true spirit of Co-Partnership can tend in this direction, and, by combining the democratic with the individualistic attributes of human nature, will result not only in higher total earnings but greater efficiency, happier life, and improved mental condition. Therefore, the opposition of Trade Unions can only be based on some fundamental misconception which assumes that the interests of Capital and Labour are diametrically opposed to each other. Time, and the steady growth of the Co-Partnership movement, alone can correct this.

Co-Partnership can do no more than produce the right environment and create conditions for Capital and Labour that are mutually healthy and stimulating. Thanks to our various Education Acts, from 1870 up to the present time, Labour to-day is alert and intelligent, and has imbibed ambitions and aspirations, and in addition Labour is gaining experience every day by service on local government bodies and on Trade Union committees, and is the better prepared and equipped to take greater responsibilities, but Labour must move gradually and somewhat slowly to the higher sphere of Directorships.

But throughout it all, in seeking to harmonize Capital and Labour we must never lose sight of the fact that what is called the present Labour Unrest is healthy and encouraging, for it discloses a psychological problem just as large as one of wages and of hours of employment. And in this aspect, Co-Partnership means much more than sharing profits as an addition to wages. It means the spirit of comradeship—the spirit that recognizes equality and brotherhood; and it is working on these lines that the harmonizing of Capital and Labour best promises to dispel the present atmosphere of suspicion and distrust.

V

CO-PARTNERSHIP

OF all subjects, the one of the greatest interest to myself, and the one to which I have probably given the closest study outside my own business, is that of Co-Partnership. I believe that all manufacturers to-day are exposed to more criticism than probably any other class of the community. We are expected to adopt every method of every faddist in connection with our industry, while each one of us knows that if a manufacturer adopts any method that does not tend to produce more goods of a superior quality in less time, and at the same time pay labour higher wages, and give labour shorter hours, and simultaneously give goods to the consumer at a reduced cost, that manufacturer is led away from the ordinary commercial channels into by-paths of dalliance that can lead nowhere, and he is bound to come to ruin.

At present, Labour is in the position of Debenture Holder on all industries. Placed in that position by the law, if any firm becomes bankrupt, even before the Debenture Holder receives his money, wages must be paid in full, and, therefore, Labour stands in the position of Debenture Holder.

The three forces that go for production are: Capital, Labour, and Management. I know sometimes these are separated and made into two forces, called Labour and Capital, but this is not a true division. There are really three forces, Capital, Labour, and Management, notwithstanding the fact that very often Capital and Management are comprised in the same person.

Now, the position is this, that Labour receives a fixed rate of wages; Capital receives its fixed rate of interest; and the product is a product of varying value, according to market conditions, and affected by the harvests of raw materials all over the world. Consequently, when you have two fixed factors and a variable product, it is obvious that the reward of Management, called profit, must be a variable quantity—sometimes it may be great, sometimes it may be small, and very often it must disappear entirely, only showing loss. Now, that is the position to-day, and practically the position of Labour is this—it comes to the employer and says, “I can’t store my labour; my labour has to be sold each day, and must be turned to account each day. If I do not make use of to-day’s labour to-day, I cannot do so to-morrow. I cannot store it until a favourable opportunity for selling it occurs. I must sell each day’s labour to-day—the day in which I exist. Now, with Capital, and with commodities, you may be able to stand the fluctuating markets; I cannot—my commodity won’t keep. In addition to that, I have a wife and family to keep, besides myself, and I must be assured every week of my weekly wage. Whether the product I produce for you realizes profit or loss for you, I have nothing to do with that; I cannot have anything to do with it. I must be assured of my weekly wage, and if there is a profit, you are welcome to it. If there is a loss, I cannot help you to share it.” Now, this is the attitude Labour takes up, and rightly takes up. It practically becomes a Debenture Holder. Remember that is also the position of the Debenture Holder. The Debenture Holder says, “I do not want big profits; I want an assured rate of interest with absolute security. I would rather have a sure 4 per cent. or 4½ per cent. on this business than I would have the Ordinary Shares, with a possible 10 per cent. or a pos-

sible nothing; therefore give me Debentures." Therefore Labour and the Debenture Holder stand side by side. Labour and the Debenture Holder, in asking for no share in losses, are placed in that position, relinquishing voluntarily, or of necessity, in order to maintain their security, any prospective share of profits. Now if we, therefore, approach this subject, we might find—if we approach it in the wrong way, we should certainly find—all we had done was to change the position. On any attempt to restrict Management from the receipt of profits, jointly created, Management becoming a fixed charge, Capital remaining a fixed charge, but with the produce still variable in value, then Labour would have to be the one that had to take the variable remainder. So that this is manifestly one of those propositions which one has to handle with the utmost care in order to be perfectly sure that in our intention to benefit Labour we have not unintentionally made the position worse.

And I would remind you that Trade Unions have, rightly, set no value upon Profit-Sharing schemes. They have never been interested in them at any time. They have never seen in Profit-Sharing schemes anything worth exchanging for the right to bargain for Labour at the highest market price that Labour can obtain; and I say they are right in that, for through the influence of Trade Unions Labour has been able to make better terms and better arrangements financially, in the form of increased wages without risks of loss, than could have been made under any system of Profit-Sharing or Partnership.

Now, I will tell you how this operates. Industries are started in this country, and in the early days of these industries there is practically very little competition amongst the holders of these industries, and profits are inflated, with the result that a rush takes place of money

into such industries, and a rush of capital means that more men are employed in them. The wages remain a fixed charge, and in consequence of the inrush of capital and the greatly increased output, the value of the product, represented by the price it will fetch on the market, has a serious fall; but the result of that new industry has been to employ more capital, and every additional workman put on in that new industry has relieved the labour market, and enabled Trade Unions the better to bargain for an advance in wages for all labour in that industry and out of it. When you turn to the cotton industry (I come from a cotton manufacturing county—Lancashire), in my younger days a cotton-spinner was called a “cotton-lord,” and he was, relatively, getting a very much higher return on his capital than could possibly be obtained to-day. I know of cases in those days when a man could build a new mill out of the profits of the old one in three years, and so on; but that has completely passed away with the organization of the industry, and with its becoming more stable and more settled. Such a state of affairs as that could not exist long. It was sure to attract fresh capital, and it was sure to produce a cutting down of profits; but the very conditions that operated adversely for the Management, reducing the profits, operated in the direction of raising the wages of the workmen. If you take the cotton mills of Oldham, the balance-sheets of which are public property, you will find this extraordinary result, that in the last thirty years the payment of Management—because most of these mills got the bulk of their capital in Preference Shares and Debentures—the payment of Management represented by the rate of dividends on Ordinary Shares has decreased by 50 per cent., and wages to Labour, as shown by the Trade Union rate of wages, has during the same period increased by 40 per cent. Now, that is with-

out any Profit-Sharing at all. That is the ordinary economic working of supply and demand, what is called the competitive forces that go on in all our industries; and therefore we have got to be extremely careful in approaching this subject, because I am convinced of this, that anything which tends to complicate the basis on which Labour is paid makes it more difficult for Labour to obtain the highest possible price; and if we introduce a complication of any kind, we might, so far from producing any benefits to those we desire to benefit, produce exactly the opposite result.

Now, when we come to examine Profit-Sharing schemes, I want to point out this ominous fact. They have been commenced in the commercial world and have been in active operation for over seventy years, yet the Board of Trade Return issued on this very subject shows that the average life of Profit-Sharing schemes with firms is only five years; that whilst there may be some that have existed for twenty years or longer, the average duration is only five years; and the last return of all, issued in February of this year, shows that at the present moment only forty-nine firms in the United Kingdom, employing some 64,000 workpeople—only 64,000 out of millions of workpeople represented by the Trade Unions—only forty-nine firms were dividing profits with their workmen. Now, that is a fact that you have got to bear in mind. And another point I want to mention (and it has been the cause of the break-up of many Profit-Sharing arrangements) is, that Profit-Sharing does not prevent strikes. I know it was hoped that under a Profit-Sharing arrangement strikes would cease, but how could it have that effect? If a workman hears that in an adjoining colliery, as has often been the case with a Profit-Sharing colliery, a rise in wages has taken place, while he in the colliery where he shares the

profits gets no such advantage in wages, surely he is bound to resent what must appear to him nothing other than some arrangement under which he is asked to take less wages than he is entitled to, and must resort to strikes, which he consequently does. It is absolutely certain that no one will accept a Profit-Sharing arrangement in exchange for some abatement from the highest rate of wages he is entitled to receive. Well, now, there is another advantage in having wages fixed by Trade Unions. It is that in competition amongst masters it is of great importance, in my opinion, that masters amongst each other should not have the opportunity of competing in the rate of wages; that the wage fund should be fixed, and that any man giving a tender in competition with another tender should not have any advantage out of a lower wage fund. The only effect that could have would be gradually to bear down the wage fund. "A" takes a contract to-day because he can get labour for less than "B." "B," not content with that, makes a corresponding arrangement and takes something next time out of the wages fund. There would be no end to it. Therefore, there is a great advantage in the wages being fixed. Any Profit-Sharing arrangement, therefore, that was based upon what you might call pooling the profits, Labour getting an uncertain share, would be sure to be disastrous in every way.

Well, now, I want to point out that sometimes employers are treated in the Press to a very great deal of what I may call "cheap morality." Hard employers are railed against, employers that are working on uncertain conditions are held up to public odium. Now, I say this without hesitation, and I think I can afford to say it because you know what I believe. There could be no worse friend to Labour than the benevolent, philanthropic employer who carries his business on in a loose, lax manner,

showing "kindness" to his employees; because, as certain as that man exists, because of his looseness and laxness, and because of his so-called kindness, benevolence, and lack of business principles, sooner or later he will be compelled to close. On the other hand, although it sounds hard, that man who adheres strictly to business principles, who pays, of course, the highest rate of wages, because to-day it is not possible to pay less, and carries on his business on so-called "hard" lines, will not be the worst friend of Labour at all. This man who is employing labour on strictly business principles is not the least respected by Labour in any way, and ought not to be.

To take another point, the incapable employer does not make profits, the capable employer does make profits; so therefore we find in different businesses not only the profits vary, but in the same business you have varying profits because of the varying capacity of the employer. Now, the incapable employer making small profits may not excite the envy, criticism, and remarks that are hurled at the man of more capacity who earns larger profits, but he is doing his workmen a great injury. Supposing he has 100 workmen and fails to make profits. He gradually ceases to be able to employ 100; he cannot keep up renewals of machinery and upkeep out of the profits, so in time he has to discharge 50 of his men. He is now employing 50. It is true that the loss falls on him, but it equally falls on the 100. It is true it only appears to fall on 50 out of the 100, because only 50 were discharged, but that 50 discharged have to the extent of 50 depressed the labour market, and lowered the demand for labour by competing with men in occupation for labour. On the other hand, the more capable employer, employing 100, makes profits, and because he is making profits desires to increase his business. He doubles his plant, puts more money into the business,

and employs 200 men, and is still making money. That man is not only benefiting himself and the 200 men he employs, but the whole body of workmen, by his taking 100 workmen off the market and finding them occupation, so benefiting the whole of them.

Now, I do not want you to think that in any case labour can be paid out of capital. It is not, and we find this curious fact, which has to be explained by those who rail against the position of Capital, that wages are always highest in those countries where not only is capital most plentiful and where capital earns the highest rate of dividends, but wages are always lowest in those countries where there is the least capital employed, and where capital earns the lowest return. In England, wages are high and the return on capital is high. If you go to Spain, there is less capital employed than in England, and the return on capital is lower and the wages to labourers are lower. If you go across to India, you will find there is less money again available in industries, and there is less return on money in industries, and you find labour pay at the lowest ebb of all, a fact which you can prove for yourself. In all countries where capital is plentiful and receives the highest return, there wages are highest. Therefore, we come to see clearly that it is intelligence and wealth that raise profits and wages, and ignorance and poverty that lower profits and wages. Therefore there can be no antagonism between Capital and Labour, and if we want to raise the position of the workers we cannot do that by lessening the wealth of any other class. Now, there are laws in the business world just as rigid and just as inviolable as laws in the physical world, and therefore we come to this axiom, that the only way in which wages can be increased is to increase the efficiency of Labour, and therefore the quality and quantity of the product. Wages can only be paid out of

the fund that is created by Labour, and therefore, if we adopted Profit-Sharing under the idea that we should get a short-cut that would clear us of all our troubles—if Profit-Sharing meant inducing a number of men to lean on each other, and to lean on the man at the top, and to think that he by his magic wand called Profit-Sharing could distribute a share of profits every year to improve their position—this would be an enormous mistake: it could not last long. Therefore we find the average duration of life of Profit-Sharing schemes is only five years, and we find that those men who try to mix philanthropy and benevolence with business find it a mixture that is no more possible than oil and water—that you cannot mix them. The business has to be conducted on sound business principles, just as mills and factories must be equipped with the most modern machinery.

Yes, but then, when you have got all your business methods and all your modern machinery and modern science, there still does enter into the calculation the human factor; and I say that the employer who merely guards machinery so as to prevent accidents in his factory that he would have to pay for, has entirely mistaken the true position. The true position is this, that if the hazardous nature of any occupation is reduced, if businesses that are unhealthy are made healthy, they become attractive to a greater body of workmen, a more intelligent class of workmen, and that industry carried on by a more intelligent class of workmen is much more likely to succeed than if carried on by a class that is less intelligent and less businesslike, so that the Compensation Act has another side to it than the payment under the Act. Well, now, I would say, referring to that illustration, that there is the human factor in every works, and for the employer to merely consider the driving of the hardest bargain with his labour, and to get his labour at the lowest price, and

to endeavour to force out of his labour the maximum amount of work that he can, is not to proceed in a manner which will favour his own ends. He will not do it, he cannot do it; and I say this to the workmen; that the workmen who think that by reducing the output—what is called in the North the “ca’ canny” policy—they will increase wages to Labour, and do well to make a job for two men spin out for three, are equally mistaken, and that they will not improve Labour by that method. The only way these two, Management and Labour, can create a fund to increase profits—out of which wages and profits are paid, out of which it is possible to pay the highest rate of dividends and wages—is to increase the quality of the product and increase the quantity of the product; that can only be done by becoming more efficient. It cannot be done by working a greater or less number of hours; it can only be done by making men in every way more efficient.

We find, then, that all the forces of production—Capital, Labour, and Management—must work together; must work to one common end, must work on lines of enlightened self-interest, and not on the lines of narrow personal selfishness, if any good is to be done. Now, what feasible method have we of drawing those forces together? Well, let us carry our minds back to examine the stages the industry of this country has passed through, and see whether we have any greater step to make to-day than our forefathers had at various periods. In the first period of all, we were savages, we were controlled by a chief, and if we met any other group of men who did not belong to our section or tribe, we promptly killed them if we could. And it was considered a businesslike arrangement, I have no doubt, in those days, for the very simple reason that if we did not succeed in killing them they would have killed us, and that

was the whole basis of the state of savagery. No working together was possible. The most you could say was that the members of one tribe or little settlement would work together, but the next tribe or settlement would be their deadly enemies, and we have that, of course, existing in every uncivilized part of the world to this day. After the state of savagery we developed into a state of slavery; that was the next step forward; and there is no doubt that under slavery life was protected, which was one great gain, and consequently more effective work was done for the community under a state of slavery than was possible under a state of savagery. I have not the slightest doubt that slave owners of those days considered it was perfectly businesslike to drive their slaves to work with the lash and the whip, and they would have thought kindness and consideration perfectly unbusinesslike and impossible to carry on; in fact, if in buying and selling their slaves they had considered them any other than cattle, if they had hesitated for a moment to drag them to where they could get a good price, it would have been considered unbusinesslike and maudlin sentiment. In the present days of wages it is very nearly considered unbusinesslike and bordering on philanthropy to do anything more for workmen than is absolutely necessary, and strict business to get out of the workmen the largest amount of work by driving and by forcing methods rather than reasonable and proper methods. Well, I say this: we living to-day have not to make anything like so great a stride to take the workman from the wage-drawer—I use the word “drawer” because you cannot say under the wage system that it is always earned: a great section of men earn more than they draw; and the other section earn less than they draw—I say it is nothing like as big a jump from the position of wage-drawer to that of co-partner as there was from

savagery to slavery and from slavery to wage payment. But, whilst it may be difficult to do so, and whilst, in addition, I may make a great many mistakes—for, as I said at the beginning, the margin of safety is extremely small—still, during the last twenty years I have tried first one method and then another working in that direction. I have always preferred to call my previous methods Prosperity-Sharing, and not Profit-Sharing, because I feel that Prosperity-Sharing best describes my ideals. I feel that when a business prospers it means that all the factors have entered into that success. It is perfectly certain that no one man could be responsible for all the success, and therefore, if the business prospers, I like to take the illustration of the family. If a father prospers in life he moves into a better house, his children get a better education, get better clothes, more holidays in summer, and so on; that is, without touching his profits at all. If that father said to his children, "I have made so much more this year, and will divide so much more with you," in my opinion the effect of that on the children would be that the next year, when the father had reversed in business and had losses, the children would begin to criticize him and say, "How is it that father is so much more a fool this year than last—why did he open that new office in London and lose his money?" On the other hand, if he does not say anything about his income, but gradually betters his family, he can tide over those bad years and carry on without their knowing anything about it. Therefore, I commenced building houses, gradually improving the conditions without touching profits, which I did not wish to do. I felt I might make a very serious mistake, because steps taken in that way could not be retraced.

Now, another point comes up for our consideration when we go beyond Prosperity-Sharing, namely, the con-

trol of the business. Who is going to have control in a universal partnership? Now, here we come, in my opinion, to what may form a way out of the difficulty. Just as taxation and representation must go together, so it seems to me loss-bearing and control must go together. The man or body of men who say they will bear all the losses, have the right, because they say they are going to bear the losses, to say they will have the control, and it is for them to say to what extent they would like to have the assistance in the control of those associated with them; and just as Labour cannot say that it will take any losses, so Labour, wanting to be in the position of Debenture Holder, has no right to say, "I will fix the policy of this business." If Labour claims it is right for Labour to fix the policy, it is quite obvious that such policy might result in losses, and as Labour could not bear such losses, it is clear that Management, forced to adopt a policy fixed by Labour, would have to bear the losses alone, whereas if there were profits they would have to share them. It would be a perfectly unfair arrangement that would not be right. To merely give out profits as sort of doles, in my opinion, would be equally wrong. We must cultivate the self-respect of everybody we work with. There is not a man but must be able to look you in the face and say he owes you nothing, that he does not want cheques if he does not earn them; if he does not earn them as much as you have earned them, he does not want them. Therefore, we now come to consider on what possible basis we can work in Profit-Sharing.

In my opinion, ordinary Profit-Sharing has been proved and found wanting. Prosperity-Sharing is very good, but does not go far enough. Now, then, we come to a possible adoption of Co-Partnership. Now, in this Co-Partnership arrangement it must be fixed, as I have said, that those who alone bear the losses must take the

control. For those who do not bear losses, whilst their help in Management would be welcomed, control is not a right that they can demand until they share in the losses. Not until Labour can share in losses as well as in profits can Labour assume control. It is quite clear that in all well-organized industries some must work with their heads and others with their hands. If food, clothing, and homes are to be won for the whole body of workers, there must be a head prepared to control. I firmly believe that the more we recognize each other as brothers, within the proper limits of control, the more we shall raise ourselves as well as those who work with us. The whole body, employers and employees, will be raised together. Now, the employer has, by force of circumstances, learned his lesson already. He has been taught that the best way for him to conduct his business is to improve the quality and, as far as possible, reduce the cost of his output, and that that is the only way in which he can extend his business and increase his profits. The workman has not learned that lesson because he has never had a chance of learning it; he has never been able to have such a connection with the business as would bring that lesson home to him, and therefore it is by admission to Co-Partnership that he will learn it, and being in Co-Partnership he will see that it is only out of the fund created in the business itself that an improvement or advancement is to be made in the position of Labour. Certainly, Co-Partnership, if not viewed in this light, if it has not the effect of increasing products in value and quantity, cannot result in increasing the wages, and cannot lead to any betterment to the workers. Co-Partnership, therefore, must first ask—I am not giving these points in order of priority and not in order of importance, as they are practically all equal—how can we increase the output, improve the quality,

reduce cost, lead to greater care of tools and machinery, greater economy of materials, and greatly reduce what is at present an inseparable burden on all industries, the cost of supervision? I know supervision is at present, and always will be to a certain extent, an absolute necessity, but I often think if we could be Co-Partners we should greatly reduce that cost, and we should have gone a long way in reducing the cost of production. Just as a slave worked better than a man-eating savage, and a wage-drawer worked better than a slave, I am convinced that a Co-Partner will do better work and more of it, with less personal fatigue, under better social conditions for himself, wife, and family, because his efficiency will be increased, than the wage-drawer; and it is only in that direction that we can uphold and maintain our system of Co-Partnership as better infinitely than any system of Profit-Sharing.

Now, what I want to say to the employer is: "Here is our system. It means well, and we are going to give it a fair trial. I believe it promises well because it gives to the employee freer scope for the exercise of his abilities, it raises him and makes him a better man. This it is bound to do. The tendency is that the worry and cares of Management ought to be relieved by it. Working with a body of Partners must be infinitely better than working with a body of wage-drawers, and assuredly I believe, as certain as we are here, the wage fund and profit fund will not be reduced if we all understand it and work together; but even supposing the profit were reduced, but that those at the head of the firm, the Managers, have lost the worry and the anxious time, even then I say that it is worth more than any amount of money."

To the employee I would say: "You are now offered an opportunity of sharing profits with Capital and Man-

agement, and have now the opportunity to show the kind of man you are; join hands with your Co-Partners in a manly agreement to do your part in the Co-Partnership. You will continue to receive the highest rate of wages and will work the regulation hours, with all overtime rates that are provided on the fullest scale that has ever been paid or arranged. Join hands with me to make the profits of this business sure and increasing. Let it not be a one-sided Co-Partnership. There must be a fund created out of which you can benefit. There cannot be any one-sided arrangement that can be of benefit to either of us. Live up to our motto, 'Waste not, want not.' Fill your business hours with work for the business, increasing the quantity of the product, increasing the quality of the product. Take care of the machinery and tools, help me to weed out the chronic idlers and grumblers from this business. If we come on to years when dividends cannot be paid you will suffer, but you will not be the only sufferer. Your Co-Partners will suffer, and I will suffer with you, and you will have learned what business means and what the risks of business are, a lesson that you ought to learn just as much as myself. Here is the Co-Partnership. I find you a ladder to raise yourself to the heights out of your present troubles and difficulties. I place it against the wall for you, but it is out of my power, or the power of any man, to push another man up the ladder—man and ladder both fall. I offer you the Co-Partnership: it is for you to make it a success."

VI

CO-PARTNERSHIP AND BUSINESS MANAGEMENT

THERE is one great principle governing the world, which is that of self-interest. We find nowhere this principle more strongly developed nor finding more general acceptance than in business. It is the basis of the axiom, "To buy in the cheapest market and sell in the dearest." It shows itself in competition, sometimes healthy, sometimes unhealthy; but there are two kinds of self-interest, one the narrow, selfish self-interest, which is so short-sighted as to be blindly selfish to the exclusion of all other considerations; and there is that broad, intelligent, enlightened self-interest, which says that it can only find its own best interests of self in regarding the welfare and interests of others. By the practice of this spirit of enlightened self-interest in the struggle for supremacy, and the practice of emulation and competition, mankind is made more and more intelligent, and is better able to obtain an advanced position. When the spirit of enlightened self-interest ceases to exist, mankind must of necessity fade out of existence also. This is just as certain as it is true that the practice of the narrow, blind, selfish self-interest can only result in the demoralization of society, and in constant struggle and warfare and in the decline of civilization.

The truest and best form of enlightened self-interest is when we pay the highest regard to those associated with us in business, and whose improved efficiency we must seek to obtain by binding them and making them, equally

with ourselves, interested in, and dependent upon, the success of the business. If Capital desires Management and Labour to be efficient, then Capital must be fair in its division of profits with Management and Labour. If Capital wishes Management and Labour to make profits, then Capital must share profits with Management and Labour. If Capital thinks of nothing but its own narrowest and most selfish self-interest, without a single thought for Management and Labour, then Capital will never succeed in getting the highest possible amount of efficiency from Management and Labour. In fact, if Capital is justified in taking the most narrow and selfish view, then equally Management and Labour must be considered as entitled to consider how to obtain the highest possible salaries and wages for the least equivalent in skill, efficiency, and labour. And, equally, if Management and Labour consider nothing but their own narrowest and most selfish self-interest, if their thought is solely how to render the smallest possible amount of work—inefficient and, therefore, profitless—in the shortest possible number of hours and for the highest possible salary or wages, then Management and Labour will of necessity retrograde and suffer; but if Management and Labour adopt a system of enlightened self-interest, and Capital does the same, and each recognize the principle that by looking after the interests of all they are taking the surest way of achieving their own individual self-interest, then the undertaking must be healthier, profits are bound to be greater, the resulting happiness will be more complete, and the prosperity and advancement of civilization the world over will be assured.

It is claimed for Co-Partnership that by adopting Co-Partnership a recognition is made of this great fact, that justice demands for each of us equal rights in the products of our labour. This is the very basis of Co-Partner-

ship, and it is claimed for it that it stimulates efficiency and produces economy and avoidance of waste, and it is only by so doing that Co-Partnership can increase well-being and prosperity and justify its adoption.

Before we proceed further, it would probably be advantageous to give a definition of what is meant by Profit-Sharing and Co-Partnership. There are so many systems of Profit-Sharing, some amounting to little other than gratuities or Christmas-boxes, that this definition becomes all the more important and necessary. In the Board of Trade Report dealing with Profit-Sharing and Co-Partnership, Profit-Sharing was defined as "An agreement between an employer and his workpeople that the latter shall receive in addition to their ordinary wages a share fixed beforehand in the profits of the undertaking." Under this definition all bonus schemes are excluded. The Board of Trade Report stated that there must be a previous agreement, that the share of the profits must be fixed beforehand, and Co-Partnership was defined as an extension of Profit-Sharing whereby the employee gained, in some degree, the rights and responsibilities of the shareholder.

To enable us to judge the anticipated effects of the adoption of Co-Partnership, it is not unreasonable that we draw a parallel from what has been the effect of improving the condition of the workers in those industries that have been able to achieve this. It is a well-known fact that every reduction in the hazardous nature of an occupation has resulted in a wider selection and better workmen being available in that occupation. Businesses that were dangerous and hazardous, and that have been made safe and free from risk, have become attractive to a greater body of workmen, and, at the same time, attractive to a more intelligent class of workmen. There is the human element—the man behind the process and

operation—to be considered in every undertaking. The only way in which to maintain an increased success in any industry is to maintain an increased efficiency, and thus by increased efficiency to increase the quantity and quality of the output, and so augment the fund out of which the wages and profits have to come.

I venture to state that our modern industrial system in this great United Kingdom stands self-condemned, when the income tax returns show that it rests on a basis whereby one-ninth of the population enjoy one-half the total income, and more than nine-tenths of the accumulated wealth, whilst the remaining eight-ninths of the population have only one-half of the total income, and possess less than one-tenth of the accumulated wealth. It is true that the one-ninth have full legal claim to half the total income, and the nine-tenths of the total wealth. Not one word can be raised against the legal right upon which this rests, but notwithstanding these circumstances let us ask ourselves, Is this great disproportion expedient and in the interests of the community as a whole, and the nation and Empire of which we all profess to be so proud?

But hidden and buried amongst the above mass of figures and income tax returns are also the unrecorded losses and failures, the despair and madness of many a so-called capitalist who has seen the ruin of his industry, sometimes from his own errors and mistakes, but, it is equally true, often from changed economic conditions which render his industry obsolete, and have swept away his capital and profits; so that before we join in the general outcry of rights of Labour to share in the profits we must consider the proposition of Loss-Sharing as well as Profit-Sharing. Whole volumes have been written, and eloquent speeches have been delivered, on the subject of the rights of Labour to share in the profits.

Men wax eloquent on these rights, but not one single line has been written, so far as I have been able to discover, to point out that if Management and Labour would share in the profits, Management and Labour must equally share in the losses. It has not even been claimed that Labour should share in the losses in those quite numerous undertakings where the ruin of the undertaking has been the direct result of the action of Labour. Therefore, there is one essential element of expediency and justice, when we are considering the application of Profit-Sharing to modern industrial conditions, and that is, that Loss-Sharing must of necessity go with Profit-Sharing, and cannot possibly be detached from it.

This Loss-Sharing must be so arranged that the employee is not under the necessity of sacrificing the security of his position with regard to salary or wages. Therefore, Profit-Sharing must be in addition to, and not in substitution of, the salary and wages system. Profit-Sharing must mean the giving to the employee the opportunity each year by increased efficiency of acquiring an enlarging personal share in the profits of the business. Therefore, Profit-Sharing and Co-Partnership must result in increasing the volume of profits. Salary and wages must first be paid under the old system to Management and Labour, and a reasonable rate of interest, say, 5 or 6 per cent., must be paid to Capital as the equivalent of the salary and wages of Management and Labour. The employee is at present placed in a position of personal indifference, so far as his own financial responsibility is concerned, in the success or failure of the business. The employee sharing in the profits of the business, in addition to receiving salary or wages, would ever have in his mind that the failure of the business would sweep away his annually increasing share in the profits of the undertaking, which share, equally as is the

case with the Capitalist, has taken him a lifetime of unremitting application and patient effort to acquire. Therefore, Co-Partnership, rightly constituted, must of necessity bring the employee into close contact with Capital in Loss-Sharing as well as in Profit-Sharing, which would lift both Management and Labour into the stimulating, developing, and elevating heights of profit-earner and profit-sharer in addition to that of the salary or wage-drawer.

Now, in former times the whole history of the world has been a history of conflict. Conflict has been the rule of life. It has been the question that has settled the stability of nations; conquest by war, and one perpetual conflict. And we see the modern survival of this idea of conflict in competition. The very antipathy of the public to anything partaking of the nature of monopoly shows that they believe that war, or competition, is for the good of the public, and probably for the good of mankind. And we do know this—that competition does keep us alert, and does keep us strenuous in our business. It is more important, however, that we give good service to the public than that we waste our energies in competing strenuously with each other. Any method that we can adopt in our business that will improve our efficiency and the efficiency of those we employ, is a much more important matter for the public than that we should be engaged in keen competition with each other. And I say also that, however much the faddist may like to see a manufacturer who is also called a philanthropist, it is even more important for the workman that his employer should be a strict business man than that he should be a philanthropist. Capital is all-powerful to-day, and I think that, carrying our minds back to the time of conflict, it behooves Capital to remember that any conflict that may come between Capital and Labour is much

better settled by an adjustment of rights, and a recognition of the rights of each side, than by a continuance of conflict. The recognition of rights does not mean that the manufacturer can be a philanthropist, because he cannot; but each day Labour is demanding, and rightly and properly demanding, a greater share in the profits of industry—and to-morrow, in all probability, the positions may be reversed, and as the demand for labour increases and money becomes more plentiful, Capital may become the suppliant for employment, and Labour may be all-powerful and able to dictate the terms on which it is to be employed. That is, of course, an exact reversal of the position which we have to-day. Supposing even that that came about, the employer could not even then be a philanthropist, and the hardest employer who could possibly be imagined, who succeeds in keeping his people in full work at full wages, whatever that rate of wages may be, would be better, even under those conditions, for the workman himself than a so-called philanthropist.

Well, now, in Labour wars, of course, the weapon which has been used, and effectively used—and I think rightly used—has been that of strikes. But, like all methods of war—like all weapons of war—it is costly and extravagant, and I believe it is equally true in industrial warfare as in warfare between nations—and this has been proved by Mr. Norman Angell—that no practical profit has ever come out of war unless it has been a fight for liberty. And I believe that in this question of the adjustment of wages there is no question of liberty involved, and that all questions of this kind could be infinitely better settled by mutual forbearance and conciliation than by any question of strikes. In my opinion, all these strikes, and all this unrest in the Labour world, are a healthy sign. And it is still more healthy that no advantage at the present moment has resulted, or can

result, from this warfare that will give either element a preponderance over the other. The tendency will be, as I have said, as money becomes more plentiful, for money to be the suppliant for employment, and for Labour to be able to dictate more closely its own terms. But even then, extravagant and costly production would ruin industries, would ruin the cause of Labour, and would bring Labour back to a situation of unemployment.

For a number of years past we have seen various Acts of Parliament passed to regulate the employment of labour. Now, I am not one of those who think that this has come about merely because the workman has the vote; I rather think it is because the community recognizes that the workman has certain rights, and because the regulation of labour in a proper manner has been recognized as being just and fair; and the very fact that it has resulted in giving advantage to the employer as well as to the workman proves that it is founded on sound lines. We have to be regulated. I know there was an idea in the middle of the last century that each of us had liberties which we could exercise at our own sweet will. But it is found that organized society cannot live in that way, and that we have to recognize the rights of others as well as our own rights. This is no new idea, I know, but we are beginning to recognize more and more that in this matter of the employment of labour it is right that the State should make certain regulations, so that one manufacturer, who is inclined to adopt proper safeguards of machinery and proper regulations of labour, shall not be handicapped in competition with another manufacturer who would prefer to disregard such safeguards and regulations. We are all of us the better for regulation in this direction.

But this again does not take us very far. It still leaves us very nearly where we were with regard to the

wage question, and the situation is pretty much in this respect left as it was at the beginning of last century. Well, now, the question of capital comes in, and may I mention this, which I am sure is apparent to every one of us—that the shareholder in the large aggregations of capital that are known to-day, is no longer a partner; he is merely an investor—a money-lender. Capital has become dependent on Management and Labour, and this result has produced a condition where, if you alienate the interest of Management and alienate the interest of Labour, so that the whole of the benefits resulting from the whole-hearted service of Management and Labour are merely to go to the financiers, the money-lender, or the investor, then you have produced circumstances in a very large number of industries which did not exist a decade ago—where you have divorced Management and Labour from the fruits of the industry owned by these large aggregations of capital. That is going on slowly and gradually. It may be possible in certain industries, but in other industries such a condition of affairs is entirely opposed to their success. Now the conflict that has resulted from this changed position is rather considerable. The condition is now one in which Management, as such, is on the side of, or is in the same position as, Labour; and in interesting both Management and Labour in rendering efficient service, I claim that the best interests of shareholders, who want a solid investment with security, and the best interests of the consumers, who want articles of uniform good quality at the lowest possible cost of production, would alike be realized. It is not easy at any time to evolve a scheme that will realize the possibility of interesting Management (which is not a shareholder) and Labour (which is also not a shareholder) in the products that they, jointly with Capital, create. The result is that very often complicated posi-

tions occur, and systems are evolved which are more or less temporary. The average life of such schemes, as I say, is about five years. Now, there must be a reason for this, and I cannot help thinking that the reason is the one which I have already mentioned, namely, the attempt to mix things that differ. As I stated before, the employer who shares his profits with his workpeople is not entitled on that account to receive his workmen's labour for less than the current rate. Some of the Profit-Sharing schemes have fallen to the ground because, after sharing in the profits for a number of years, the workmen have struck against a reduction of wages when no profits were accruing, or have struck for an advance of wages when an advance has been given in other industries, with the result that the Management has said, "Well, of course, if you won't take bad times with good, if you are only going to take your share of the profits when these accrue, and leave us to bear all the losses, we will withdraw the Profit-Sharing arrangement altogether." Now, it seems to me that that is an unreasonable position to place Labour in. Labour must have its fixed rate of wages, which in turn must be the Trade Union rate of wages, or the current rate of wages in trades where there is no union. Labour must have that rate of wages assured to it, and if the employer, in prosperous years, shares profits with his workpeople, he has a right to expect that whilst he is not interfering with the rate of wages, he is, by adopting that system, increasing the personal interest of his staff in their work, and that the staff themselves will make the surplus profits which they themselves are going to share. And on that basis, and only on that basis, does it seem to me to be possible to introduce a system of sharing profits with employees. Because, if it is going to be a system merely of taking the profits made by the employer and dividing

a share of those among the employees, then it is philanthropy, which is not required, and for which there is no place in business; and in a very small number of years an employer adopting that course would inevitably find himself handicapped by competitors who, instead of dealing with surplus profits in that way, carried them to a reserve fund and left them to fructify in the business. And in that way the profit-sharing philanthropist would find himself suffering a very serious handicap. If the workman, on the other hand, felt that he was not assured of his full rate of wages, the same as he would receive in any other workshop, he would naturally feel aggrieved, because it is a matter of life and death to him, with his family to maintain, that he should have his full rate of wages, and he cannot do without that full rate of wages.

Now I will tell you, if you will allow me, something of my own little personal experience. I have endeavoured to indicate to you the difficulties of the case, which are very real, and now I would like to tell you of the various means which I have adopted, during the last five-and-twenty years, to produce this personal interest of which I have been speaking, and of what has brought me to my present system.

The first and obvious course for a man to take is to allow those associated with him in his business to acquire some of the ordinary capital. It has been done very largely in a great many industries. Well, I tried that, and I invariably found that as a result of that, the holding of these shares produced a state of mind which was nervous, to say the least of it. So that if a new development was contemplated—for instance, the opening of works in Australia or in some other part of the world—then the holders of a small number of the ordinary shares were inclined to consider that the position of these

ordinary shares was going to be jeopardized, and that the opening of those works was going to be risky, more or less, and that the risk ought not to be taken. And in many cases the argument was used, "We are doing well, and why should not we be satisfied with going on as we are?" Well, of course, the number of ordinary shares held in this way, as compared with those held by myself, was not of sufficient moment to be powerful enough to alter the policy—if it had been, I think it would have been fatal to our progress—and the result that generally came about was that I had to buy back myself, at a premium, shares which I had either given for no payment at all or had issued at par. I never got them back at par in any single case; I always had to buy them back at a premium. Invariably, as I say, there was a state of nervousness created in the minds of those who held these shares. They might be worth £40,000, £50,000, or £60,000 if realized at a particular time, and when there was any question of a new departure, such as the establishment of a new undertaking, the holders of these shares felt that they did not know where they were going to be landed, or how their value was going to be affected. This is the natural attitude of the small shareholder, and I respect it. I do not think I have any right to say that he ought not to take that view. A man who finds that if he goes out of the business at a certain moment he will go out without the necessity of any worry as regards the future will naturally hesitate to go into a new branch of the enterprise and face unknown risks of which he does not, and in the nature of things cannot, foresee the finality. Therefore, as I say, the only result I got from letting these ordinary shares go was that I had invariably to buy them back at a premium, and generally before five years had passed. So that, after having a strong desire to get rid of my ordinary shares to those who worked

with me, I ultimately found myself, until two years ago, the holder of all the ordinary shares. I should mention that then I let my son have some of them, but he, of course, is on a somewhat different footing, and I suppose that in all human probability he will have the lot at some time or other. But leaving his shares out of the question, all the others came back to me in the way I have described.

Now, I had to give that idea up. It was leading me nowhere. It was costing me a great many hundreds of thousands of pounds, so I had to give it up. Next I thought I would try my hand at the creation of some preference shares, the dividend on which would be restricted to 5 per cent. My idea was to allow these to be applied for, and when the applicants obtained them, they would receive the same rate of dividend as the ordinary shares, the difference being *ex gratia*. Now, I consulted our solicitor, and he pointed out to me that that scheme had already been tried and had failed. So I was saved from that particular pitfall. He said he knew several firms who had tried the scheme, and that the result had been that the employees had been able to borrow money, say, at 5 per cent. on the security of the shares themselves, and if they were paying, say, 15 per cent., the borrower drew 10 per cent. and the lender took the other 5 per cent. So that the employee could always get money on these shares, which he looked upon as a mere monetary transaction, quite apart from his own occupation. Therefore I never adopted that plan.

Still I was not satisfied, because in a business such as ours, with over fifty branches scattered all over the world, you must have the personal interest of your staff. You cannot ignore it. It is a thing which you must get. And then I thought that perhaps by issuing what I call certificates—certificates representing no money at all, and

which could not be negotiated—I might solve the problem. I thought I would pay on these certificates the same rate of dividend as on the ordinary shares, less, say, 5 per cent., which would represent interest on the money if money had been paid for them in the same way as in the ordinary course it would be paid for ordinary shares. So I started the system of issuing these certificates, such certificates receiving 5 per cent. less than the ordinary shares. As you know, there are many profit-earning schemes (I do not need to mention names) where the endeavour is made to guarantee the workman $4\frac{1}{2}$, or 4, or 5 per cent. on whatever money he puts in, and then, after that, sharing the profits with him. Well, I saved all that guarantee by dispensing with his putting in any money at all, and merely calling these things certificates, representing, as I say, no money at all, though to the holder they represent dividends of the same value as the ordinary shares receive, minus 5 per cent. I created this scheme, and finally, after a great many years' work, got it into shape, I think, some four years ago. We created at that time £500,000 nominal value of these certificates, and this year we propose to create a further £500,000, raising the amount of these certificates to £1,000,000 nominal value. Then I began with the rank and file. I gave these certificates to all what I may call rank-and-file workers, to the extent of 10 per cent. of their wages. If any report came in with regard to any man having committed an act of insubordination, any neglect of duty, or any of the minor offences, he forfeited any allotment he would otherwise have received during that year. If, on the other hand, an excellent report came in concerning any man, he received more than 10 per cent.; and if any man rendered the Company exceptional service, he received still more, perhaps many times 10 per cent. So that there was always elasticity, and the

whole scheme was founded perfectly legally by the shareholders, the only shareholder who was required to vote being the ordinary shareholder. The scheme is upon the basis that the majority of the ordinary shareholders shall have the right to decide how many of these certificates are to be issued. So that the matter is entirely in the hands of the majority of the ordinary shareholders for the time being. Well, we worked on this footing and we created a savings bank, and the dividends, as they accrued, were credited to each man's account. If he chose, he could go to the savings bank the same day that his account was credited and draw the money then and there—the whole of it, if he pleased. If he left the money in the bank for three months, he received interest on it at the rate of, say, 3 per cent.; if he left it six months, he received interest at the rate of, say, 4 per cent.; and if he left it twelve months, he received interest at the rate of, say, 5 per cent. He could draw the money out at any time, and the interest was made up in accordance with the time the money had been deposited in the bank. So that if he left his money in the savings bank twelve months or longer, he got, say, 5 per cent.; if less than twelve months and over six months, say, 4 per cent.; between three months and six months, say, 3 per cent.; and if drawn out under three months there would be no interest.

Well, I found that a great many of the workmen drew their money out to buy our Preference shares. That was reported to me, and I found that they had to buy our Preference shares at a premium. Then I saw what seemed to me a solution of one of the schemes which I had discussed with our solicitor, namely, the creation of 5 per cent. Preferred Ordinary shares, the acquisition of which should not entail or permit of the men borrowing any money at all; and I created these 5

per cent. Preferred Ordinary shares, which rank immediately before the ordinary shares, and after all other classes of shares. If the man chooses to retain these shares, he does so. If he wishes to realize on them, he can walk into the savings bank at any time, and there is a market for them at par. So that although he draws what he may be entitled to in the shape of shares, he can change them into money just as readily as he could obtain the money originally when it was credited in his bank-book; while if he prefers to hold the shares, he receives the same dividends as are paid on the ordinary shares. Now, this has overcome the difficulty of the man applying for shares out of all proportion to his available money. Practically the money for these shares is found out of the dividends he receives on his certificates, and the certificates, in turn, represent no cash value at all. So that now I have a medium through which the man can come into the ordinary shareholder class by saving all his dividends on his certificates. I have only had this in operation for twelve months, and it is too early yet to say any more than that I have started it. But you will see that my effort has been to interest a large number of people, by a convenient method, in the profits of the business, and to do it in such a way that a man could have no fear about his capital. I have thus overcome that original fear that a man had, that if we took over some fresh undertaking his ordinary dividends would be at stake, because these depend on the certificates, which certificates he has not paid for, and which certificates, not having been paid for, he is very anxious should receive as high a rate of dividend as possible, because this is their only value to him, and he not having put any money in them, and the certificates representing, as they do, a perfectly unsaleable commodity, he cannot sell them at a premium at all. He therefore takes a

different view with regard to the progress and development of the Company; he becomes anxious that the business should progress and develop, because it is only by such progress and development that he is able to obtain dividends on his certificates, which dividends, in their turn, he can invest, if he likes, in Preferred Ordinary shares. If a man dies, or if he retires from the business, the shares then revert to merely 5 per cent. Preferred Ordinary shares, which is the only right conferred on them by the Articles of Association. The additional rights are equally binding so long as the holder remains with our firm—we have altered the Articles of Association accordingly—but what we have undertaken is merely to pay him the same rate of dividend as is received by the ordinary shares during the time he is actively engaged in the business. And in this way we hope that we have solved the problem of interesting our staff in the profits of the business and in the losses of the business.

But I want to impress upon every one present that no Profit-Sharing scheme will be of any use if the man is not made to feel that he is interested in the losses just as much as in the profits of the business. A Profit-Sharing scheme which merely mentions profits, and takes no account of possible losses, tells only half the commercial tale. We all of us here know—it is unnecessary to mention it in such a gathering as this—that any business may have profits, and it may have losses and every one of us who has put his money, time, and energy into any business must necessarily be prepared to face either. And it is the fact that we realize that there may be losses which makes us, in all probability, so alert in guarding our interests, and safeguarding them, and endeavouring to ensure, by the stability of the business, that the capital embarked in it shall be perfectly safe.

Now, therefore, by means of these certificates, a man may have accumulated, as several in fact have, some thousands of pounds. If there is no dividend for the ordinary shareholder, or if there is only 5 per cent. for the ordinary shareholder, he knows that there is nothing for him, and he knows, when he goes upstairs and looks into the drawer where he keeps his certificates, that it is only during his lifetime, and during the lifetime of the profit-earning capacity of the business, that they are worth any more than the paper they are printed on; and he knows that directly the business ceases to be profitable, the value of these certificates will have disappeared, since they are only entitled to receive dividends when such dividends have been earned. Now, I have endeavoured in this way to give him an interest without mixing things which differ. I have recognized the fact that whether the man concerned be the highest manager I have got, or whether he be the youngest worker in the factory or office, his wages must be proportionate to his services; that those wages must be at the fullest rate which he could get in any other establishment for those services; and that anything done by him beyond that must be done in the spirit of Co-Partnership, in which spirit he himself, with me and with all the others engaged in the business, endeavours to earn the profits which are to be shared by all of us; and if we cannot enter into the spirit of Co-Partnership, if we feel that these profits will either jump from the ground or fall from the heavens without any exertion of ours, we know perfectly well we are all on one platform—we are all in the same boat, if I may use the expression—and that none of us will receive any dividends. I have had to link together similar conditions to what every investor feels, and every capitalist feels, with regard to his investments—I have had to endeavour to link those condi-

tions together in giving these certificates to our work-people; and I want to tell you that as far as I know, the workman does realize this. But there are critics of the scheme, opponents of the scheme, who have the idea that the profits of a business are made, in some way or other, by the workmen, and by the workmen alone. I have had to meet that attitude, and if I may digress for a few moments I will tell you how I met it. The people who take that view have urged as a criticism of my scheme that the workmen themselves have to make all the profits of which they only take a share. On the other hand, they don't want philanthropy—in which I quite agree. I would not do anything with regard to our workmen that savoured of philanthropy in the slightest degree. But if profits are to be made, I am not going to make surplus profits for our staff to divide amongst themselves, and equally, I am not going to ask them to make surplus profits for me. I say, let us each in our own different positions jointly make the profits, and after they have received their wages, and after I have received 5 per cent.—which is the equivalent—then for any services beyond that, if there is any surplus, let us share it in a perfectly reasonable way.

Now I will make a digression, as I said, and try and tell you how I have met these criticisms of those who have attacked me, namely, Socialists, some of whom were my own workmen. I thought the best way would be to give them a paper, so I gave a paper at Port Sunlight, which I called *Day-Work or Piece-Work—Which?* Well, it attracted a great audience, because some of the men thought there was going to be a system of piece-work all through the works. But I have always looked upon day-work as representing Socialism and upon piece-work as representing Individualism, and I have never seen any other interpretation of the two

things. Now, this paper of mine created some little commotion, and my audience did not feel quite ready to criticize it on the same evening that it was presented to them. So I said, "All right; let us meet again and discuss this paper." Well, first one man got up and said he did not see but what the workmen made all the profits; and another man made the same claim, and said that if there was to be any Profit-Sharing scheme which pretended to give the workman what he earned, he ought to have it all. When I came to reply, I said, "I suppose I am talking to a number of sensible men, but according to what you have said just now, you seem to me very foolish indeed. Because you are saying that you make the profits of this business. Now, you certainly know a great many soap businesses which are not making any profits at all. Why not go, as a body, to these men who are making no profits on their soap, and say, 'Look here; we work for that scallywag Lever; he pays us the full rate of wages, it is true, and he gives us some share of the profits; but he does not give us enough. How much will you give us?'" And I told them, "If you go in that way to these other people in the soap trade who are not making dividends, the very first thing they will say to you will be, 'What do you want?' Because whatever they get out of you will be to the good, inasmuch as they are making nothing now, and however little, or however much, you let them have will be to the good. You may tell them you want it all. Well, perhaps they will not listen to that. Well, then you can say, 'We want nine-tenths, and you can have one-tenth'; and, seeing that they are getting nothing now, they will no doubt take it. And then you can all leave me, giving me the usual week's notice, and go to the other man in the same trade, and put the case to him: 'This scallywag Lever only gives us a share; you give us a bigger one.'

Now go and try it!" Well, of course they were looking at each other, and had no answer. They had never seen it in that light before. I am perfectly certain these people are sincere and I am perfectly certain their leaders are sincere. I have never seen any reason to doubt their sincerity, and I have come into very close and frequent personal contact with them. But they have been so fed up on the idea that when a man has done something with his hands he has produced something that is of value, that they cannot see the other side of the question. We, who have to sell that article, know that although it may have been of value yesterday, and may be of value today, yet next week, or at any particular moment, the market conditions may be different, and it may not have any value at all; in fact, there may be a loss on its very production. Now, the men I refer to cannot realize that. You know the tale of the Socialist who came into a village and began to talk about the land question. He said the land ought to be divided up, and nobody ought to pay for it. His views were very popular among the villagers, and they all adjourned to the village "pub" to talk the matter over; and they began dividing up the land of the village among themselves. One man said he would have this field, another that. And one man said he would have a certain field of the squire's, "because it was best for growin' 'taties in." When they had divided it all up, they had time to notice a quiet old codger who had been sitting in a corner all the time, smoking, and taking no part in the talk. So one of the other men, the one who had chosen the potato field, said to him, "Tom, why don't you speak up, lad? Didn't tha' goa to t' lecture?" "Ay." "An' dostna believe in't?" "Oh yes, A' b'lieve in't." "Then why dost tha' not speak oop for thy share?" "Oh," said the old fellow, "A'm not goin' t' work ma Socialism that road." "How

then?" "Dick," said he, "didstna say tha'd ha' that field o' t' squire's 'cos it growed t' best 'taties?" "Ah." "And didn't tha say tha'd pay t' squire nowt fur it?" "Ah." "Weel, I'll come and gather t' 'taties and pay thee nowt for 'em."

There is a necessity upon each of us, in my opinion, to recognize the changes of the times, the changes in the aspirations of those who work for us. It is not only a question to-day, believe me, gentlemen, of the increased cost of living, although that is great, but it is the cost of higher living. The workman wants to live better, and in order to live better he wants to live in a better house, he wants his wife and children to be better fed and clothed. And these are things that he ought to have. So that there are two factors in operation. The same living that a man was content with ten years ago is dearer to-day. But he is not content with having the same living as he had ten years ago; he wants better living, and rightly wants better living. And the increased cost of the same living, coupled with the desire for better living, is producing an unrest which in my view is the most healthy sign we have got. Now, it is a question whether we can, in ordinary competition, go beyond a certain amount with safety. In a business in which there are debentures, we are all agreed that you can have debentures with perfect safety up to a certain point. Beyond that point you must have ordinary shareholders who have taken the risks of the business. And is it not so in regard to labour—that we can advance wages up to a certain point in competition with the whole world—advance them to a point a little higher than the whole world? Because I believe that we have the best available raw material of labour in this country. I do not believe that there is any labour material anywhere in the world superior to what we have in England, Scotland, Ireland,

and Wales—in the United Kingdom. But if we are to make the enormous strides such as are demanded to-day, in my opinion it can only be done by increasing the interest of the workman in the article he is producing, and so making him a more efficient instrument of production by a personal element being introduced—that personal element which is the great stimulus behind each of us in this room to-day. We have got to share that stimulus with our workpeople, and if we do this, I believe the profits to be divided will be greater, and that everybody's share, including the workman's, will be greater. And side by side with the sharing of these greater profits, these increasing profits, there will go on at the same time a reduction of anxiety to us as managers. The anxiety of Management is greater with a number of wage-drawers than it is with partners. Many of us in business are working with partners, whom we have selected with care. Sometimes we have been unfortunate, but you will recognize with me, I am sure, that ninety-nine times out of every hundred the partners work together in harmony for the good of the business in an entirely different way from what they would if they were wage-drawers merely. We want to produce that state of affairs right throughout our industries in order to get the greatest efficiency in our workmen, by giving them a personal interest in the article which they are producing. But in doing this—here I want to sound one warning note—there is to be no delegation of supreme authority from the Management; and in my opinion all attempts that would mean the introduction of working men upon Boards of Directors, unless coupled with giving them a training in the higher branches of work, will be futile. It is utterly impossible to take an ordinary rank-and-file worker and make a Director out of him. It is not reasonable to expect to be able to do so. He has to be

trained, as all of us have had to be trained, for the position; and to expect that a man can be selected out of the works by his mates to sit straightway on a Board of Directors is, in my opinion, an utterly futile expectation. It may be that one man can sit with six or seven other men, and, not having the supreme power of voting, may be of assistance to the Board of Directors (who have the supreme management) from time to time. But the supreme management must always be in the hands of trained men—men trained for their posts; and the training which I am suggesting should go right through the staff is a training by means of which we can gradually develop their powers, through committees, to qualify them ultimately for a seat on the Board of Directors.

Now, having said this, I want to tell you that all our Directors have graduated as Directors through the works, the office, or the salesmen's department; but in addition to this I have always taken such a man through the committees I have mentioned before finally making him a Director. As I have already said, I consider that the idea of a workman being appointed by his fellow-workmen to sit on a Board of Directors is futile. I do not think I need labour the idea, in such a company as the present, that real Co-Partnership means not only sharing in the profits, but also sharing in certain duties which a mere workman could not possibly properly understand. I might just as well say that I would go over to the pan side, where I should no doubt only succeed in making much worse soap than would be made by some of my lowest-waged workmen. On the other hand, a workman might come to the Board of Directors and might conceivably make more mistakes than even I do. But because I say that, it does not mean that we cannot work towards wider and wider improvements in our service, with the goal always before us that the profits to be

divided will be divided equally in proportion to the amount of interest we take in the business and in proportion to the services we are capable of rendering.

THE CO-PARTNERSHIP SYSTEM TRUST IN LEVER BROTHERS LIMITED

FOUNDER—LORD LEVERHULME

Lever Brothers Limited began in 1909 to give workers a share in the profits.

Power was at first taken to issue Partnership Certificates up to £500,000 nominal value, and this was afterwards increased to £1,000,000.

These Certificates are issued to employees in proportion to wages or salary each year. The Management provisionally allot Certificates to the Staff, but Co-Partners have the right of appeal to a Committee composed jointly of Staff and Managers. The system of allotment is based on value of service. The very slacker and ne'er-do-weel receives *nil*, the apathetic from 5 per cent. to 10 per cent., and the enthusiastic, appreciative, and responsive above 10 per cent., with special allotment for special services and helpful suggestions.

The final appeal can be made to the Chairman of the Company should any Co-Partner or Employee feel that he has been over-looked or unfairly dealt with.

For the purpose of the Certificate distribution the Staff is divided into four classes—Directors, Managers and Foremen, Salesmen, General Staff.

The Co-Partnership extends to both male and female.

The original *minimum* age-limit for Co-Partnership was twenty-five years, but is now lowered to twenty-two years.

Originally the Co-Partnership Certificate was only given after five years' service; now it is given after four years' service.

The Staff sign an application form, containing a pledge in the following terms:—

“ To the Trustees of the Partnership Trust in Lever Brothers Limited.

“ GENTLEMEN,—I, the undersigned, request that a Partnership Certificate be issued to me under the above Trust, and I undertake that if the issue is made I will in all respects abide by, and conform to, the provisions of the Trust Deed and the Scheme scheduled to it, and will not waste time, labour, materials, or money in the discharge of my duties, but will loyally and faithfully further the interests of Lever Brothers Limited, its Associated Companies, and my Co-Partners, to the best of my skill and ability, and I hand you herewith a statement in writing of the grounds upon which I base this application.”

Once admitted and so long as their record is clean, Co-Partners receive further Certificates each year on above basis in proportion to wages or salary, until they have reached their maximum holding, which ranges from £200 to £3,000, according to their annual earnings.

They receive dividends on the amounts of their accumulated Certificates like ordinary Shareholders, but as the Certificates contribute no Capital to the business, they receive on that account 5 per cent. less than is paid on Ordinary Shares.

The dividends are paid in 5 per cent. Cumulative “ A ” Preferred Ordinary Shares, which the holder can sell at any time for cash at par value if he so desires; but so long as the shares are held by the Co-Partner to whom they were

originally allotted they also participate further in profits to the extent that they yield to him the same rate of interest as that enjoyed by the Ordinary Shareholder.

These 5 per cent. Cumulative "A" Preferred Ordinary Shares can only be allotted as dividends in lieu of cash.

Co-Partnership couples up Loss-Sharing with Profit-Sharing. If a man has acquired Co-Partnership Certificates, and if profits were to cease to be earned, he would suffer equally with Capital in loss of dividends.

When an employee retires from active work in the service of the firm, his Partnership Certificates are cancelled, but if his retirement is due to ill-health or old-age, or if his services are dispensed with through no fault of his own, he receives in exchange Preferential Certificates which bear interest at 5 per cent. on their nominal par value and are a charge on the profits ranking next after the first 5 per cent. taken by the Ordinary Shareholders.

The nominal amount of a Preferential Certificate is either ten times the average dividends paid in respect of the former Director's or Employee's Partnership Certificates during the three preceding years, or the same nominal amount as that of the Partnership Certificate so exchanged, whichever shall be the lesser.

The granting of these Certificates does not in any way interfere with the old age pensions under Lever Brothers' Employees Benefit Fund.

So long as an employee is in the active service of the firm he cannot (except for flagrant inefficiency or misconduct) be deprived of the Partnership Certificates already issued to him, and the annual interest which may be payable on those Certificates. The conditions can only be varied by the consent of the holders of not less than three-fourths of the total nominal amount of the Certificates issued.

Both Partnership and Preferential Certificates are can-

celled by the death of the owner unless a widow is left. But a widow receives Preferential Certificates in exchange for her late husband's Partnership Certificates, or if he had retired and was holding Preferential Certificates, these are transferred to her, and she is entitled to hold them, subject to the conditions of the Trust, while she remains a widow.

On January 1, 1918, the nominal value of the Partnership Certificates, Ordinary and Preferential, issued and outstanding, was £751,536.

At the same date the number of Employee Partners, including employees of Associated Companies admitted to Co-Partnership, was 5,066.

In the nine completed years of the Co-Partnership there has been distributed, for the benefit of the employees, in Co-Partnership Dividends, and in Prosperity-Sharing generally, £487,353.

VII

CO-PARTNERSHIP AND EFFICIENCY

THE question that we have to discuss to-night is "Co-Partnership and Efficiency," with a great accent on the word "Efficiency." In approaching the subject, What is the cause of Labour Unrest? there is a strong desire on the part of every one to try to arrive at a basis which will be something like finality. If there ever is, or ever has been, an age that was or is worth living in, it is this present one. There is no age where Progress has planted so strongly and firmly a determination to advance to higher ideals, and there is no country in the whole world where the conditions are so favourable to attain the highest possible well-being of the mass of the country as Great Britain.

The nineteenth century saw the triumphant entry of steam, electricity, machinery, transportation with economy and efficiency in productive enterprise, and the creation of enormous wealth. More wealth was produced in the nineteenth century, in consequence of the introduction of the above forces, than in all the centuries that have preceded it by man's unaided handiwork alone. Manufactures and shipping were almost in the same condition in the eighteenth century as they were in the time of the Romans, and if Napoleon the Great had attempted to invade this country, he would have done so practically under the same conditions as Julius Cæsar, both being dependent on wind and tide.

If the nineteenth century was responsible for the triumphant introduction of new methods for the creation of wealth, the twentieth century must see the triumph of the introduction of new methods for the more equal distribution of wealth. But in realizing, or attempting to realize, the better distribution of wealth, we must not fall behind in our power or efficiency to produce wealth. Therefore, modern developments must progress along the well-defined lines of efficiency.

Now in the production of wealth and the more equal distribution of it, I do claim that, however great the progress already made has been, we have now arrived at a stage in the development of social well-being when, owing to the changed conditions of modern industrial activity—men and women being employed in large masses in industrial concerns, resulting in the obliteration of the individual and the loss of individual self-interest in industrial activity—we may fairly inquire what has been the foundation of our progress. Now, I claim that this has been the persistent, consistent, and uninterrupted effort of every right-thinking man to better his condition. This has laid the basis of all the progress we have made. This principle is as unvarying as the law of gravitation, and it is from the operation of this universal law of self-interest of the individual that all progress has sprung and is maintained. It is like the great principle of life, which is ever operating to maintain healthy development; and if Co-Partnership does not improve the conditions under which we are living, it will not appeal to us as other than a modern craze which will have its day and die out.

We have to consider what can be done by a change in our relationship with each other in productive enterprises. No system can supply the place of individual effort, yet in modern productive enterprise collective action, as in a sound army, is the greatest force. We have

to consider whether the connection between each of us shall be one of wages alone, or wages *plus* shares in the profits of the products of our collective labour. The wages system was a great advance on all other previous systems. The first system was slavery, and that was succeeded by serfdom, and then by the wages system, the last-named having developed the principle of self-interest, which is one of the greatest forces behind it. By Co-Partnership, we recognize the great fact that the Co-Partnership system is founded on justice and on equal rights, for each of us, to the products of our labour. Such is the very basis of Co-Partnership, as distinguished from the wages system alone, and it is bound to stimulate efficiency and economy of products, for only by so doing can it increase our well-being and prosperity.

If Co-Partnership fails to increase the quantity of the products, or fails to improve the quality, or fails to ensure economy of material, tools, or implements, or fails in the better organization of production, or fails to reduce the waste consequent on strikes and lock-outs, then it is perfectly obvious that Co-Partnership is an absolutely useless implement of production. Any short-cuts to progress will fail, and any false methods will only mislead us. In the future, as in the past, the prizes in commerce, as in all other human activities, will always go to the strong, and we cannot alter that law, but it is equally true that such prizes cannot be held by the cunning. Only the strong can hold them, and the mere conflict of private interests in producing wealth will not enable us to hold the prize that has been won as a result of indefatigable labour and struggle. Business productive enterprise, as in all other activities, must end where it begins, namely, with the workers of all ranks and positions who are producing wealth. The way we work to-

gether under the wages system is, in my opinion, always against the modern spirit of the times—selfish Capital and selfish Labour cannot live together as efficient and economical producers of commodities. The Golden Rule, brotherhood and confidence, so often despised, must be introduced into business, as into all other affairs of life. The business world is quivering with an impulse at the present time, and with a strong desire, to get workers into more intimate connection with each other and to cease the continual warfare that exists. The elevation of the workers to the front rank is an ideal worth living for, and, in the end, there is very little else in business after the mere productive enterprise has been developed—there is very little else worth living for.

There can be no successful development of business that does not carry the employees along with it. Consciously or unconsciously, we must all aim at the common good of all engaged in any productive enterprise. Well-being first of all, as I have already mentioned, consists in the increase of the power of production and the consequent increase of wages, and also a decrease in the hours of labour, without which there can be no increase in social well-being. Now, this increase can only be secured by increasing the producing power of labour with less expenditure of vital force, and this will be followed by a reduction of the proportion of cost which labour bears to the total cost of any product, and which, in turn, will lead to a reduction in the cost of the product, and, consequently, to its increased consumption, and this, in turn, will allow an increased margin in the wages to be paid to Labour, and a reduction in the hours of labour. In fact, the whole progress of civilization in the last century under the wages system has followed along those lines—there may have been ebbs and flows in

the tide, but the tide of social betterment has flowed along this channel.

Now, we have to consider, when we approach the subject of Co-Partnership, to what extent, and by what means, can the productiveness of labour be improved and the expenditure of the vital force of labour be lessened, and this has to be our first step if we would make any advancement. If we consider the question of farming, we find that, where the productiveness of labour on the land results in the lowest return, wages are the lowest. When, from eight bushels of wheat from the acre, we have by better cultivation increased the yield to over thirty bushels per acre—practically quadrupled the production—we find that with the quadruplication of the product the wages are two-and-a-half times what they were, the hours of labour are shorter, and that the product is consequently cheaper, all because the production is four times greater. You will find to-day in our own country, as in all other countries, that where the quantity produced at any stage of manufacture is greatest, with the lowest cost of labour in proportion to the total cost of the product, then wages are the highest; and that where the total cost of labour is the highest in proportion to the total cost of the product, wages are the lowest. Now, with the lessened proportion of labour to the total cost, there will have developed, to a very marked degree, the cheapening of the product, and only on these well-defined and well-tested lines can there be an increase in the earning power of labour.

There is one essential fact which is overlooked by most working men when they approach this subject, namely, that, simultaneously with the increase of average wages there has been a correspondingly steady decrease in the average earnings of capital invested in industrial enterprise. This is a solid fact that ought not to be over-

looked. Interest on capital is highest in all countries where the productive power of labour is the lowest, and also wages are the lowest; and in all countries where the productive power of labour is the highest, there wages are also the highest, and interest on capital the lowest. Of course, there may have been periods when the demand for Capital having exceeded the supply—for short periods—Capital may have had an advantage; but we can trace without possibility of error that, to increase the productive power of labour and the wages to Labour, has the tendency to decrease the interest earned by Capital.

The reason for this is obvious. Capital invested in industry has always to be engaged in seeking to meet its liabilities for interest, and, therefore, must employ Labour, and when Capital invested in industry ceases to employ Labour to meet its obligations for interest—this great fact has to be borne in mind—Capital then has ceased to exist. It is entirely apparent that the larger the prospective return on Capital invested in industries, and the more Capital competes to obtain Labour, this must result ultimately in less interest being received by Capital itself. Every period of extreme industrial activity must, of course, see some slight modification in this. Now, whilst at the same time that Capital has been receiving less, Labour of all kinds, including salary to Management, has received more, not only have the nominal wages increased, but the actual wages, calculated in the purchasing power, have increased also.

Now, we therefore see, in view of the progress we have made in the nineteenth century, that the wages system and the so-called capitalist system have no reason to be apologetical for themselves and it behooves any one who, like myself, believes in Co-Partnership, to have full regard to this solid fact in considering new methods for

betterment and advancement of social well-being. The present wages and so-called capitalist system is in operation all over the world, and it has given us more and better food, more and better clothing, more and better houses, more and better education, more and better wages, shorter hours, lower cost of commodities, lower cost of travelling, better health, more rapid transit, and better means of recreation. But the so-called capital and wages system has only succeeded to the extent that it has moved along the lines of the principle of enlightened self-interest. Now, I claim that still greater development can be made in our system of employment of labour in industrial activities by directly increasing the personal interest of labour engaged in industries, and, if this is so, then Co-Partnership, as I understand it, must depend for its power to increase our rate of progress on improving the social conditions and on increasing our economical producing powers. Co-Partnership cannot reverse the law that has operated during the last century in giving us more and better food and clothing, higher wages, etc., by means of our power to produce more of those products at a cheaper cost, in fewer hours of labour. If Co-Partnership does not operate on those lines that have been so well tested, and are the proved basis of our success in the past, then it is a useless and silly fad.

Co-Partnership must, as the very charter of its existence, so operate that it can produce more and better food, clothing, houses, and social requirements in fewer hours and with less unhealthy strain and stress, and with ability to meet the problem of increased demands in wages by giving Labour, in addition to wages, a share in the profits of the enterprise. How does Co-Partnership propose to achieve success? Co-Partnership does not propose to abolish the wages system. It does not propose to abolish payment of interest on Capital; but it

does propose a modification of the wages system, and a modification in the relation of that portion of Capital engaged in industrial products which is at risk, which is taking the risk of the enterprise, but no change in the relation of that portion of Capital which seeks a more secure position at a fixed rate of interest. Co-Partnership proposes to retain Management in its present position, and it proposes to retain the wages system and also interest on Capital, and to ask that portion of Capital which is at risk to join in partnership with Labour.

Now, there is one distinct fact in connection with modern productive activity under the co-operative system. It has been a wonder to many people why co-operative production has not progressed at a greater rate. In my opinion, the cause of this partial failure of co-operative production has been that the co-operative system ignores Management, and lowers Management into the position of a fixed wage-drawer; whereas, under the ordinary system of production, Management, as owner, has had a direct interest in the profits of the undertaking. The Co-Partnership system we advocate would remove Labour from its present position of wage-drawer or salary-drawer to the higher position of a partner in the success or failure of the business, and, to that extent, it is an advance which moves the whole of those engaged in industrial production on to a higher platform, whilst the co-operative system lowers those engaged in direct management to the ranks of the wage or salary worker.

In agriculture, Co-Partnership, as you all know, is the oldest system of any. In the fishing industry, Co-Partnership is the practice, and always has been, from time immemorial. The owner finds the ship and takes his share of the catch; the captain finds the skill and ability in navigation, and his labour, and he takes his share of the catch; and the crew, in their turn, take their share

of the catch. Now this is, I think, the most concrete example of Co-Partnership we have, and we may depend upon it that fishing on those lines will have the effect on all in the fishing-boat that Co-Partnership will have, namely, a direct interest in the profits of their joint combined efforts, so that in alertness to discover the whereabouts of the fish, and in lowering and hauling in the nets, every faculty shall be exerted in order that the catch be as large as possible.

We are all servants of the public engaged in industrial occupations, and there is no distinction between us, and that is why I do not agree with the terms "master" and "servant," as we are all servants of the public—the so-called master just as much as the merest office-boy. Neither so-called master nor servant is satisfied with the present system; the employer has to adopt many makeshifts, such as piece-work, bonuses, and such-like, to increase the interest of Labour in the product of Labour; but in my opinion, the only solid means of realizing such ideals is by giving the workman a direct interest in the product of his own handiwork, and I claim that the only effective way in which that can be done is by means of Co-Partnership. No one considers that the wages system is ideal; employers, by their actions, if not by their words, admit that it is a wrong basis, and the best we can say of it is, that it is an advance on all previous systems.

I claim that the next advance we have to make to a higher level must be by means of Co-Partnership, and I will tell you, apart from the points I have referred to, one great gain this will be over the wages system, namely, the reducing of the strain and responsibility thrown upon the employer or proprietor of the business. The man who draws wages cannot reasonably be expected to worry about production and profits when he goes home at nights, but the man whose capital and whose very liveli-

hood is involved is bound to worry about these. When we are all Co-Partners, this worry, now pressing with crushing force on the heads and backs of a few men, will rest on the backs, the brains, and the heart of the whole body of those who are engaged in the industry. Co-Partnership will give equal interest, and is, therefore, bound to give equal responsibility to each by substituting a partner for a wage-drawer, whether the profits have increased or not. I do not see any reason why profits should not be increased, but whether profits are increased or not, the enjoyments and the pleasures in business, and the relief from worry and strain in working with Co-Partners rather than with wage-drawers, will more than compensate.

Modern industrialism has deprived us of the ability to produce goods individually. One man, for instance, has no power to produce one hundred pins as a commercial proposition successfully, but one hundred men, taking the various stages of the production of pins, going hand-in-hand, can produce hundreds of millions of pins as a successful commercial proposition. Now, there is only one elevation possible for the worker, as for all others; he must preserve his individualistic faculties, and must cultivate their extension and his higher powers, and if our system of Co-Partnership does not inspire a man with the idea of raising himself, then it is futile. You cannot push a man up a ladder—there is no other means of elevating a man than by letting him climb up the ladder by himself, and that is equally true of the master and of the man. There are not two different ladders—and I want to emphasize this—one for the master and one for the workman; but they have both to climb the same ladder, which ladder is—producing more goods with less labour in fewer hours, so as to allow for larger wages and a bigger margin for profit. The idea that the work-

man's interest is opposed to the master's is entirely wrong, as they are both bound together, and it must not be forgotten that the workman—the human machine—if he is a “hand,” is human. I always resent the phrase that we have when we speak of so many “hands,” as if we were dealing with a mere hand without the brain or heart of a man. I believe that, if we appeal to a man's sense of justice and right, we may take him into our confidence and elevate his character, and, in that way, we shall have assistance in our business, which will not only make our business run more smoothly, but will also assist us from the point of view of cheaper methods of production, by the high efficiency this will bring out. Just as machinery, electricity, steam, and all other mechanical appliances of productive power have enormously increased wealth, so I believe that if we take the workman more into our confidence, so as to develop his highest powers by making him a Co-Partner, he will become a better producer of the products he turns out, because we shall have fostered a spirit of comradeship and brotherhood.

I always resent the maudlin sentiment that is often talked in reference to Co-Partnership. Sometimes it is described as extremely “generous,” and the man at the back of it is spoken of as a “philanthropist”; that is all nonsense, and probably this is the reason why Co-Partnership schemes in the past have not lasted for more than five years on an average. If a man thinks Co-Partnership is a system which is “generous” or “philanthropic,” he is approaching it on lines which will, sooner or later, bring it to decay. We do not consider it generous to buoy channels of rivers, nor do we consider it philanthropic to put lighthouses round our coast to mark sunken rocks, but we consider all that good, sound business; and I say that, to enable the individual to avoid

shipwreck on rocks of wrong methods, to enable us to raise our fellow-workers to the height which inspires ourselves, is bound to cheapen production. Then let us dismiss all vague, maudlin, wrong ideas on the subject of Co-Partnership. Co-Partnership can only be a means of better, fairer, and more just relationship of so-called employer and employee, resulting in better productive activities.

With regard to the question of management, I want you to understand that the progress of Co-Partnership must, essentially, be one of education; for instance, you could not take a man from the ranks, as a navvy or labourer, and suddenly make him a Director of a Company with ideals and standards of high management; it is not reasonable to expect it.

I believe that wages are going steadily to rise, and I believe that the firms who are giving Co-Partnership can always rise with them and always continue to pay the highest rate of wages. Of course, as I have always explained, we have ourselves to make the profits, and I want to point out what is the difference between an article priced by the manufacturer on a high scale of wages, as in some countries I have visited, and the benefit to the man who produces articles and receives wages and also a share in the profits. The complaint in all high-waged countries is the high cost of living. It does not matter what country you go to, where the wages are high the cost of living is proportionately high, and when the English Government made their Board of Trade Report, they found that although the wages were lower in England, the amount paid for house accommodation, the quantity of clothing and food which could be purchased by those wages was greater than the amount which could be purchased with the higher wages in other countries. In other words, the conditions of the workers in this

country, taking the cost of living, clothing, and food in proportion to their wages, was better in the United Kingdom than in any other country in the world. But I want this country to have the highest wages possible without the cost of living being increased. If the cost of living goes up here, as I have seen it go up in other countries, a Board of Trade Report would come along and say we are no better off in 1930 than in 1910. The wages in 1930, I am sure, are going to be very much higher than now, but in my opinion real betterment can only be obtained by Co-Partnership. Now, this is a business proposition, and I notice Mr. Greenhalgh transfixing me with his accountancy eye, and I hope he will tell me if I am wrong in my next remark. If any statement of cost is prepared for me with regard to any article we produce, Mr. Greenhalgh will put down in that statement the wages of the men who are working in that department. Whatever wages they receive will go as a charge against that article. In addition, there will be the interest and depreciation on the machine they are working. Then there will be the cost of power, interest and depreciation on buildings, which in turn will be made up on the basis of the amount paid to the men who made the bricks and the mortar; the joiners who made the doors, windows, and flooring, and so on. Mr. Greenhalgh never inserts in that statement any provision for cost of Co-Partnership share of profits or any dividends to Shareholders at all. We see that there is a margin of profit which, in our opinion, will be possible of achievement. We might ask a profit which would result in our not being able to sell our article at the price, or which would result in the article being sold at a loss. But the prime cost, whatever it is, is made up of wages, interest, and depreciation on buildings, plant, and machinery, and all fixed charges. You all know that. If we work, there-

fore, on a Co-Partnership basis, and divide the profits, the profits come without increasing the prime cost of the product. I want you to see that. The profits come without increasing the cost of the article produced. The employer always takes into account the cost of materials, wages, etc., but he never takes into his cost the profit he desires to make on the contract. He *allows* for a profit, and therefore if we divide the profits with the workers, we are sharing in the reservoir of profits, which have not been added to the cost of the article, but have been produced by the business ability, by the foresight, by the knowledge of the markets, etc., of the employer. In hardly any industry can you see a profit on an article if you eliminate foresight in buying your supplies, skill in managing your business, and knowledge of trade conditions in selling your article. There never is a profit if you are not possessed of these, and the reason why some firms collapse and why some men are never able to carry on a business, is because they never see beyond the end of their nose. They can only think of the immediate job in hand, and can only buy to-day if they can sell to-day. They cannot see into the long and distant future. They cannot think what the effect of this or that will be ten years hence and so on. In our business we are to-day only getting profits, or at any rate only for the last few years, practically to-day, from undertakings which we started in 1901, 1902, and 1903, and to-day we are spending money in many directions which cannot bring us profits until five years hence.

That is the way profits are made. In the open market of competition between two firms there never will be a profit, never could be a profit. It is only this business acumen and foresight that will ever produce profits. Therefore profits are not added to the cost, they are the reward of efficiency of the staff, and the reward of

efficiency of the employer, and if we enter into a system of Co-Partnership we can produce profits by our ability, "Waste not, want not," and by our efficiency, without increasing the cost of the goods. Therefore, the betterment of the workers in this country will be increased in the same way as the betterment of the masters has been—not by salaries. I can tell you of private firms where partners may be drawing £10,000 a year in profits and only £500 a year as salary, the salary being put down as all they would be worth as ordinary managers of the business. What the profits are after they have charged that salary they take as partners. That is the common rule under all partnership arrangements. That profit has been made by their business acumen and foresight, but is not added to the cost of the article. If it had been added to the cost, the article, perhaps, could not have been sold. They have been able to make a profit by their application to business, by their keenness and alertness, and by their acquaintance with the markets, and so *we* can, and why should not *that* spirit permeate through all the staff and animate every one if we are going to share in the profits? If this system is right we can increase the well-being and betterment of the members of the staff without increasing the cost of living. There is no other system in the world by which this may be done.

Wages Boards may sit and decide that the cost of living has gone up and that another 2s. a week, or whatever it may be, must be added to the wages of labour. The cost of the article is then increased, and this goes on all round till the effect produced is that the cost of living has again gone up all round, and the labourer says, "I am no better off for the 2s." How can he be? It is an impossibility. If you are going to put 2s. more on, say, to the price of soap, soap will be dearer—there is no other way. But if we join in partnership and by

business acumen and foresight can produce our goods with skill and ability and market them with skill and ability, we can produce our profits without adding to the cost of the goods. We can divide these profits amongst us, increasing the benefit to every one, actually, really, and tangibly, not artificially and nominally. In one of the countries I visited, I saw a house of the type in which you would care to live, and the rent was 22s. 6d. a week, and for very poor houses the rent was 14s. a week. But there is no mystery about it. The builder has to consider the cost of wages for the bricklayers, etc., and the cost of materials. The house costs a certain sum, and that fixes the rent, and if he cannot get the rent he does not build the house. So, therefore, the supply of houses is just in proportion to what people will pay, and what the house costs. It cannot be any other way. The same applies to a tailor. He has to pay certain wages, and the coat must cost so much. The point is, we are all consumers as well as producers.

I want wages to go up. They will go up, but I want better conditions to go up in advance of wages. I do not want the rise to be an artificial one, but a real one, so that as wages go up, better conditions may go up with them. It is not a real increase when a man receives more wages and has to pay all the advance away in higher cost of living.

In one country a number of people called upon me and asked me to help them with their passage home. I also received a pathetic letter from one woman in which she told me a tale of great hardship, of how her husband and herself managed to live. It must be so in these countries. It could be no other way, because we are all workers and all consumers. It may be all right for persons who draw their money from some other source, but the workers of a country are the consumers of a

country. When they draw higher wages articles must be dearer, but if you work together as Co-Partners with fairness, and with determination to conduct our business properly, the same will not occur. A man who becomes a builder on his own account knows perfectly well that his success or otherwise depends entirely on his skill. It depends on that skill whether or not he makes a profit on a contract. Are not we all Co-Partners and therefore can all be profit earners? I have tried to show you Co-Partnership is real. I have tried to show you that those firms mentioned in the official report of the French Government who have Co-Partnership are paying the highest rate of wages, working the shortest hours, have the best sick benefits and best holiday arrangements. Therefore, those advantages are not at the expense of the wages. Those benefits come out of the increased efficiency of the employer and the increased efficiency of the workers.

In conclusion, and with your permission, I would just like to quote from Robert Browning a few lines which, slightly adapted, seem appropriate to such an occasion as this:—

The common problem, yours, mine, every one's
 Is—not to fancy what were fair in life
 Provided it could be—but, finding first
 What may be, then find how to make it fair
 Up to our means: a very different thing!

Our business is not to remake ourselves,
 But make the absolute best of what God made.

ESSENTIALS OF CO-PARTNERSHIP

- (1) Co-Partnership must not degenerate into charity or philanthropy. It would be an insult to the workers if it did.

- (2) The object must be to increase efficiency, resulting in increased prosperity for all—not for the man on the top only, but for all.
- (3) It must maintain the supremacy of Management. Just as in the Army we must have corporals and sergeants and so on up to generals, so in industrial organization there must be various stages of management arranged to ensure efficiency, and these must be maintained.
- (4) Co-Partnership must not result in the weakening of Management, but, on the other hand, Labour must be free to work out its own ideals—free from the tyrannies of victimization if it expresses its views.
- (5) There must be a greater stability in these arrangements than a mere cash bonus.
- (6) The benefits of Co-Partnership must extend to the wives and children. I attach the utmost importance to that. A man must know that his share in Co-Partnership, at his death, will go to his widow during her widowhood.
- (7) It must elevate Management and Labour equally in the social scale.
- (8) It must not be antagonistic to the legitimate rights of the workers not of the managers, and
- (9) The control must rest with those who find the capital.

When we have Co-Partnership founded on these lines there will still have to continue the underlying wages system, and the wages system must be maintained on the highest scale practicable in the particular industry. In other words, those firms who adopt Co-Partnership must lead the way in advances of wages as well as in the benefits of Co-Partnership. I was pleased to note in the recent Board of Trade Returns on Co-Partnership that it is there stated that the firms which have adopted this system were firms which had given the greatest betterment conditions and the highest wages—that is essential. If it were not essential there would be no benefit in Co-Partnership; it would be the mere attachment of workmen to works for an elusive advantage. The conditions must not only be better, but the wage itself must be slightly higher than that paid in other establishments. It cannot be greatly higher, because the cost of production is a factor that has to be taken into account.

VIII

CO-OPERATIVE ASPECT OF BUSINESS

THERE are many ways besides sharing profits in which you can make those associated with you in business into partners. I know many businesses where Profit-Sharing and Co-Partnership in profits are quite impossible. Take the great business of domestic service. There are no profits appearing in the balance-sheet of servants of a household and the duties they perform, and yet we all know that a kind and encouraging word will do far more in making life comfortable to the servant and happy for the mistress, and in making the home bright and cheerful, than any mercenary bond there may be between them. And so, also, the trader, however small his staff may be, however impossible it may be to have a Profit-Sharing scheme of an elaborate nature, can, by consideration of his staff, make them just as enthusiastically his partners as by any sharing of profits whatever. Why, every trader must, if his business is to succeed, enthuse and put energy into his staff, and, believe me, enthusiasm and energy are synonymous terms. By consideration of their hours of work, by cheerfulness towards them, by courtesy to them, by the payment of the highest wage the business will afford, the employer may energize his staff, and stimulate them in a way that would not be possible in a larger business, even with the most complicated, elaborate, complete, and generous scheme of Co-Partnership. There must be personal contact on these lines.

You know, business is business; and good business demands enthusiastic workers; and you can't get energetic, efficient work without some bond of sympathy between employer and employee. Sympathy with the staff—why, look how it would clear away the cobwebs! It would not only increase a trader's business, but would decrease the loss and expense, and it would not only increase his own happiness, but his popularity with his customers as well as his own staff; and, further, it would enable a trader of mere mediocre ability to accomplish more in his business than a trader of great brilliance and genius could accomplish without it. It will bring up a mediocre man far in advance of the talent of a brilliant man. But I would like continually to repeat, in whatever I have to say, that there is no philanthropy in business, and a trader cannot allow sympathy with his staff to fill his business with pensioners and inefficient. No matter how much an employer may idealize as to running his business for purposes other than mere money-making, he will find he must run his business for money-making if he wishes to make a perfect and ideal organization for his employees as well as for the customers he serves. He must work on ideal conditions for all his employees and his customers if he wishes to safeguard the capital he has in the business—to build up a solid, successful, money-making business.

The trader must so balance his ideals with practical business as to neglect neither. At an Agricultural College a discussion was taking place as to what slopes of land were best suited to give the biggest crops, and an old farmer, who knew nothing probably about scientific methods of farming and slopes of land, and so on, got up at the end of the discussion and said that in his experience it did not matter so much about the slope of the land as the slope of the man. And so I would say of

every one of us in business, whatever systems we adopt, and whether we are able or unable to adopt some plan of Profit-Sharing or Co-Partnership, far more will depend upon our own inclinations and leanings towards our ideals than any particular method we may adopt. The slope of a man can make success or failure, and it can make a mediocre man into a superman.

Let us examine into the question of Co-Partnership on ordinary lines of Profit-Sharing in any business. There are three active partners, generally speaking, in every business. Whether we acknowledge Co-Partnership or not—whether we do anything to recognize it or not, there are three partners joined together—the employee, the public, and the proprietor. Each of these three partners has within himself three sleeping partners. I will call the Employees, the Public, and the Proprietors the active partners. The three sleeping partners are Habit, Inertia, and Imitation.

One of the hard business facts of life that has an immense power on success is Habit. It is by habit that we think and act most efficiently. We do very little efficient thinking until we do it by habit. If you watch the child first beginning to toddle, its footsteps falter; but when it has learned to walk, and walks by habit, then it becomes a perfect walker. Habit means that condition of body and mind, or both, which has become established by constant repetition. The successful trader is the man who has acquired the best habits for his own particular business, and that is all that success means. Mediocrity, by constant repetition, can surpass brilliancy that has not acquired habits by constant repetition. We have had that experience, each of us, in our schooldays. We saw the less brilliant scholar, by constantly repeating and learning his lesson, able to pass examinations and take prizes that a more brilliant scholar, who would not go through the

drudgery of repetition, failed to secure. The best way to acquire good habits is to make the mind lead off in the right direction, and the best business habit to be acquired first is system, a good system which leads to success. Success does not depend on the head of the business, the captain of the ship, being on the bridge all the time. With system, a man could multiply his powers a hundred-fold. A man with the aid of system can enable his shop assistants to get through ten times the work that they are capable of without system. Compare the shop or any business where no system prevails, where the master has no daily or hourly programme and where all is confusion, with the shop where system and order prevail, and you will at once see the difference. So that habit in business means, first of all, acquiring system.

The second of these sleeping partners is Inertia. In acquiring habits we have to overcome Inertia. You see it when a horse is drawing a load. It takes many times the strain to start the movement, to overcome Inertia, that it does to maintain the movement; and that is equally true of the effort to stop the movement. You can't stop an express train in a moment any more than you can start it off at full speed. This principle applies equally, or more, to the beginning of new habits and to the stopping of old habits. The strong, progressive habit cannot at once overcome the Inertia of old habits. It is actually easier for some to do their work in the hardest and most difficult way possible, when that way is an acquired habit, than it is to change to new and easier methods. Now, this Inertia of old habits is the sole reason why young men get ahead of the older ones in every and any business. This fact about Inertia teaches us, as business men, that improvement in our business involving radical changes should not be made too suddenly, just as you would not turn a corner at top speed in a motor-car. Were we

considering the introduction of Co-Partnership, the greatest radical change we can make in our business, it behooves us to bear in mind this principle of Inertia. It is an element in the minds of our staff and in our own minds.

In overcoming Inertia we have the help of our third sleeping partner, Imitation. We all love to imitate what we see. If we wish to adopt Co-Partnership, our inclination is guided by our love of imitation, which helps us to overcome Inertia. A going concern has a goodwill. This goodwill is due to the effect of the increase in the volume of profits, proving that business is founded on right habits and on the firm basis of repetition and on the overthrow of Inertia. Before I pass to the active partners, let me just recapitulate these three sleeping partners. Habits, rightly founded, make for progress. Inertia has to be overcome, but, at the same time, it does lend itself to stability. Imitation helps us to overcome Inertia, and Inertia is a natural tendency to continue without change. The only way to build a business and train a staff is to bear in mind these three principles. If we overlooked them we should get discouraged and give up our task, whatever we had set ourselves to do.

May I give you an instance of widespread Inertia we had through the country a few years ago? You remember when Willett introduced his Daylight Saving Bill he was ridiculed in the House of Commons, and at once came against that huge mass of Inertia which could not be moved. But, in a little while, we began to think about it, and, although Willett did not live to see his plan adopted, the Inertia was overcome, and who, to-day, would go back to the old-time calendar in the summer months? I mention that because it is such a recent and such a good illustration of the point I wish to bring out—that, in this huge problem of Co-Partner-

ship, we have the same difficulty to face, and we must bear it in mind both for our own guidance and in the guidance of our staff, and in regard to the public we serve.

Now, let us consider the three active partners: the Employee, the Public, and the Proprietor. No proprietor, at any time, was independent of those about him, and he is more dependent upon them to-day than ever. He cannot succeed alone. Employers and employees must work together as partners with the public. Employers must recognize that their employees are an asset to the business. Hitherto, employers have simply looked upon the assistant as a liability that had to be cleared every week at pay-day. An enthusiastic Co-Partnership employer, in a distributive business, has stated that his employees, since they had been made Co-Partners, have reduced his changes in his staff, increased the permanency of his staff by 35 per cent., and their efficiency by over 50 per cent. Every employer in a retail business knows that his point of contact with his customers depends on his staff. The nearer he can bring his staff to himself in their interest in and enthusiasm for the business, the more successful is his business likely to be. In fact, employers and employed are like the strands in a rope. Spun into a cable, they can bear great strain, but unwound and unravelled they can bear none.

Now, we are told that a house divided against itself cannot stand, but modern business goes further than that. The position to-day in business is that a house must have unity of aim and purpose, and enthusiasm and loyalty; otherwise it cannot stand. As an illustration of enormous power running to waste, take the Falls of Niagara. There is a similar enormous waste of energy when employees are outside the reach of a Co-Partnership, either in profit-sharing or in sympathy, in kind acts and con-

sideration. Hundreds of millions of horse-power are running to waste at Niagara. A few of them have been chained up, and light up Buffalo and other cities, and drive many industries. But only the mere fringe of the power has been utilized, and I venture to say that, in most businesses, from 50 per cent. upwards of the ability of the staff is never developed at all. The employer must make the employee feel that he is his best friend, and that he is an inspiration to him; that he is the employees' instructor, adviser, and helper. All this means confidence, trust, and leads up to Co-Partnership.

There is a subtle influence, an atmosphere that emanates from the employer, and many a man in business has strangled the spirit of his employees by his cold, fault-finding methods. It is easy to judge the character and type of the employer by studying the character and type of employee working under him. If the employer is morose and gloomy, how can you expect his employees to be bright and cheerful with the customers in the shop? Employers are learning more and more the value of creating a cheerful atmosphere in their business, equally with a cheerful, bright, newly decorated interior of their business premises. The two go together. None of us, I venture to say, would to-day consider it businesslike to have the interior of our business premises slovenly, neglected, dirty, and requiring beautifying. We must be determined that the minds of our employees are just as free from cobwebs, and as bright, cheerful, and happy, if they are to be attractive to the customers who come into our shop. If one were to sow nettles and thistles, one would never expect to find a harvest of perfumed roses, sweet and fragrant; and if we sow morose words amongst our staff, they will reach, through our staff, to our customers, and drive them away. We none of us can do our best work under any other conditions than when we

are at our happiest. It is, remember, the warm sun that causes the buds to open and give forth their perfume. You know what George Macdonald said: "If I can put gladness into the heart of any man or woman, I shall feel I have worked with God."

If Co-Partnership were merely a matter of money-motive—a money stimulus—without the putting of gladness and happiness into the hearts of the staff, then, I say, Co-Partnership would be a gloomy failure. The employee has a right to happiness and freedom from anxiety. Remember, that whatever attitude is adopted towards the staff will react upon the employer himself, as well as on his business. We must begin to realize the fact that a large part of the employee's ability is never awakened because it has never been energized or utilized. We all of us know those who have been in business with us at various times and whom we considered of no special merit as long as they were our assistants, but who have developed by leaps and bounds when they have got into business for themselves. Why could not we develop these latent powers?

Now, let us consider the second partner in business—the Public. Many think the only use of the public is to make profits out of them. You know the man who was boasting of his profits during the war in the smoke-room of his club. He said, "You know, I have made it all by sheer, downright pluck—every penny of it." The worried listener: "And whom did you pluck?" Many a man of business thinks price is the only element of success. There are dozens of reasons for success besides prices. Customers will go past one shop to another, because gracious courtesy, civility, efforts to please, reliability on recommendations of quality, all count for far more than price cutting. Many customers would rather trust the trader's recommendation than their own power of selec-

tion. Remember, the satisfied customer not only comes himself but sends others. The assistant must be trained in habits of courtesy to the public. A multiple shopman spent a great deal of money in sending telegrams to every branch manager at each of his shops throughout the United Kingdom: "Did you say 'Thank you,' to every customer you served to-day?" He sent those telegrams from time to time until he had burnt the importance of this fact into their minds. He spent over £1,000 on those telegrams, merely asking that question. He says it was the best £1,000 investment he ever made in his life.

There are hundreds of men who would scorn to tell a lie who would let their goods lie for them. They do not hesitate to sell shoddy, second-rate goods. None of them would dream of cheating or lying. They are conscientiously, and not hypocritically, above it. There is no hypocrisy; but in building up a business, if we are dealing in anything other than the quality that customers have a right to expect from the class of trade we do, then we are, in our business, living a lie. The grandest advertisement ever written is poor compared with the reputation for keeping high-class goods and giving a true description of them.

You know the story of the young man who started a fish shop, and fitted it up with marble slabs, and tiles was his name on the sign, and then, "Fresh Fish Sold on the wall; then he wrote a sign and put it up. There Here." A friend came along and admired the shop, and, after looking all round said, "Look at your sign." "What's the matter?" he asked. "Why do you say 'Fresh Fish Sold Here?'" You do not need to say 'here.' You are not selling them across the way." So the young man painted the word "Here" out, and the sign read "Fresh Fish Sold." Another friend came and admired the marble slabs and the tiles. When he

had admired everything he said, "But look at your sign. Everybody will know your fish is fresh." He got his paint pot and painted out the word "Fresh." So now the sign read, "Fish Sold." Another friend came, and when *he* had admired the shop and the slabs and tiles, he, too, said, "Look at your sign. Why say 'Sold'? Nobody will think you are giving the fish away." So he took out that word also, and now the sign simply read, "So-and-so, Fish." Still another friend came, and when he had looked all around he said, "Look at your sign." "What's the matter with the sign yet?" asked the young man. "Why say 'Fish'?" was the reply; "I could smell fish as soon as I turned the corner."

There is a motto that runs, "The deceiver only deceives himself." If any of us think that we can make a second-rate quality of goods appear equal to the first-rate quality, we are only deceiving ourselves. Deceit is a boomerang, and if we put ourselves in our customers' place, we shall realize the whole position. Nothing will so quickly forfeit confidence as disappointment over quality. People do not like to deal with traders they have always to be watching. Millions upon millions of pounds sterling of turnover are done entirely and solely on the character and reputation of traders for straightforwardness.

Well, now, what about the third partner, the Trader himself? Many men in business are unable to trust those associated with them with any power or authority whatever. These men can only think in inches, and have only an eye to petty cash items, and as long as they themselves can oversee everything and attend to all the details themselves, they get along all right, but the moment they have to delegate to others, they go all to pieces. That is because they do not know how to select their staff, and consequently can never trust them. With these men,

every employee who does not exactly please them at the moment is cleared out. If the employee were to express an opinion upon the business, or make suggestions, he would be dismissed. With such an employer, the employee must not move hand or foot without the employer's approval. Such traders will not recognize the fact that no man can attend to all the details of his own business, and know every point about even his own one business.

Now, the trader, to be successful, must begin right away by trusting his staff, and until he can trust them—until he has trained and educated them so that he knows, whether he is there or not, that his business is going on as he would wish it, and that his customers are being courteously attended to, he is not ripe for the consideration of Co-Partnership, the spirit of which comes a long way after that stage. If we are suspicious and distrustful of our staff, then our staff become suspicious and distrustful of us, for distrust and suspicion breed distrust and suspicion. We have to encourage our staff. No employee can be at his or her best if always conscious that some one is watching in a fault-finding attitude of mind. The interest of the employee must be awakened; it cannot be forced.

There is no doubt we all make errors in business: buy at the wrong time, and fail to sell at the right time; and I always consider that the business man is more than a hero, braver than any man in the trenches, who dare freely acknowledge openly before his staff that he has made a mistake, and applies the ink eraser to his own mistakes rather than continue them. This is the state of mind we have got to cultivate, and once it has been cultivated and become a habit, there is nothing that will place an employer on a higher pedestal with his employee. It sounds a paradox to say our very mistakes and fail-

ings would raise us with our employees and, literally, it would not be so. The man who made three mistakes in five actions would never win the esteem and respect of his employee; but, equally, the employer who claimed to be able to do right all five times, and never acknowledged that now and then even he might make a mistake, as well as his staff, would fail to win the esteem and real support of his staff.

Now, the most dangerous period in the business career of any tradesman is the time when he begins to feel sure of his position. Over-confidence in any one of us is the first sign of decay, and we all of us do our best work when we are struggling for position. When a man says to himself, "Now, I can take things easier; I hold the field; I am head and shoulders over all my competitors, and I can afford to breathe more freely"—then he is in the greatest danger of his life. It is dangerous to run a business on its past reputation, for there are too many others pushing forward for supremacy all the time. It is astonishing how soon the best business goes to pieces when the proprietor begins to take it easy. Managing a business is like rolling a stone up a hill; take one's hands off, and down the stone rolls to the bottom again.

Now, I want just to come to the point that this fact brings us up to. I am sure you will agree with what I have said about the necessity of constant vigilance in business. If this were the final word in business, the prospect for our old age would be gloomy indeed. Business would mean hard labour for life and the agony of seeing our business fade away in our old age. But if we take time by the forelock, if those bright young fellows who pass through our hands at various stages of our career are attracted to us by sympathy, are trained and developed in our business by our watchful care, are made partners in our business at the particular moment when

they have proved themselves worthy of it and of our confidence, then, as our own physical powers grow less their physical strength is growing greater, and the fair and just treatment we have dealt out to them wins their loyalty and support; for all through their life they are able to say they could never have done better under any circumstances whatever, for even if they went away from the business in which they were trained and developed to start a business of their own, the increased competition, the heavy responsibilities, the difficulties for capital, would not make life so well worth living for them as a partnership in the firm they were with, a share in the profits that were made, and the opportunity to invest their money in the business each succeeding year. On this system the employer, as I have mentioned, need not be always at the helm. He can take his reasonable relief as years get on, and when, finally, it comes to the Indian summer of his life, as the sun is declining, it will leave a golden glow through the skies; he will be surrounded by those whom he has trained and developed to look upon him more as a father than an employer. Whether they are single units, or tens, or hundreds, or thousands, however many they may be, their willing hands will go forth to build up the business. The business will become more than a mere machine to them. It will become a living being to be cared for and tended and cultivated as lovingly by them as ever by their master in his own young days. And so we can see our business extend and grow, and if there were nothing else in Co-Partnership than the relief it will give to a man when his physical strength declines, I say that argument alone—apart from the increased prosperity which Co-Partnership, in the experience of those who have adopted it, brings; apart from the fact that when you have interested your staff with you in the profits you have applied the most just, fair, and power-

ful stimulus you can to their efforts—apart altogether from all that, this one factor alone ought to win it adherence.

Now, as to the particular form of Co-Partnership to be adopted. It is utterly impossible for any man to decide this question other than the man who is going to apply it. As I have said, it may not be possible to share profits at all, or to have a partner. There are many occupations, such as domestic service, in which it is quite impossible; but in one form or another, either by kind actions and sympathy, consideration in sickness, and the joy of happiness in health, the payment of high wages, or the sharing of profits, a human bond of sympathy must go out from the head of the business, from the proprietor, right down to the youngest office boy, and, that secured, I do not care whether you call it Co-Partnership, Profit-Sharing, or what you call it, you have introduced into business the human element, which will not only make the staff working for you happy, but will make yourself happy. It is true that a business carried on for mere money-grabbing objects, as I ventured to say at the beginning, will, in my opinion, fail to realize even the narrow ideal of making money; but carried on upon the broad lines of recognition of equal rights to a share of the fruits of the industry of every one connected with the business, whoever they may be, then the harvest is greater as it is shared with others. Then, as the sunset comes along in the skies, the owner, instead of shutting down in dark weariness with the knowledge that the business must pass into the hands of strangers or be closed entirely, and that the physical strength of the proprietor is unable to keep up with the energetic action of younger men, will see it stronger than ever, and have in it an ever-increasing pride.

IX

HEALTH AND HOUSING

THE subject "Land for Houses" is one the importance of which requires no words of mine to commend itself to your earnest consideration. The few thoughts I venture to place before you on this great subject are very crude and incomplete, and, consequently, are no doubt open to much adverse criticism. But, happily, honest criticism can only lead in one direction, that of further calling attention to the question of housing the people, with a view to whatever may be the best means of remedying the defects of our present system; a system under which the housing of the people has become a scandal and disgrace, as well as a danger to the physical and moral well-being of the nation. It is impossible for us to visit any of our thickly populated centres without feeling that, however great strides we have made in political economy during the present century, as far as housing of the people is concerned we are probably in as bad a condition to-day as at any period of our history; and this notwithstanding the fact that as far back as 1851 two Acts for dealing with this question were passed by Parliament, and also that since then, at constantly recurring intervals, right down to the Act of 1890, succeeding Parliaments have repeatedly attempted to deal with this subject. Except in the way of police control, we are bound to admit that none of these Acts have really been effective in dealing with the evils they were intended to remedy.

Before I proceed further, allow me to acknowledge the assistance I have had in preparing this paper from reading the book of Mr. Bowmaker on *Housing of the Working Classes*, also the works by Mr. Charles Booth on the *Labour and Life of the People*, and various other writers. All who have carefully read the works of the leading writers on this subject must be impressed with the extreme gravity of the present situation, and the more one inquires into the question of the housing of the people, the more one is impressed with two things—the enormous amount of work required to be done, and the great importance that it should be done with as little delay as possible. As to the amount of work to be done, it is not only the grosser forms of overcrowding—the slums and alleys—that require to be dealt with, but almost of equal importance is the question of the crowding of houses side by side with only 12 feet or 15 feet frontage, small yards, and 6 or 8 feet back roads. It is said that “God made the country, and man made the towns.” But there can be no reason why man should not make towns livable and healthy, and if towns are made livable and healthy they will be just as much subject to the beneficent influence of bright sunshine, fresh air, flowers, and plants, as the country. But just as surely as the country is made by God, so surely is it that man is made also by the same Creator—who constituted him a social being, loving the fellowship of his fellow-man, and therefore loving to live in towns and cities, where he finds the greatest scope for his social instincts, and where his genius and abilities have the fullest opportunities for development. Therefore, it is an established fact, and one that all past history of the human race confirms, that men prefer city life to country life; hence the great importance to the well-being of the race that city life be carried on under proper conditions as to housing, with

a view to securing surroundings the most favourable to health. It is for the citizens themselves as a body to control this matter through their municipal organizations. It must not be left to individuals, as in the past.

We are too apt in this country to leave good work for the benefit of one's fellow-men to the care of philanthropists, but in this instance, owing to the very stupendous character of the question of housing of the people, philanthropists have practically been unable to effect anything, notwithstanding the large sum of money devoted by men of the stamp of Mr. Peabody, and others too numerous to mention. I venture to submit that it is not a matter to be dealt with by philanthropists at all. Philanthropy is only another name for charity, and charity can only mean pauperism. The housing of the people is not in any way connected with pauperism nor charity, and does not come within the scope of philanthropists.

We have experienced during the last forty or fifty years that mere Acts of Parliament can effect very little. In what direction, then, must we look for help to come? Before we can answer this question, it would be, perhaps, of advantage for us to inquire into the extent to which the grosser forms of overcrowding exist, and what are the effects on health and character of overcrowding. As to the extent of overcrowding, many who have not thought deeply on the subject would be surprised to hear that it exists to just as great an extent in villages as in large towns, and in the very smallest hamlets, proportionately, to as large an extent as in London; that it exists in new towns and cities like Birkenhead, as well as in the oldest city in the United Kingdom. We find by the last census returns that throughout the whole of England and Wales, of the number of rooms composing tenement houses, 52 per cent. of the separate tenements included four rooms or less, of which about 5 per cent.

were of one room only, 11 per cent. of two rooms, 12 per cent. of three rooms, and 24 per cent. of four rooms. Taking London separately, we find that, instead of 52 per cent. as in the case of England and Wales, tenements of four rooms and under are 67 per cent., and that the single-room tenements in London amount to 18 per cent., as compared with the 5 per cent. for the whole country. Now, if we consider for one moment the life a family must lead who have only one room in which to eat, to sleep, and to live, we cannot wonder at the social degradation produced in those who live under these conditions; and yet, the rents paid for these single rooms are sufficient to pay a reasonable return on the capital required, if properly expended, to provide suitable accommodation. In the worst parts of Liverpool at the present day 1,000 people are huddled on the space of one acre. At an inquest in Spitalfields, London, concerning the death of a child four months old, the evidence showed that the child, with six other children and its parents, had lived in a room 12 feet by 12 feet, for which 4s. 6d. a week rent was paid. Just fancy nine human beings living under such conditions as these! All such places must prove very hotbeds of vice and misery. I could give thousands of other examples taken from both town, city, and country, but I will give one instance more only to prove that overcrowding is just as prevalent in country districts as in towns. In a village, not many miles from here, I was asked by a widow, shortly after the property came into my possession, to provide another bedroom to her cottage. On my asking why, she replied because her son was growing up, and there was only one room for herself and him to sleep in. I imagined, of course, that he would be a little boy, say eight or nine years of age. I asked his age, and found it was nearly twenty. This caused me to make further inquiries, which revealed the

fact that this was only a specimen of the conditions under which many of the inhabitants of that village were living. We drive or walk past ivy-clad cottages in the country, admire their beauty, and the thought that there can be fully-grown men and women, not always even brothers and sisters, forced to occupy the same bedroom from the lack of proper housing accommodation never presents itself to us. The words used by the late Lord Shaftesbury before the Royal Commission appointed to inquire into the subject of overcrowding are just as true to-day as they were at the time they were uttered. Lord Shaftesbury then declared that, however great had been the improvement in the condition of the poor in other respects, overcrowding had become more serious than ever it was before. Evidence produced before various Royal Commissions who have examined witnesses on the subject all proves that an enormous proportion of our village populations know no other home than such as provide one room for the whole family to live in, and another room for the whole family to sleep in.

It is not necessary for me to occupy your time in proving further that overcrowding does exist. You know it exists. I know it exists, we all know it exists, apart from Government returns and population statistics or Blue-books. We know it because we see it, and read about it in the police reports every day of our lives. Such, then, being admitted to be the state of affairs, let us next inquire what are the results which overcrowding produces. There is one result which it certainly ought not to produce in ourselves, and that is indifference on our part to the nameless misery and brutalization which overcrowding generates in the poor. And sometimes one is inclined to think that, whilst on all hands we have evident signs that the condition of the poor calls forth greater sympathy to-day than ever, and

whilst we know that in the providing of hospitals and infirmaries, in temperance work, religious and social work, we have not been unmindful of our duty, yet in the very question which lies at the root of the uplifting of the people, and the elevation of them to a full enjoyment of all the possibilities of life, we have grossly neglected our duty. In dealing with the moral effect of overcrowding, it is not an easy task to collect statistics. We know that overcrowding and degradation go together, but we do not clearly see whether it is the degraded who prefer to herd together, or it is the overcrowding that produces the degradation; but whatever our individual views may be on this point, we shall all agree on one point, namely, that as to the degradation of the children there cannot be the slightest difference of opinion. Lord Shaftesbury, speaking of the effect of overcrowding on children, describes it as "totally destructive of all benefits from education"; and who can wonder that this is the effect produced? A child that knows nothing of God's earth, of green fields, or sparkling brooks, of breezy hill and springy heather, and whose mind is stored with none of the beauties of nature, but knows only the drunkenness prevalent in the hideous slum it is forced to live in, and whose walks abroad have never extended beyond the corner public-house and the pawnshop, cannot be benefited by education. Such children grow up depraved, and become a danger and terror to the State; wealth-destroyers instead of wealth-producers, compared to whom the South Sea Islander, the Maori, or Zulu is an educated, intelligent citizen.

That overcrowding produces drunkenness, vice, misery, and wretchedness, we know, notwithstanding we cannot easily collect statistics showing the exact extent to which the moral nature is affected by overcrowding. But if we cannot get statistics with regard to the effect

of overcrowding on the moral nature, we can with regard to the effect of overcrowding on health; and in considering this side of the question, let us not lose sight of the truth that a nation's health is a nation's wealth. The population of England and Wales at the last census was—for the towns, about twenty-one millions; for the rural districts, about eight millions. Calculating the death-rates in the towns for corresponding age and sex, and comparing them with the same for the rural districts, we find that whereas the death-rate for the town is 23.32 per thousand, the death-rate in the country is only 17.62 per thousand. In other words, that whereas in the towns death on an average would occur at the age of about forty-five, in the country it would occur at the age of about sixty. But if we look further into these figures, and subdivide the towns, we find that in the congested parts of cities the death-rates are double those of the suburbs. In London the death-rate of the outer, or suburban, districts is only 15.4 per thousand, as compared with between 30 and 40 per thousand in the most crowded parts. That is to say, that whilst a man in the crowded districts would, on an average, only live to be, say, about thirty, in the suburbs he would live to be about seventy. In Liverpool, also, the death-rate is double that of the rural districts surrounding.

But this bare statement of figures gives us but a very poor idea of the loss to the nation from overcrowding. We have to consider, in addition to the early death of the victims, the years of sickness, poverty, misery, and suffering that ill-health entails on them and their families, and the consequent loss of their ability to earn sufficient money to keep themselves, thus laying a heavy burden on the rates, and upon those relations who, whilst assisting them, are already heavily overburdened to maintain themselves. It is estimated that in overcrowded districts

every workman loses, on an average, twenty days each year through ill-health, say, on an average of 4s. per day, equal to £4. This is not only a loss to the workman and his family, but to the whole nation. This loss to the workman is not represented by the £4 he has failed to earn; he has lost something that he can never recover. For a rich man to be a few days away from business from ill-health may, perhaps, not be a serious consideration. His business in all probability will not suffer. It would be conducted by his staff, or by his partners, without interruption; but not so the work of a poor man. Therefore, the question of good health, or ill-health, is of all questions the most important one to the workers of this country. Why overcrowding should have such serious effects on health, and increase so enormously the mortality returns, is a matter more for a doctor to deal with than myself, but when one considers the all-importance of ventilation and free circulation of air—which conditions can never be obtained where there is overcrowding—one sees one possible explanation, and that probably not the least. The importance of fresh air and ventilation upon health is shown when we examine the effect of overcrowding in large cities as compared with overcrowding in villages, and the statistics I have just given you, showing the death-rates of the two, prove that, as far as the effects on health are concerned, overcrowding in rural districts is nothing like so pernicious as overcrowding in cities.

We have now inquired into the extent of overcrowding and its effects. Let us now see if we can obtain any information as to the cause and remedy. I venture to submit to you that it is not sufficient to say that the cause lies with the growth of population. It may be claimed that the rapid growth of the population of this country has produced overcrowding; but when we see that over-

crowding exists just as much in the rural districts of England, where the population is decreasing, as in towns and cities where population is increasing, we are bound to look deeper for the real cause, and this we find in the difficulty—either from one reason or another—in obtaining land upon which to erect houses for accommodating the people. We find that as land becomes more valuable, houses formerly occupied by one family have been arranged so that each room in that house should accommodate a family, and in many cases even more than one family in each room. As land becomes still more valuable, what were formerly the gardens of these houses have been built upon, thus producing slums, courts, and rookeries. Every public improvement, such as the demolition of old property, widening of streets, etc., has increased the overcrowding. I venture, therefore, to submit to you that one of the principal causes, if not the sole cause, of overcrowding is the difficulty in obtaining land at such a price that houses for the accommodation of the working classes can be erected thereon, and the remedy must, therefore, be to provide land on such a basis that houses for the accommodation of the people can be built thereon, to let at rentals within the means of those they are intended for.

This point of view opens up a very grave subject for our consideration. It is not my province to-night, however, to go into any consideration of land reform. The question I wish to go into is solely that of the providing of land for the erection of houses; and, in doing so, I venture to submit to you that our municipalities have ample powers in the existing law to enable them—if they are so minded—to efficiently deal with this question. The overcrowding, as we have seen, is at the centre. The remedy for this must be in relieving the pressure that exists and which forces the people to live near the centre.

Dispersion must be the remedy, but not forcible dispersion. Our past experience has proved that we have only aggravated the evil, when our ideas of dispersion have proceeded no further than the destruction of slums and rookeries. We must make it possible for the working classes to live at a distance from the centre, otherwise all our efforts will be in vain. Our efforts, therefore, must be directed to gradual dispersion from the centre to the suburban districts, so that, by relieving the pressure at the centre, we may lead not only to the result of the total abolition of overcrowding, but to the lowering of the rents to such an extent at the centre that those who are forced to remain there, near their occupation, will at least have the benefit of proper accommodation for themselves and families.

In making it possible for the working classes to live away from the centre, we must consider two matters—that of rent and that of transport. Already, overcrowded as they are, we find that 88 per cent. of the working classes pay more than one-fifth of their income in rent; of these, 42 per cent. pay about one-quarter of their income, and 46 per cent. about one-third of their income. We shall all agree that rents should not bear a greater proportion to income than one-sixth to one-eighth. Therefore, it is manifest that present rents cannot be increased, they must be reduced. And, also, that if the working classes are to be drawn from the centre to the suburbs, the total cost of rent and transport at the suburbs must not exceed the cost of rent alone at the centre. I will go further than this, and say that the cost of rent and transport must be less at the suburbs than the cost of rent alone at the centre, if a tangible inducement is to be offered for removal. To produce these conditions, we must look to our municipalities to provide the land. It is impossible for working men to become

owners—to any great extent—of their own houses, and, in my opinion, it would not be a good investment of their earnings for them to own their own houses. The shifting nature of their employment, and the uncertainty of the exact locality where it may be necessary for them to live from year to year, both render it practically impossible for them to become their own landlords. If it were not for this, then it is manifest that the working man could make no better investment of his savings than in purchasing his own house, and so becoming his own landlord; for apart from the honourable ambition of every man to dwell under his own roof, there is the freedom this would secure him from arbitrary interference.

It being doubtful whether schemes for enabling working men to acquire their own houses are a remedy for the evils attending the present system of the housing of the people, municipalities must face the task of offering facilities for the erection of better houses in the suburban districts, the rents of which, together with the cost of transport of the occupiers to and from their daily work, should be less than the rental demanded for inferior houses in the congested districts. I know of no better way in which this can be done than by the municipality acquiring suburban land in large quantities, at reasonable prices, and offering this land absolutely free for the immediate erection thereon of cottages, in conformity with building by-laws specially drawn up for dealing with the same. I am aware that this will sound at first a very revolutionary proposal, and further, that it will appear to many as absolutely unfair to the remaining portion of the population. In reality it is neither. It is not revolutionary because we have ample precedent for the course proposed. Have we not fully admitted the nation's responsibility for the education of the nation's children, and have we not recognized that the only way in which

we can ensure that all children shall be educated is to make education free? We have seen that the millions we spend annually on education are to a certain extent wasted, owing to the improper housing of the poor. Therefore, to give free land to ensure the proper housing of the people is only an extension of a principle we have already accepted. As to the objection that it may be unjust to the remaining portion of the population, my endeavour must be to prove that the property built on this free land will not only pay for the land which is being given, but, in addition, result in a profit to the municipality adopting this policy. Therefore, the proposal is neither revolutionary nor unjust.

But, it may be asked, Is it absolutely necessary to provide free land? Cannot we leave this question of free land alone, and proceed in some other way? There is no other way than first dealing with the question of land for houses. All other methods are simply tinkering with the evil we would remedy. Corporations, and notably Liverpool, have built blocks of workmen's dwellings—so-called—and anything more hideous, more undesirable for the rearing of a family, or more wasteful of the public money it would be impossible to find. The most you can say of them is that they are better than the slums and rookeries they have replaced. Whenever I see these blocks of buildings in London, and elsewhere, I ask myself what our nation will become after a few generations have been reared under such conditions, and the children's children of those bred and reared in these barracks have to take their place as the backbone of this country. No! this system will never do, apart altogether from consideration of its costliness and extravagance. But I can imagine some one asking, How will free land assist us in dealing with this question? I answer—in many ways; and, amongst others, by preventing specula-

tion in land for houses. Now, I do not for one moment wish it to be thought that this in itself is an evil, although in many cases it is a very serious evil. To-day, land can be bought within reasonable reach of the centre of Birkenhead, and other towns, at from £100 to £200 per acre. Within the last three years, a plot of 300 acres on the Edgware Road, London, within seven miles of the Marble Arch, sold at £50 per acre. But, by the time the spread of population reaches such land, and it is coming into demand for cottages, the price will probably be 4s. to 5s. per yard, with the result that it can only be used for the erection of cottages by scheming and planning how many cottages can be squeezed on to as few yards of land as possible. Instead of which, if the municipality steps to our aid, and selects land with reasonable business forethought and acumen, they can secure the land at a less price than any private individual, and can afford to restrict the number of cottages to not exceeding twelve per acre.

With regard to the price of land, there should be no difficulty in buying such land as I have indicated at from £100 to £200 per acre, freehold. This is the price that land can be bought for in most districts before speculation in land has set in. It is many times above the agricultural value of the land, and on this basis, the proceeds of the sale, when invested, would produce many times the income previously being derived from the land. It is a fair price, and one that most land-owners would be very glad to receive. At the same time, I do not suggest for one moment that an arbitrary fixed value should be put on the land to be acquired. The value in all cases would be in relation to the market value of the land in the district, and could, of course, be easily settled by arbitration. I merely take the figure of £100 to £200 per acre as the price at which in many localities

such land could be bought, when purchased in large quantities and free from speculation. I have already stated that on this land not more than twelve houses per acre should be built. This would give each house about 400 square yards, including roads and streets. This will be found to allow ample space for the free circulation of air, and for a small garden both at the front and back of the house.

I will now endeavour to prove that the giving of free land for houses is no injustice to existing ratepayers, but that in fact the scheme is self-supporting. Taking the acre of ground at the cost of £200, the interest on this, at say $2\frac{3}{4}$ to 3 per cent., would be £6 per annum. The rateable value of the twelve houses we will take at only £10 per house, total £120. In most towns the total amount of the rates is rather over than under 5s. in the pound; thus the rates on this property would amount to £30 per annum, showing a surplus of £24 on the rates, after allowing for interest. Of course, I do not mean to say that the whole of the £24 would be profit. A very large sum out of it would necessarily represent the increased expenditure of the municipality incurred in consequence of the erection of this property. It is clear, however, that there is considerable income at once derived from the property, and I claim that out of this income the loss of interest, together with sinking fund for extinction of principal, could be met. No city could possibly be ruined by the adoption of this policy. The municipality, that is the ratepayers, or citizens as a body, are the real owners of all property within the city boundaries. The so-called owner has in reality only a life interest in the property. The demand for payment of rates comes first of all, and must be satisfied before mortgagors or owners receive their interest or rents. This being so, it is clear that the adoption of this policy

is nothing more than applying the ordinary rules of business to the management of municipalities. What business man is there in Birkenhead who would not willingly expend £200 on his property in order to enable some one else to expend £2,400 in further improving it? Or, who would not willingly face an increase in his working expenses of £6 in order to increase his gross profits by £30?

But some may argue that they fail to see how the value of the city is to be affected, or the city itself be made more prosperous, merely by attracting people from the centre to the outskirts. To this I would reply, that drawing the people from the centre to the suburbs would not be the only effect of the adoption of the policy I have outlined. Such an enlightened policy, offering such facilities, would attract newcomers to reside in our midst. But even if it were true that the only effect were to draw from the centre to the suburbs, I say that this would not in any way affect the truth of the claim I have made as to the advantages this system offers. It is a well-known fact that overcrowded and wretched property, from which it is desirable to withdraw occupiers, does not yield anything like its fair share to the rates, and that such property is not rated on anything like the basis of the rents being paid by the occupiers. A family may pay 4s. 6d. a week for the occupation of a single room in a tenement house, but it would be extremely difficult to assess such a house on that basis, owing to the fluctuations of the occupancy. The house in most cases is rented as a whole to one man, who farms it out to the various sub-tenants. The rates are fixed upon the rental as a whole.

But there are other considerations than the mere balance of revenue actually in sight. The whole trade of the borough would be improved by the erection of these

houses. Bricklayers, stone-masons, joiners, plumbers, plasterers, painters, etc., would find employment. And when the houses were completed the whole of the shopkeepers of the city would be benefited by the necessary expenditure for the maintenance of the occupiers. The amount of money required to be invested in land would relatively be small, compared to the benefits to be derived by the whole district. The cost of the land should not exceed one-tenth of the cost of the property erected upon it; thus there would be ample margin for security. The cost of making the roads on the land would, as at present, be chargeable on the property they served. But it may be urged that the mere giving of the land would effect no reduction in rents, and that the cottages built on free land would not necessarily be let at such rentals as would be any inducement in attracting from the centre to the suburbs. This is not so. Dear land is the chief cause of high rents for cottage houses. The cheapening of the land will be the most powerful factor in reducing cottage rentals. Let municipalities use reasonable care and judgment in securing suitable positions for the erection of working men's houses, and builders will not be slow to avail themselves of the advantages offered. Competition will prevent any excess in rents being demanded. The law of supply and demand will govern the number of houses, and the whole tendency will be in the right direction. Therefore, seeing that although the land were given free, those who received the land would have sunk on twelve houses at least £2,400 per acre in building, and that this would improve the whole trade of the borough, we may safely claim that owners of the existing property would be more than compensated by these advantages, and by the stimulus the adoption of such a policy would give in drawing to the city an increased population.

What is it that is making Birkenhead prosperous at the present time? We shall possibly be told that it is the magnificent docks she possesses, or the manufactories that have been established in her midst; but I venture to assert that her real prosperity has sprung from her increase in population. It is true this population has been attracted to Birkenhead by the employment to be obtained at the docks, the manufactories, the shops, and elsewhere, but this does not affect the question that it is to the increase in population that Birkenhead owes her prosperity; therefore, the adoption by Birkenhead of a policy which would still further increase her population must still further increase her prosperity. I know of no city in the United Kingdom that has such opportunities as Birkenhead for the adoption of such an enlightened policy as the one I have outlined. The real wealth of Birkenhead is her inhabitants, and the prosperity and capital which have been attracted to her. Stimulate the increase of population. Offer inducements for more capital to be spent in the erection of houses in the borough, and you apply the soundest and most powerful stimulus you could possibly apply for still increasing her prosperity. In the case of Birkenhead, two special benefits would accrue, namely, increased traffic on the ferries and increased traffic on the electric trams you will soon have running. Of course, it would be wise, and necessary, to allow on both of these special low rates for the convenience of workers at certain hours of the day. But experience has always shown that such low rates are really more remunerative than high ones. In addition, you have done a noble work in lessening the overcrowding of the centre; for as the better class of workers are drawn away from the centre to the outside districts by the inducements you would be able to offer in reduced rents, by facilities of transport by your elec-

tric cars, so the overcrowding at the centre would cease.

I have occupied your time already too much on the financial aspect of the question. I feel confident that you will agree with me that if we were to confine ourselves solely to the financial point of view, we should be taking a very narrow one of our duty. Far greater than the financial aspect is the improvement that such a policy would bring about in the condition of the people. I speak from experience when I say that nothing elevates and raises the man, his wife, and family, so much as placing them under the most favourable conditions with regard to their homes. This is especially true with regard to the children who are growing up. It is, in my opinion, simply ludicrous for us to spend millions a year in educating the young, whilst at the same time a very considerable proportion of them are compelled to live in houses and under conditions which, as Lord Shaftesbury has pointed out, absolutely neutralize all the benefits to be derived from education. We hear it sometimes said that the result of our free education is not everything that we expected, or that we were justified in looking for. May not the cause be, not in our system of free education, not in the people themselves, but the method in which the majority of them are housed? To raise the tone of the mind by education, and to cultivate the intelligence by reading, then to force both body and mind to live amidst squalor and under the most wretched conditions, can only have one result—the neutralizing of any good effects that would otherwise have resulted from our well-intentioned but misdirected efforts. Until we have dealt with this great question of the housing of the people, evangelists, temperance reformers, social reformers may rest assured that they are simply attempting to clean out an Augean stable, and that, despite all

their efforts, the state of those they are attempting to elevate will not be better, but worse, as each year rolls on.

I must apologize for having occupied your attention for so long a time, and taxed your patience in listening to this paper. My excuse must be the importance of the subject. For, believe me, it lies at the very root of the future prosperity and happiness of our country. Let us face this question boldly. The money is a mere bagatelle, as compared with the benefits that would accrue. We are the richest nation in the world. We require fresh outlets for our capital. Nothing that could possibly be suggested would give a greater return to the nation than the one I have indicated.

X

SHOP COMMITTEES AND SHOP EFFICIENCY

I THINK the first fact that we must recognize is that, in the coming days, the employer will not be considered to be the sole arbiter of the conditions of employment, nor will the employee. The time is coming—and coming very rapidly—when both employer and employee must be more subject than they are to-day to control by the State. It is not merely a question of the rights and duties of employer and employee, but we know now that the public, the consumer, and, in fact, the well-being of the State and of the Empire, have also to be considered. We have not yet developed to the point that we can be trusted, any of us, to be unselfish from the highest motives of enlightened self-interest. The education and health and training in efficiency of the whole nation depend upon the hours of labour and the conditions of employment.

I know that there is a preconceived false idea in many minds that welfare work in factories is largely a question of canteens, model villages, free libraries, and so on; but, in my opinion, welfare work in factories is much more a question of wages and hours, of ventilation in the factory, of cubical air space, of heating and lighting and sanitation, than it is a question of any of the so-called welfare work of canteens and so on. Every fact, circumstance, and condition of employment affecting the workers engaged in a factory or office—mentally, physically, or materially—must come within its scope.

Our modern problem in considering industrial developments is merely one of size. The metallurgical laboratory you have shown to me this afternoon is probably many times larger than the largest engineering works in Sheffield a century and a half ago, and yet it is only an experimental and training college for students. A bigger development in industrialism than that made in the last fifty years will be made in the next fifty years; and yet the progress and development made since, say 1860 to the present time, are probably greater, in science and industrialism throughout the world, than achieved in all the centuries preceding that time. Up to now, the creation of our machinery with due suitability to the work it had to perform has been the only item in a factory that has received full consideration. The men and women operating the machines have been entirely forgotten and neglected. I need not enlarge on these points here; I am speaking to those who have become aware of this outstanding and appalling fact in the course of their study of welfare work. It is quite sufficient merely to mention this fact and to pass on, and I will, therefore, at once plunge into a consideration of some methods of standardizing welfare work in factories.

Before the employer approaches the consideration of welfare work for employees, the first care of all must be the factory building itself and its ventilation, lighting, and sanitation. Its position is much better in suburban or rural areas than in the town itself. The factory buildings must be well lighted and well ventilated. Canteens are a necessary part of the equipment, but appliances intended to produce the good health of the employees have not received in the past sufficient attention, and they are entitled to the fullest consideration.

Now that we have women workers doing the work of men away on war service, the factory clothing has been

adapted to their new employment. Now, baths are an essential in factories. Rest-rooms are an essential as well as clothing and other items; but of the greatest importance of all in these matters is the prevention of accidents—a movement called “Safety First,” which, I believe, originated in the United States. But before I can explain a working system with regard to the prevention of accidents, I would like to explain to you a system of Works Committees, because it is through the Works Committees that the scheme for the prevention of accidents is carried on.

I am constantly being asked the question whether the rank-and-file workers cannot sit on Boards of Directors and engage in the highest policy of business management as Directors. Now, may I put the problem to you thus: As one who knew nothing at all about the business of soap-making thirty years ago, I had to begin in a small way. Each of our Directors has been a member of the staff, with one solitary exception, and it was only as I and my colleagues acquired knowledge and experience step by step that we were qualified for the larger business and ever-increasing business. That rule must apply throughout the whole of the staff, and therefore we must begin with a system of Works Committees.

Now, one system of Works Committees that I propose to describe may be briefly defined as follows: It commences with the formation of Divisional Works Committees; these Divisional Works Committees are subsidiary to a General Works Council, which, in its turn, is subsidiary to the Works Control Board, so you see there are three lines of committees—Divisional Works Committees, General Works Council, and Works Control Board. The constitution and duties of the Divisional Committees are as follows: Each department of the works appoints its own Divisional Committee, consisting

of ten members. That is, each department of the works, remember; and in the example I refer to there are twenty of these Divisional Committees, which means a total of 200 members. Of the ten members of each Divisional Committee, five represent management and five represent the staff, and the chairman is elected from the five members of the management. The members of the staff, as well as of the management, must be co-partners, which means that they must have had at least four years' service with the firm. They are nominated and elected by the employees of the department they represent. Employee representatives sit for six months only and then retire, but are eligible for re-election after twelve months. This system is to obtain as wide an interest as possible. Where males and females are employed, separate committees of females may, if desired, be appointed.

The duties of Divisional Committees are: (a) Dealing with suggestions made by the staff. These suggestions cover a wide field: they relate to improvement in the conduct of the work, suggestions with regard to the safety and health of the employees, and any matter about which a member of the staff may desire to make a suggestion. (b) Suggestions can be made for the betterment of the division, or the works as a whole. (c) The third duty is to see to the observance of the rules and regulations and to suppress waste and irregularities. (d) To inquire into all accidents. (e) To hear appeals against dismissals—that is a very important matter; and (f) to make general recommendations on any subject. Meetings may be held alternately in the Company's and in the employees' own time; therefore, you see, half the meetings may be held in the Company's time, say morning or afternoon, and half in the employees' time, in the evening. No fees or payments attach to membership.

As I said before, there are twenty of these Divisional Committees. Of the duties mentioned, it is found that dealing with and investigating suggestions and making suggestions for betterment and prevention of accidents occupy the largest portion of the time and attention of the Divisional Committees. With regard to the first two, Suggestion Boxes are installed in conspicuous and convenient places throughout the works, containing necessary stationery forms and envelopes. An employee wishing to make a suggestion does so on the form provided for that purpose, signs his or her name or not, as either may wish, places it in an envelope, and puts it in the letter-box. The secretary of the Divisional Committee, on receipt of the suggestion, enters it on the register, gives a number to it, and sends a receipt for it to the suggestor. The Divisional Committee can, after discussion, recommend its adoption or rejection or modification, but has no other power, and then it passes on to the General Works Council.

With regard to accidents: When an employee meets with an accident, however trivial, he or she must immediately report to the foreman or forewoman, who in turn reports to the Divisional Manager, in order that a notice may be sent to the Safety Inspector. It is the duty of the Divisional Committee, after hearing evidence on the accident, to record the cause of the accident. Arising out of the inquiry, the Divisional Committee make recommendations for prevention of similar future accidents by the installation of suggested safety appliances. There is no branch of welfare work in factories that is so necessary and, in fact, so essential to efficiency as the installation of a Safety First Committee and a Safety First Inspector, and, in connection therewith, a surgery or first-aid room. Accident prevention pays. Prevention is not merely a question of guards. The education of the em-

ployee on lines of safety is most important. The axiom of all of us must be that it is always better to remove a source of danger than to set guards around it. Guards are of great value, but they are not the only means of protection. Careful and systematic education of the employees in the principles of Safety First are of, at least, equal importance. Now, there are Safety Museums in France and in the United States; we have none in the United Kingdom. Our lack in this has been pointed out to the Home Office. The Home Office does nothing beyond expressing its blessing, but takes no action to grant the blessing of a Safety Museum. Now, safety and prevention of accident must not be merely a putting up of placards. I could give you an instance of a suggestion from the employees to show that mere notices in themselves are not as important as the education and arousing the personal interest of the staff. In the case of a machine operated by women serious accidents were continually occurring, and all attempts to adequately prevent them failed. A suggestion of a safety appliance to be fixed to the machine was made by one of the employees. It was so applied, and no accident has since occurred. The time taken up by these Divisional meetings is not large.

We have throughout the works a number of what are called "Safety Bulletin Boards." These are placed at the entrance to each factory building, and on these boards is exhibited a summary of the various safety notices, so that the principal ones are at all times on view to the employee. These occupy one-half of the board, and on the other half any special notices for the day or week are exhibited from time to time. When new notices are put up, a cut-out finger, printed, is pointed to the notices and placed above them. Mottoes are hung in various departments to get the various employees interested in

reading the notices, and new mottoes are continually gathered and added to the list. The most frequent source of accidents is the neglect of employees to replace the guards on machinery after cleaning or oiling. To prevent this there has been originated a system of small tablets, printed in red, and so fixed as to come into view only when the guard is removed, so that if the guard is not replaced this tablet announces the fact to the operator. To superintend all this finds full employment for what is called a "Safety Inspector," who devotes the whole of his time to the duties of "Safety First." He makes a systematic inspection of guards and sees that they are maintained in an efficient manner. Now, I will give you the opinion of His Majesty's Chief Inspector of Factories for the North-Western Division. In reviewing the cases of accidents that came before him, he suggests "the adoption of a scheme in force in a very large works in his district which he thinks would do more to reduce accidents than any Act of Parliament or an army of inspectors." He then proceeds to describe the scheme I have just outlined to you—the Safety First scheme—but, of course, without naming the firm or giving any clue for identification.

I will now give you some figures. I have got here a Safety Inspector's Report for last August. It reads as follows:—

Since my appointment as Factory Safety Inspector of these works the number of accidents has been reduced to almost a minimum, and to achieve this end it was first of all necessary to educate our employees to the knowledge that "Safety" was for *them*. Safety Notices and Bulletins were freely exhibited on special Bulletin Boards throughout the factory, and at the commencement of this campaign the employees wondered what was meant by the steps taken.

COMMITTEES AND SHOP EFFICIENCY 171

After accidents had occurred and safety devices had been installed to prevent their recurrence, they were quick to realize and appreciate the precautions taken to eliminate accidents, however trivial. Our employees are now almost as enthusiastic as myself, and from day to day I am in receipt of suggestions as to the treatment of what they themselves consider "danger zones."

It is evident to all that the number of accidents since the inauguration of our campaign has been materially reduced, as compared with the number reported during the corresponding period of the year 1916. This, in face of the fact that a very large proportion of our workpeople are new to our class of work, consequent upon the dilution of male labour entailed by the calling of our men to the Colours. Hundreds of women are now engaged on work previously executed by these men, and although working at abnormal pressure and under conditions which tend to an increased accident roll, I am happy to be able to report a reduction in the number of reportable accidents of 64 per cent. During the first six months of 1916, 113 accidents were reported to H.M. Inspector; during the first six months of 1917 this number was reduced to 41, whilst the amount paid in compensation showed a reduction of nearly £100, and in loss of wages to employees of £160.

Notices for our bulletin cases are changed weekly, with the exception of those appearing in the left-hand portion of the case, which are of a permanent nature.

In addition to these bulletins and permanent notices we have also "Warning" Notices posted conspicuously throughout the factory, such as:—

"Crossing."

"Railway Track."

7 "Look Out For Trains."

"Transporters."

"Speed Limit," etc.

A copy of our "Safety Rules" is also posted at frequent intervals throughout the works.

For a considerable time we had great difficulty in educating our employees in the use of goggles and respirators. Notices were therefore posted, and cases containing goggles and respirators fixed in the various departments in which the use of these safety devices was desirable, with the result that there is now no hesitation whatever on the part of the employee in using these, or in making application for the renewal of those worn out. With this enthusiasm on the part of our employees the efficiency of these safety devices has been proved by the fact that there has not been a single accident reported since their introduction.

The question of accident prevention is occupying much attention, and I am sure that, considering the short time the campaign has been in vogue, great and satisfactory results will be obtained, both as regards accidents through "machinery in motion" and accidents arising through other causes.

I would like to draw attention to some of our permanent notices on machines, particularly to one relating to "machine running." Many accidents have occurred owing to the machine-minder being called away from the machine and leaving it running, and to the interference of other employees who had no knowledge of its working. All machines worked by young people have a small card of instructions fitted into a tin frame, and the operator, after having been thoroughly instructed as to the machine's manipulation and the use of Safety devices in connection therewith, appends his or her signature to the card, which is then suspended from the machine in a prominent position. In the event of operators being moved from one machine to another, the same routine is again gone through. No operator who has occasion to leave a machine now allows it to run during his or her absence, and thus, through the

notice under question, the risk of innumerable accidents is avoided. Another notice, referring to the question of men working on "shafting," is placed on the starting gear by the oiler whose duty it is to attend to the oiling of shaft bearings, and the person responsible for the starting up of the machine makes certain that all is clear before starting up. A warning notice is attached to every electric motor throughout the factory. In the past, many accidents have occurred in consequence of workmen removing guards and neglecting to replace them. The warning notices are now placed under each guard, and are not visible while the guards are in position. Immediately, however, a guard is removed, the notice is quite prominent, and reminds the worker of the necessity of carefully replacing the guard before starting the machine. We have not had a single accident from this cause since the inauguration of these notices.¹

Another innovation is our Waste Campaign. Anti-Waste Bulletin Notices have been prepared and are placed in prominent positions throughout the factory. Permanent notice boards are fixed in all the main passages leading to the different departments, whilst portable notice boards are placed in the workrooms, and can be moved from one part of the room to the other, so that the bulletins are always kept fresh in the minds of the workers.

Now, from the Divisional Committee all reports and recommendations are passed on to the General Works Council. The General Works Council I wish to describe to you is composed of the chairmen of the various Divisional Committees. Its meetings are held monthly, and its chairman, in turn, is the General Works Manager. Its chief functions are: (a) To review recommendations from the Divisional Committees; (b) to re-

¹ For statistics see next page.

THE SIX-HOUR SHIFT

The following Port Sunlight Accident Statistics for 1916 and 1917 illustrate the results achieved by the "Safety First" Campaign which came into operation in the middle of 1916.

Nature of Accidents	Number of Accidents			
	1916		1917	
	M.	F.	M.	F.
Slipping, stumbling, falling on floors...	30	11	18	6
Slipping, stumbling, falling on gangways	1	—	1	—
Trapped in Hand Stamping Machines..	1	6	1	7
Trapped in Machinery in motion, Winch and Crane, Ropes and Slings, Belting, etc.	16	9	4	7
Trapped in Wagon Buffers, etc.....	5	—	2	—
Tripping over Railway Metals.....	—	2	—	1
Self-inflicted through cutting, striking with hammers, etc.....	10	3	2	3
Falling of tools, fittings, materials, etc.	23	5	15	1
Scalds and burns from acids, steam, caustic soda, etc.	13	—	8	1
Overcome by fumes.....	1	—	—	—
Slipping of tools, breaking of lifting gear, rope lashings, etc.....	8	1	3	—
Strains and bruises from lifting, stack- ing, loading, trucking, etc.....	16	6	9	5
<i>(Many doubtful cases. See below.)</i>				
Giving way of roofing, tilting of stag- ing, etc.	2	—	1	—
Splinters	4	3	3	—
Protruding nails, etc.....	6	3	1	—
Ironbound boxes, crushing, etc.....	10	—	—	1
Chippings and filings in the eye.....	2	—	—	—
Other foreign bodies in the eye—as acids, soap, dust, etc.	4	—	—	1
	152	49	68	33

COMMITTEES AND SHOP EFFICIENCY 175

DEGREE OF INJURY

1916	Fatal	Severe	Moderately Severe	Slight	Total Accidents	Per cent. to Total Employ
Males	1	1	4	146	152	5.99
Females	—	1	—	48	49	1.66
	1	2	4	194	201	3.67
<hr/>						
1917	Fatal	Severe	Moderately Severe	Slight	Total Accidents	Per cent. to Total Employ
Males	—	1	1	66	68	2.56
Females	—	1	—	32	33	0.89
	—	2	1	98	101	1.59

view accident recommendations from the Divisional Committees; (c) to consider questions of repairs and renewals to the plant and buildings and to prepare estimates of the cost of same; (d) to discuss generally any matter which members may bring forward; and (e) other matters. Having expressed its views on suggestions and recommendations and added recommendations of its own thereto, the General Works Council passes on the various matters to the Works Control Board.

The Works Control Board consists of the Managing Director, who, as Director, has special charge of manufacture and of the works, with the General Manager and with such of the Divisional Managers as may be co-opted. The Control Board has full power of adoption or rejection, but if the adoption entails capital expenditure over a very small and limited amount, the approval of the full Board of Directors is required. The final decision having been obtained, instructions to management are given out on forms provided, and the work is proceeded with. Awards to the suggestors are made annually for suggestions made and adopted.

In addition to the above committees, there is a system of conferences composed of the Head Management, managers, heads of departments, foremen, and staff, for the purpose of encouraging suggestions and establishing closer co-operation between the various departments. The General Conference sits every four or six weeks, when matters of interest affecting the industrial position generally, or the firm in particular, are discussed. There has been also instituted a system of periodic visits of the foremen and managers of each department through the whole of the rest of the works. Nothing that has been introduced has given better results than that. Many of the foremen and managers only see their own department, and in going around other departments they make suggestions to the managers of those departments as to things they have found useful in their own experience, and what they have done in their own department in improvements, and they receive many suggestions from the departments they are visiting. These visits have been an unbounded success, just these little periodic visits to the other departments by the foremen and managers.

The managers, heads of departments, and foremen have formed a club called "The Progress Club." This club has a room and a special library of technical books and periodicals for the use of its members. It meets once a month for hearing papers read by the members, and discussion follows. The Progress Club is a thoroughly live institution, and has justified its existence and name.

Another institution which the employees have started for themselves is the "Co-Partnership in War-time Committee." The staff were anxious to do what they could during the war, and started this committee to consider on what lines they could best work under war conditions. It has been a thorough success, on lines similar to the

Progress Club, but Co-Partners only are eligible for membership. I would like, if time had permitted, to say something on the great question of Co-Partnership. I am positive it is a binding and stimulating force throughout the whole organization of business, and represents a very long step in advance on the mere wages system alone.

Now, springing out of Co-Partnership, the firm I am taking as an example have had a body of men who have started themselves to work on their Co-Partnership motto, which is, "Waste not, want not." I have brought specimens of the notices of these, but I do not think it would serve any useful purpose to attempt to exhibit them, as they would not be seen, and, with your permission, I will not do so—but these mottoes are very helpful, and they are inspired by the Co-Partners themselves. Well, then, there are many other institutions, such as Long Service Awards. These are intended to encourage men to remain with the firm. The staff have got their own Sick, Funeral, and Medical Aid Society. There are an Employees' Benefit Fund, a Holiday Club, and a Savings Bank, and, with regard to Savings Banks, my own ideal, though I have never heard of any firm who have put it into practice, is that the wages of the rank-and-file worker ought to be paid to his credit in a bank in just the same way that the salaries of the managers are generally paid to their credit with their bankers. I believe the system of his going to a pay-office and waiting his turn and drawing his wages in cash and slipping it into his pocket accounts for the excessive spending that takes place when wages are high. I believe that if the employee's wages were paid into his bank to the credit of his own private account, and he had to reverse the process and go to the bank when he wanted money for himself or for his wife, he would be inclined every

week to leave a little in the bank. I have mentioned this suggested method of wage-paying to workers, and I find that more than half were most favourably disposed to it. The only objection I heard was from one man who said, "I like to see my wages in my hand."

Well, now I come to the question of education. The firm I am using as an example had for many years made it a condition of employment that all young persons of eighteen years of age and under, of both sexes, should attend the evening classes for certain nights each week. That was found to be a failure. Take the case of boys and girls of fourteen years of age leaving school and commencing work. They have been going to school at 9 a.m., they have had a quarter of an hour break for play, have gone home at twelve noon, going back again at 1.30 or 2 p.m., with another break during the afternoon, have gone home at four o'clock. To take them, at fourteen years of age, from such conditions and plunge them into work in a factory or office side by side with adults, and after working them during the whole day to expect these young boys and girls to attend evening classes never was likely to prove a success. They have not the strength, and are tired out. They are not then in the mental or bodily condition to receive education, and you will not be surprised to hear the results were most unsatisfactory. So this method has been discarded, and the firm have got what they call a "Staff Training College." It was only started experimentally this year. Young people under eighteen in such departments as the firm are experimenting with—and the firm are experimenting with as many as the class-room accommodation will permit—take their education in the firm's time; they do not take it in the evening. It is hoped in this way to give them a much better education. The firm have a great many volunteers from amongst

their own staff who are undertaking the teaching, all expenses in connection therewith being paid by the firm.

Now I come, lastly, to what many people would place first, and that is the provision of a model village. There is much to be said in favour of such welfare work; but my own opinion is that the employer ought never to be in the position of landlord to the employee; still, if the employer has to choose between being in the position of landlord and the people being badly housed, then the lesser evil is for him to build suitable houses and be landlord; but it is not the right relationship. There are various institutions spring up in such a village. I would like to give you some statistics, which I can readily do, as to the number of births and deaths. The death-rate in the village in 1916 was 8 per thousand, and the birth-rate 19.55 per thousand; the highest rate we had reached before the war for births was 52.71 per thousand in 1903. So that if one has to choose between good homes built by the employer, with a high birth-rate and a low death-rate, and the objection to the employer being in the position of landlord, I think the lesser evil is that he should be in the position of landlord.

Of all welfare work in factories, a proper apportionment of the time is the one that will yield the best results.

A six-hour working day would give all that we require in production from our workers, so that we can pay to the workers the same rate of pay for the reduced hours that they receive for the longer hours: it would solve the education question for the boy and girl on first leaving school; it would solve the question of physical training; it would solve the question of military training, so that we could have a trained citizen army; and it would solve the question of the outlook on life of our workers.

It was never the Creator's intention to send us into

the world so many "hands"—He sent us with imagination, He sent us with the love of the country, He sent us with ideals and outlook, and these are simply stifled under our present industrial system.

XI

INDUSTRIAL ADMINISTRATION

THE answer to the question, "What is the employer's position at the present time?" depends, like the answer to so many other questions, upon the point of view that this position is regarded from. You will remember the story of the painter who was explaining to his sitter for a portrait that he could only paint his portrait as he saw the sitter, to which the sitter promptly replied, "But, unfortunately, I can only see my portrait as you paint it." However, I may, perhaps, better answer the question by adopting the answer given to the question, "Is life worth living?"—the answer to which was, you will remember, that "It all depends upon the liver." If the employer's liver is out of order he is apt to take the view that "the times are out of joint"; and it is not impossible, under similar circumstances, that the workman, even when working in good conditions of employment, might, if he was told, as was the Irishman, that he could not do too much for a good master, give the answer, "No more will I." However, we shall all agree that to-day it were wise if both employer and employee examined their relationships in the past and looked well ahead into the future.

And the first point in the near future that will present itself to both will be the consideration of after-war conditions. The experience gained by both employer and employee during this war makes it impossible for either to resume work after the war with conditions quite the

same as they were when the war broke out. For one thing alone, the war has added nearly one and a half millions of income-tax payers to the previous number who came within the net of the Chancellor of the Exchequer, which of itself is a revolution. This increase in numbers is not only the natural effect of lowering the limit of exemption, but mainly, as far as is ascertainable at present, from actual increases in wages and salary. This is a grand fact and, if the employer can take a far-sighted view, is an immense gain to the strength of industrial production.

Statistics of incomes and income-tax payers, when carefully examined, reveal this great truth, that to bring a larger body of wage-earners within the scope of the income-tax collector has the undoubted tendency to increase the efforts of each to earn a larger income out of which to pay the tax. Equally, every raising of the rate at which income tax is levied has been followed by increased efforts, successfully made, to increase incomes out of which to pay the increased tax. Therefore the effect of placing one and a half million additional income-tax payers on this higher platform has been to place an increased number of employers and employees side by side as income-tax payers, and give them one common object to strive for, viz., to maintain and to increase incomes. We are all inclined to say, with the Irishman, "Be jabers to the tax, if you will give me the income," and having got the income, we are all inclined to make increased efforts to make the income sufficiently large to stand the contribution demanded by the Chancellor of the Exchequer, in the form of income tax, without diminishing the balance remaining for the income earner.

To ensure the highest degree of efficiency in plant, machinery, and all the mechanical utilities required for pro-

duction and distribution, the employer requires good profits; and, equally, to ensure the highest degree of efficiency for employees, high wages and reasonable hours of employment are necessary. Good profits for the employer enable the prompt scrapping of old plant and machinery, and the installation of better equipment, to be successfully accomplished. Equally, high wages and reasonable hours for the employee react in increasing the physical and mental tone and efficiency of the worker. Therefore, the tendency of modern conditions is to bring the interests of employers and employees nearer and nearer together, if these interests are rightly understood, but not otherwise.

And what are the problems to be faced? The biggest problem the employer has to face, and one that is always present with him, is to surround himself with a permanent efficient staff, happy and contented in their employment, who will not only work *for* him, but, what is much more valuable, will work *with* him. I knew a manufacturer in America, a very successful man, who was once asked which he would prefer—a fire that burnt out his factory, his buildings, machinery, and plant to total extinction, or some plague or epidemic that killed off his staff. There was no hesitation in the answer, which was prompt and quick, that he would prefer the fire; because he could sooner replace the factory, buildings, machinery, and plant than he could get together another staff; besides, with his staff remaining to him, he declared, he could worry through all right without the factory, the plant, and machinery, until he got the same replaced. And the reason for this preference is obvious. An efficient staff is a staff trained to their duties, and this training depends upon constant repetition in performance of the same duties, and in solving the same problems of the business. Repetition is the basis of efficiency,

which can only be achieved as the result of long service. Therefore, one of the principal objects of the employer must be to attach to himself an efficient staff; but, to ensure this, it is absolutely essential to convince the employee working for salary or wages that the welfare of the employer and employee are identical. We are all agreed that, to ensure ideal conditions and an ideal relationship between employers and employees, employment must be so organized that profits earned shall not only be sufficient to provide good living conditions for the employees, and a reasonable return on the capital invested for the employer, but shall be such as to ensure the advancement of the industry and the contentment and satisfaction of both employers and employees. Mere desire to attach a staff to a particular industry, and to ensure long service, is not sufficient. The solution of this problem can only be found in the actual working conditions themselves, and until these working conditions are acceptable to both employers and employees, neither are yet prepared to surrender their weapons of attack and defence, or to "beat their swords into ploughshares and their spears into pruning-hooks" in order the better to cultivate a larger and richer harvest.

The gulf at present separating employers and employees is very largely a misunderstanding of the conditions affecting each. The employee has an exaggerated idea of the volume of the profits produced under ordinary normal conditions of the industry in which he is engaged. The employer, faced with demands for higher wages and knowing the competition he has to face, is nervous in granting advances for fear his small margin of profit shall be turned into an actual loss. As you know, a minority of employers, myself included, hold very strongly the view that only under a system of actual Co-Partnership can the spirit of greed and fear be elimi-

nated and a just division of profits as between employer and employee be obtained.

But I propose that we devote ourselves to the consideration, not of Profit-Sharing or Co-Partnership, which subject I have dealt with elsewhere as fully as my limited capacity has permitted me, but rather of what, for want of a better name, I propose to call "Industrial Administration," and of those principles that must be recognized if there are to be any profits available for division. But I would here again repeat that under no scheme of Co-Partnership can the basic principle of industrial administration be ignored without entailing serious injury to the employers and employees, and serious limitations to the expansion of industries and actual curtailment of both wages and profits.

Now, what are a few of the principles that, combined, must form and under all circumstances include both the employers' point of view, viz., good profits, with the employees' point of view, high wages and reasonable hours? The chief of these basic principles are increased production with consequent reduction of overhead charges and reduced operating costs, combined with shorter hours for workers, resulting in better working conditions, leading to greater efficiency and producing higher wages and better profits. To ensure the attainment of these aims and objects and of these sound economic conditions, and as part of the control of labour, the words "Scientific Management" have been applied. Unfortunately, much that is preached and sometimes practised by this school of employers is neither scientific nor worthy of the name of management. But underlying all the error of this school of thought are some good, sound, wholesome practices. But perhaps a less stilted and less irritating title would be "Industrial Administration." The supreme spirit of scientific management worthy of that description must

be that of administration. "Management" rarely considers the workman other than from the point of view of control, and to thrust the antagonizing spirit of control to the front place, as so-called "Scientific Management" would appear to be doing, is not to make the relations between employers and employees less irritating, but rather the contrary. The whole idea associated with "Management" is that of control, which idea has embalmed itself, and its meaning, in the name "boss." But workmen have grown and developed much during the last quarter century, and are no longer blindly consenting to be "bossed" or controlled as if they were children. Workmen have become responsible human beings, and claim some just and sane share in the management of their own lives and conditions. The workman to-day claims rights, and does not deny that the exercise of rights will bring with it the responsibility for the performance of duties, and these duties he is willing to undertake. But to show how inapplicable the word "Management" is, it is obvious that you cannot have management of rights nor management of duties. To show the better applicability of the word "Administration," you can have administration of rights and administration of duties. Therefore, if employers and employees are to be brought to work together, and if all suspicion and distrust, not to say actual and active opposition, are to be abolished, then the idea of "Management" as "bossism" must be surrendered by the employer.

At this point, I think I can read the thoughts of many in the room, who will be wondering whether I am advocating the surrender of all discipline in Industrialism. Nothing of the sort. There must now, and for all time, be authority and law in Industrialism as in the Army, and as in all places where communities have to live and

act and work together. Both employer and employee must agree fully and without reserve in this, otherwise Industrialism and the working together of an organized system for production would be impossible, and mankind would degenerate into a mob.

We must have authority and law and due observance of discipline in the factory and workshop as on the steamship, and as for the nation and State. But do not let us confuse ourselves over this essential. The question is, Has the authority to be autocratic? If so, have your management as "boss," and endeavour to make it as scientific as possible. Or shall the authority be democratic? In that case, let us adopt the description for the authority we must provide that best fits our aims and intentions, viz., administration. You will find that whilst the dictionary gives "control" as one of the meanings of management, that word does not appear as one of the meanings of administration, but the words "to direct," "to dispense"; and the word "guardian" is given as the meaning of the word "administrator." These latter all form a good democratic basis, and the necessity for authority, law, discipline, and obedience, under these conditions, is at once admitted, and can be accepted without humiliation or loss of self-respect, when "bossism," even if called "Scientific Management," would raise a spirit of opposition founded on the resentment we all feel to that very idea when applied to ourselves.

Scientific Administration we would all welcome as applying to established principles supporting the laws for the working together of hundreds, or thousands, or millions of men and women in productive enterprises for the combined benefit of employers, employees, and of the whole community. Scientific Management is apt to be viewed as entirely designed to increase the profits and advantages of the employer at the expense of the em-

ployee, whereas Scientific Administration would be welcomed as merely the science of production in the simplest, easiest way which would secure the highest wages and the greatest prosperity for employers and employees. Scientific Administration can be honestly based on the assumption that the interests of employers and employees are identical, and opposition thereto can only be possible on the assumption of the obvious error that these interests never can be honestly identical.

Scientific administration will make clear that restriction of output is not only immoral for the man who might have made two articles but who only made one, but that he has thus robbed his fellow-man even more wickedly than the thief who had stolen one out of any two articles one of his fellow-men might have made; for whilst, in the case of the robber, there would still be the two articles, and both would be of service, there would be only one article in the case of restriction of output, and the lapse in production could never be made good.

Parliament has intervened to prevent the thralldom of labour by passing Industrial Acts, limiting hours and conditions of labour, fixing rates of wages, providing for employers' liability for the safety and health of employees, and the employers' responsibility for accident, ill-health, or death the direct result of employment. And just as Parliament has made these laws for preventing the thralldom of labour, Parliament may also be forced to pass laws to prevent restriction of output as an act of robbery against the common weal, and, as an act of adulteration of service, just as wrong as the adulteration of milk or any article of food or commerce.

Just as attempts by combinations of employers to cheat the public in quality and price have been met, when and where attempted, by laws to prevent the same, so similar attempts by combinations of Labour to cheat their

fellow-men by restriction of output must, and can be, prevented by laws directed to that end.

Such a state of affairs, however, need never arise, and ought never to arise, if the whole position of industrial administration is properly understood.

The employers' contribution to the world's progress and betterment is organization of mechanical utilities and machine efficiency, in order to give enormously increased output. Industrial administration, by providing the means for intensive mechanical production by increased steam-power and more efficient plant and machinery, demanding less and less exhaustive strain on the employees, has unlimited opportunity for increased output at reduced cost after paying wages on the highest world's scale; and this can all be accomplished provided the fallacy of restriction of output is not permitted to spoil the working of these economic principles. Mechanical utilities, mechanical horse-power, and standardization of products are the keystone of the arch of better conditions for employer and, still more so, of better conditions for employee.

High wages cannot be paid without correspondingly increased output by employees. Surely the employees' point of view must be the amount of wages received, the length of hours worked, and the strain of mind and muscle involved. If opportunity of earning high wages can be assured in a reasonable eight-hour day without strain or exhaustion, then the amount of product need not worry the employee. The employee cannot in his own interest wisely assume an attitude of approval of restriction of output.

Under these conditions, industrial administration scientifically applied will provide that the profits resulting from the enormously increased output are not all to go as dividends on the capital employed, but shall be

shared in fair and equitable proportion between both Capital and Labour.

Let us see if practical examples of the effect of a high scale of output with high mechanical horse-power per wage-earner can be given as showing the direct bearing and connection on high wages and shorter hours for the workman. The lowest output and the longest working hours per wage-earner in the world are to be found in China and India; and in these countries there is also the lowest mechanical horse-power per wage-earner and the lowest wages earned per wage-earner. The example of the highest of all these will be found in the United States. Let us compare these with the same in the United Kingdom. Mechanical horse-power per wage-earner in China or India is so low as to be negligible. The mechanical horse-power per wage-earner in the United States, as given in Government records of industrial production, is two to three times that of the United Kingdom. The value of the product per wage-earner per year in the United States is also found to be two to three times that of the wage-earner in the United Kingdom. And how do the wages paid per wage-earner compare under these conditions? In India and China the average wages do not exceed, for unskilled labour, 4s. per week, and for skilled labour 6s. per week. The weekly wages in the United Kingdom and the United States for the year 1912, being the latest year available for comparison, are stated to be:—

	U.K.	U.S.A.
Carpenters	£2 0 0	£9 0 0
Foundrymen	£2 1 0	£9 0 0
Builders' labourers . . .	£1 6 0	£6 0 0
Other skilled labour ..	£2 0 0	£6 4 0
Other unskilled labour	£1 2 0	£2 11 0

Of course, the rates of wages vary in different parts of the United States, as in various parts of the United Kingdom, and these figures are merely quoted as illustrations, and subject to such variations. Hence, whilst in the United States the mechanical horse-power is two to three times per wage-earner of that per wage-earner in the United Kingdom, and the output is also two to three times of that per wage-earner in the United Kingdom, the wages in the highly skilled trades in the United States are over four times per wage-earner of those paid in the United Kingdom, and in the less skilled trades over three times, and the unskilled labour two to four times that of the same grade of wage-earner in the United Kingdom.

Now let us see if we can find a direct example of reduced output per wage-earner in the United Kingdom as compared with the same industry and increased output in the United States. We can find this example most readily in the statistics relating to coal, and whether this reduction of output in the United Kingdom has been brought about by the "ca' canny" policy in the restriction of output or not is quite immaterial to the point it illustrates. I do not know, not being connected with the coal industry, how the reduced production in the United Kingdom is to be accounted for, and I make no attempt at guessing; but whatever the cause may have been does not affect the resulting injury to the consumer and the industries of this country in competition with the rest of the world.

TONS OF COAL PRODUCED PER WAGE-EARNER PER ANNUM

	U.K.	U.S.A.
1886-90	312	400
1911	260	613

VALUE AT THE PIT MOUTH

1886-90	4s. 10d.	6s. 4d.
1911	8s. 1d.	5s. 10d.

So that we see in the United States by increased mechanical horse-power, combined with increased output, the cost of coal to the consumer has been reduced, and the employers have been enabled to pay more than two to three times the rate of wages per wage-earner in mines, as in all other industries in the United States, that can be paid in the United Kingdom. Let me point out that these rates and statistics are all pre-war rates and subject to pre-war conditions. This increased cost of coal does not benefit either employer or employee, and certainly injures the consumer. In fact, under these conditions, the employer (or capitalist) in the United States also makes better returns on his capital than his fellow-employer in the United Kingdom. But the tragedy of it is that it makes the cost of cooking, heating, and lighting oppressive for the wage-earner, and creates a handicap to every British industry that uses coal, making the cost of production of all articles higher. It threatens our iron and steel industries and, with them, our world supremacy in shipbuilding and our mercantile marine, upon which we absolutely depend for our very existence as a nation.

And now let me give you figures of our greatest national industry of all—a national industry which is even greater than the iron, steel, and coal industries added together, viz., agriculture. In this industry restriction of output is unknown. The farmer has a free hand in the cultivation of his crops and the rearing of his live stock. If we examine the pedigree of the live stock that is most highly prized all over the world, whether of horses,

cattle, pigs, sheep, or whatever it may be, we find the pedigree of this stock British; and if we turn to crops per acre we shall again see that British farmers, untrammelled by restriction, of output, hold the highest place in their productive enterprise of any nation in the world. We will compare the four leading agricultural products in the three leading nations.

QUINTALS PER ACRE, 1913-14

	Wheat.	Barley.	Oats.	Potatoes.
United Kingdom .	10.0	8.4	7.6	64
United States	4.4	5.5	4.4	29.4
Germany	8.0	8.0	8.4	54

And we must not overlook the fact that, in obtaining this high production, our agricultural industry has had to submit to the handicap of underpaid, underfed labour, backward position in mechanical appliances, and lack of knowledge of the science of chemistry as applied to soils and fertilizers.

Just as we have seen that the highest proportion of mechanical horse-power per wage-earner, aided by science in administration, has raised the rate of wages in all industries, so when we get these modern aids applied to British agriculture, so surely will the cost of production be reduced by still further increased output, with greatly increased wages to labour and better returns to the farmer. The low wages of labour in agriculture have been a handicap in every way to the farmer by greatly reducing the efficiency of his labour and the attractiveness of farm work to the wage-earner. He has had to stand impotently by and see his best labour leave the country and seek the higher rate of pay obtainable in the town and city.

We see clearly what an awful blunder for the Empire the policy of restriction of output proves itself to be. Where high mechanical horse-power per wage-earner is found, there the greatest output per wage-earner exists side by side with the highest scale of wages. Restriction of output is not only an economic fallacy but is the robbery, by the worker, of his mates of their rightful due in wages, food, clothing, houses, and welfare conditions. It is the duty of every Trade Union official to fight this false doctrine with all his strength and might; and I say this because I know, and I am convinced by a lifelong friendship and acquaintance with Trade Unions, that they have one sincere aim and object which they pursue with devotion—the welfare of the wage-earner.

There is nothing in mechanical horse-power, new and improved machinery, producing enormously increased output, to incur the opposition and enmity of Trade Unions. If it pays, as it does, scientific administration to scrap obsolete plant, buildings, and machinery (and we know that there is no scrapping and destruction of obsolete property which will not, in the long run, prove immensely profitable when it represents the price to be paid for superior and more efficient methods), then similarly it may be said with equal truth that it will pay the wage-earner to scrap obsolete, false economic methods and worn-out policies. And first of all of these policies to be scrapped ought to be that of restriction of output.

There is a much broader sphere for the operations of Trade Unions, providing ample work for many years to come, in bettering the industrial conditions of this country. The scrapping of the policy of "ca' canny," or restriction of output, will give all the more liberty and power for the advancement of these higher aims and

activities; and, in addition, this broader, better outlook and higher activities for Trade Unionism will prove to the world that Trade Unions are fighting not only for the betterment of the workers, but are considering the interests of the consumer and of the British Empire in competition with all other nations in the world.

When the British public are convinced that the good of the community as a whole, and the progress and strength of the British Empire in competition with all nations of the world, are also receiving the attention and special care of Trade Unions, then woe to the capitalist or employer who attempts to oppose any just demands made for the furtherance of these aims and objects.

The times are changed, thank God! from when, in 1858, Ruskin addressed these sentences to a British audience as being the then thoughts of Capital and of the general public towards Labour:—

“Be assured, my good man,” you say to him, “that if you work steadily for ten hours a day all your life, and if you drink nothing but water, or the very mildest beer, and live on very plain food, and never lose your temper, and go to church every Sunday, and always remain content in the position in which Providence has placed you, and never grumble, nor swear, and always keep your clothes decent, and rise early, and use every opportunity of improving yourself, you will get on very well, and never come to the parish.”

Ruskin's biting sarcasm passed without effecting any material change; but what biting sarcasm has failed to bring home to the intelligence of employers and the public may, perhaps, be learned by both from our common necessities in the evolution of industrialism.

When peace comes, bringing us victory over our

enemies and giving us rest from the clash of arms, we shall still have to enter the field of struggle for commercial position amongst the nations of the world. It is unthinkable that we and our Allies, proving victorious in this cruel war, fighting for right and liberty, justice and freedom, should be defeated in the struggle for industrial position by our present enemies and Neutral nations. And yet defeat is certain if our industrial organization is founded on attempted oppression of Labour on the one hand or restriction of output by Labour on the other hand.

Our victorious Army has been drawn from all classes, from the highest to the most humble in the land, who have been loyal and true comrades in the trenches, and it is unthinkable that when the war is over industrial antagonism should prevent the Empire maintaining her former proud commercial position. Let both employer and employee scrap their old, antiquated, false ideas as to their mutual relationships, and work with a better understanding of each other's rights and duties, recognizing that this good old world is far too small to hold any more than two classes in the classification of people, viz., those who do their duty and those who fail to do their duty. It is certain that in the next world there will be only these two classes, whatever artificial divisions between employer and employee may have existed in this world.

XII

THE WORKERS' INTEREST IN PRODUCTIVITY

WE have all of us ideals, and the following of our ideals brings us into contact with many aspects of life, but we are conscious that the only part worth living of our lives is following those ideals; and I know every one of us in this room realizes that fact, and that we are all anxious to do everything we can to realize our ideals. We recognize, fully and completely, that present conditions are not right. When we talk of Labour Unrest, then I say, if Labour were quiet under present conditions it would be a bad look-out for this country fifty years from now. The healthiest signs we have got to-day are Labour Unrest and all the aspirations of Labour—and I may be allowed to use the word "labour," because I think I have worked as hard as any one in this room, and have done so all my life.

As an ideal, we see urged on some hands that the confiscation of all the wealth to-day, the cancellation of all the war loans and so on, would be a short-cut to a more equal enjoyment by Labour of all that wealth can place within the reach of each of us. Believe me, that is a delusion. If all the money possessed by each of us here in this room to-night were placed on this table and pooled and divided out equally to us as we left the room, the only result that such division could have would be this, that those who had been thrifty and worked hard, and had saved a little money, would be asking themselves to-morrow, knowing that the same

process would require to be repeated over and over again, Why should they live laborious days and deny themselves enjoyments and luxuries when this was the only result? And, equally, those who had received money that they had not worked for would feel that this and future divisions would abolish the necessity of their working to-morrow and their practice of thrift to-morrow, so that both sections of us in this room would go away discouraged from the exercise of our full ability for work and thrift.

There can be no other way in which we can get greater comfort and happiness for each of us than by producing more goods. That is the keynote of all, and there is no reason why in the production of more goods we should not do so on such lines as will ensure a more equal distribution of the result of our labour, because that is what we do want. Well, we are apt to think that unless there is going to be a more equal distribution of wealth, there is something in the distribution at fault, and we are quite right in considering in what way we can deal with the problem and rectify abuses. Now, the only way in which we can increase wages—because that is the first step to advancement—is by increasing production. The only way in which we can soundly increase production is by employing more machinery. The only way in which we can make a demand, a consuming demand, for this increased production is by cheapening the product, otherwise, no matter what the wages are, the price of the product is so high that, as we are feeling now in war-time, the extra wages are of very little increased value. And, finally—and here is where I want to lay great emphasis—you cannot increase demand greatly, notwithstanding that you have raised wages, notwithstanding that you have cheapened the product, unless you have elevated and increased the wants of the people.

You have to increase wants. You can only raise their wants by giving them more leisure. I believe that reduced hours of labour and more leisure for a proper outlook on life are as essential to an increased consumption of articles that can be produced as is a cheaper cost.

Now, we will imagine, for instance, that away in the Congo we talked of greatly increasing the production of, say calico. I have been through the Congo; the native there has few or no wants. A piece of calico the size of a towel makes a full dress suit for the husband; another piece the same size makes the full dress suit for the wife, and the children need no dress at all. Now, if we were to produce any quantity of calico, as soon as these simple wants were satisfied there would be no demand for the remainder. We would have to start in the Congo by first of all inspiring in men and women a love for more clothing—blouses, skirts, trousers, coats, and so on; and for houses that required table-cloths, sheets, curtains to the windows and all the rest that makes for comfort, and then we would find that with these new wants came such a demand that however much calico we could produce in reason, it would be all required and all be sold. Now, I believe as firmly that the workmen of this country—I have endeavoured to practise it in my own limited way—have as much right to an artistic home, a comfortable home in a garden, with all the amenities of life, as their employer. Now, I say that that is the first essential to the enjoyment of this leisure. What use is it talking to a workman about a nice artistic home with pictures or engravings on the wall, taste shown in everything, when he only comes home to sleep and to rest for the next day, leaves early, and his only time at home is an occasional Sunday? You won't raise a taste for an artistic home under these conditions. Art flourishes only where there is leisure and

all that art means, in increased demand for books and everything that makes for comfort, and, believe me, reduced hours of labour are essential for increased demand.

Now, if we have such a production that wages can be raised, a greater volume of articles produced, costing less money, and increased demand to sell them off as fast as they are produced, that is an ideal and it is worth striving for. We can only achieve this with machinery. There must be no antipathy to enlarged output by machinery, and believe me, wage increases then would become quite a matter of secondary importance. You know that there is automatic machinery in which the wages of the operator, however high, are a very small part of the cost of production. The great part of cost of production is interest, depreciation, repairs and renewals, and the cost of the central power station for running the machinery. Now, we have these machines, and if we are wanting a greater increased output we are simultaneously wanting more ships and we are wanting more machinery for the ships; and how can we in the next few years duplicate our machinery for factories? All our men will be wanted on shipbuilding, house-building, and repairing of the devastation of war; but we can run our existing machinery double time, and it will not cost us anything more for interest, for depreciation; only a little more for raising steam in the boiler, a little more for oil, a little more for repairs, and we get all that increased production, with just those trifling expenses. Labour working six hours a day, as has been proved over and over again, can produce in six hours the maximum it is capable of in monotonous occupations. We shall, therefore, be able to pay for six hours' work at least the same rate of pay as we pay for eight, because labour will be capable of as much work in six as in eight hours. The

machinery will produce more, and out of this combined effort, the human element working two shifts of six hours each, the mechanical element working twelve hours, or more, we shall have two funds created, one for reducing the price of the article and another for increasing the wages on the top of the reduction of hours.

These results are certain, provided we have the demand for the goods when they are produced. Apart from export trade, which we shall be bound to cultivate, and which is an enormous trade and one which we can make still greater, we must have the increased demand from the home trade, and that I believe the six-hour day, by giving us more leisure, will ensure to us. Now, why do I talk so positively about this? Do you know that we find all over the world that wages are the highest where, *per capita* of the people, the greatest amount of machinery is in existence and in employment—the wages are the highest there—and as a result the wealth invested in machinery in these countries has always an ever-increasing force compelling it to still further similar investment in that direction because it pays. In the United States the capital per head in machinery is the highest of anywhere in the world, and wages there, as we know, before the war and maybe even to-day, were the highest also. In China and India the amount invested in machinery is the lowest of any countries in the world, and the wages are the lowest. And, curiously enough, it was India, where the cotton is grown, where the men in the cotton-mill get pence a day—eightpence and ninepence a day—and where native engineers when I was last in that part of the world were only getting ninepence a day—it was India, that grows the cotton, and where labour works long hours for these low wages, that within this very year, only a few months ago, appealed to the British Parliament to be protected—from whom?

From people working longer hours and being paid less money? No; but from Lancashire, where the workers receive more shillings per day than the Hindoo receives pence, and where they work less hours, and where they have to pay freight on the cotton from India to Lancashire, make it into goods, and again pay freight to send it back to India. So that higher wages go with machinery and lower cost of production, and lower wages and less machinery go with higher cost of production and strangle any attempt to raise and uplift labour, as we see in India.

Now, I think we can claim at this point that all employers must abandon their idea that low wages mean cheap production and high profits, and I think the workman must equally abandon his idea that limited production means more labour employed and at higher wages. They are both wrong, and two wrongs do not make one right.

Now then, can we arrive at a prospect of some direction in which we can work to lift the workers? We want more capital invested in labour-saving machinery to give us increased output, higher wages, shorter hours, reduced cost of production, and we want to eliminate the element of fatigue by the reduced hours of labour as well.

Now, there is a theory, and you know the theory as well as I, that labour produces all wealth. It was started by Adam Smith, and is worshipped by many to-day. If that were true, don't you think that the Manchester Ship Canal, and other undertakings that I could mention, would be veritable gold mines? In the making of a canal the cost is practically all labour—digging—it is practically all labour, and yet we know that the original shareholders in the Manchester Ship Canal, instead of making wealth, have never seen a penny return on their capital in the last thirty years. If the theory were true,

not only would the Manchester Ship Canal be a veritable gold mine, but the mere act of loading a ship, which is the greatest labour, I imagine, in connection with shipping, and the mere act of shovelling the coal on the boiler fires, which is, perhaps, in many parts of the world a still more laborious piece of work, ought to ensure a profit on the voyage, but we know they do not. We know that profits are not made because of the labour of loading the ship or merely putting coal upon the fire. The men who can make money are few. They are less than one per thousand who can make money at all other than by the receipt of wages for employment. They are less than one in a hundred thousand in the very high undertakings, and in the highest undertakings of all they are fewer than one in a million who can organize large undertakings to make money. This good old world has only produced one Ford, one Rockefeller, one Carnegie. I know these men are held up to odium because it is the fashion. Let us see if they deserve it. Don't you think it was just as sensible of the old man who blew the organ to say that he produced the music as to say that it is labour that is the source of all wealth? I like this illustration, because it is quite obvious that if the man ceases blowing the organ there will be no music; but it is equally true that he may blow the organ as much and as laboriously as he likes, and that unless there is some one there to play and touch the notes with discrimination and skill there would be no music. And when we search how these fortunes have been made by the three men I mention and by all others, what do we find? We find that fortunes have only been made by producing goods cheaper and selling them cheaper, and by increasing the rate of wages paid to the worker and reducing the hours of labour.

Take Ford's cars, for example. Ford started as a young man, and I think his first occupation was on a

farm—his father's farm. Then he got an idea that he could make a motor that would do a lot of the farm work; just the idea that he is putting into practice now, thirty years later. He had thought on the farm, and he wondered if he could not make a motor to do a lot of the work on the farm, and he told his wife he would go to Detroit and see some of the machines; so he went. He was a fairly successful farmer and he was making a fair sum of money. He closed down his farm, and he and his wife moved to Detroit, and he engaged himself as engineer on the night shift to look after the Edison plant for lighting the city of Detroit, at something like a quarter of what he had been making as a farmer. He was quite content; he had made up his mind he would get to the bottom, as far as he could, of the electrical problem; he found he would have to acquire a knowledge of electricity to make his motor, and he worked on and on, and you know the result. Now, does any man begrudge Ford his five millions sterling a year that he is making? Fancy, that is £100,000 every week. Does any one begrudge it? If any do I could imagine them saying to themselves—they would say it truthfully, I know—something like this: "It is true Ford serves the public with a cheap car and, for the price, a good car. It is true Ford serves his workers in his factories well, because he pays them double wages; in fact, he starts a boy fresh from school at a pound a day. But, but, but, Mr. Ford, you make too much money; you give the public cheap cars, you pay double wages in your factories, but you make too much money for yourself; that is our objection." Well, what would happen? Would other men be encouraged to emulate Ford's example if, after all this toil of leaving the farm, working for a quarter of the wage while he mastered the subject, all this laborious work, he and his wife (a loyal and true wife, as every successful

man has always had) working together—if the result of all that was to be told that he was making too much money? You might as well tell some of his men who were drawing double pay that they were making too much money. The result would be the race of Fords would die out, cars would cost the public more money, the wages to workmen would fall to the lowest Trade Union rate—that is, to half the rate Ford is paying—and the future Fords would have hard work to make bare interest on their capital. It would operate against all three.

Now, let us imagine a scene at Ford's works. We will imagine that his 20,000 or so operatives—I am not sure how many he has, but we will say 20,000, it may be 40,000—read in the paper, the local paper, that Ford has made five million pounds sterling, twenty-five million dollars, the year before, and they have discussed that fact the night before, and they have come to the conclusion that Mr. Ford is making far too much and have decided that they will go and interview him, because "labour creates all wealth," say they, "Adam Smith told us so, and, therefore, this money is not Ford's; we make that money, we ought to have it." They go and wait on Ford and they lay their case before him fairly, perfectly fairly. Now we will imagine his reply. Now, Ford I imagine would say this: "Now, my men, I don't want you to make a penny of this money for me. Go right away and make it for some other motor man, one of my competitors, who cannot make money for himself, who is perhaps losing money. Leave me right away and go and engage with that man; he will give you nearly all the profit; he is losing money now or making none. You can make your own terms with him. He will give you at least nine-tenths of the profit, because if he got a tenth he would be content. You go and make him five millions

and he will give you nine-tenths, or he will give you even more—perhaps he will give you nineteen-twentieths, perhaps even ninety-nine one-hundredths of it; but you can make your own terms with him. You will get splendid terms from him; in fact, you can dictate your own terms. As to myself, those men who will be sacked from this motor man who is not making money, why, I will engage them; it will be merely a change over. You men who are making my money will go and make it for these other people; their workmen will come and work for me and I will pay them double wages as I am paying you, and I will see if I cannot make as much money without you as with you. I will put them in my factory and they can work for me. I do not want discontented men. I will engage these men, who will be perfectly contented as soon as they come to me, because they will be drawing the double amount of what they are drawing to-day; I will pay them double wages. But I want you to be sure," he would say to them with a twinkle in his eye, "when you engage with your new masters you stipulate to receive the double wages whether he makes the profit or not—the same as I am paying you now; do not trust yourselves or him to make profits for you; insist on having the double wages I am paying you, and then, of course, make your claim for the profits in addition, because you say labour creates all wealth. Now, if you draw double wages from my competitors, it will make it easier for me; for, paying only half my rate of wages, their cars are already dearer in price than my cars, and I shall have the trade more and more in my hands. This, of course, you will be able to do easily because you create the wealth; out of that wealth you will draw the double wages, and you will draw the ninety-nine hundredths of the five millions you will be making for your new master, because you say you create it; you make it; it is yours, and take it and do

not delay for a moment; start right away, and I will swop employees with these men."

Now, let us see, dismissing that picture—I will just leave it at that to you—what is the wealth that the masters make in the United Kingdom per head of the population and per head of the workers, because it is estimated that only three out of every five are workers. In the three I am including the wife—you will understand I am including all workers. Now, it is only pre-war income tax figures I can take, but on the top of pre-war figures we can add excess profits. If you will take the returns for 1913-14 you will find the income from land and houses, which I am quite willing to throw in because we are going to divide everything else; let us divide all there is. We cannot divide salaries, because we shall always want some one to do the work, and they will always want salaries paid in proportion to their appointments; and the salaries paid to Government officials and Corporation officials also will have to be paid. I am merely speaking of the profits in business which we are proposing to confiscate; and see how they work out. Now, the income from business, worked out per head of the population, is $4\frac{1}{2}$ d. per head per day of the people, of the income from land and rents of houses is $2\frac{1}{4}$ d.; total, $6\frac{3}{4}$ d. The excess profits tax divides out at 3d. per head per day of the people—that is what the Government take.¹ The Government began by taking 50 per cent., then 60 per cent., and now it is 80 per cent. There is another $2\frac{1}{4}$ d. per head per day of the people that the maker of the excess profits is permitted to retain—total, 1s. per head per day; now, dividing this over three out of every five, it is 1s. 8d. per head per day of the workers. Now, that would not eliminate poverty if we took it all, if we did not pay a penny to employers in England; if we could

¹ In 1917.

get employers for nothing, that would not remove poverty. In fact, since this war began, covered by the period when these excess profits have been made, wages, as you know, have risen from 2s. 6d. in some industries for unskilled labour to 5s. in others for skilled, and in a few, 10s. per day per head; so that in dealing with this money in the sense of confiscation, or any name we like to give it, all the wealth of the country would not relieve poverty or lift the workman much. No scheme of confiscation or redistribution can do that. The only way is the one we mentioned—increased production. This will enable wages to be advanced as I mentioned, hours of labour to be reduced, cost of production to be reduced.

A policy of "ca' canny" defeats its own end. We can see in the building trade the policy of "ca' canny" can only increase the cost of building; and whether the houses are built by the municipality or the State, or by private enterprise, wages will have to be paid in the building, material will have to be bought—and material is largely labour cost right up to the point of being on the job where the material is going to be used—and the amount of rent, either directly as rent or in rates and taxes, will be in proportion to the cost. If "ca' canny" is in the coal mine, then coals will be dearer. If "ca' canny" is in the factory, then boots, shoes, and clothes will be dearer. No "ca' canny" policy can produce wealth; it is a robber of wealth and of fellow-workmen and reduces and lowers the level of every workman. It is not an uplifting force, it is a suffocating poison; but it has its devoted disciples in many industries throughout the land, mistaken—don't think I am judging these men hardly; I believe they are as honest in their efforts by "ca' canny" to help the working man as I am honest in my conviction that "ca' canny" is a blunder. All I

want to endeavour to show is that the policy is wrong, not that the men's motives are wrong. If it was mere laziness, I would say it was a wrong motive; if it was to save their own backs, I would say it was the wrong motive; but when it is a belief that "ca' canny" will employ more labour, will make wages go up, and so on, then I say it is a mistaken policy.

Now, it may be thought that we could get relief from Acts of Parliament. A noted man said—I think it was Herbert Spencer—that he had inquired into thirty-two Acts of Parliament that had been passed to benefit the worker and to relieve poverty, and twenty-nine out of the thirty-two Acts had produced exactly the opposite effect. Why, the so-called People's Budget, for which I voted with great pride and pleasure in 1909—and I am not ashamed of having voted for it, because that Budget was sound so far as its taxation of wealth, its graduated income tax, its graduated death duties, and so on, went, all of which taxation ought to make us look gently on such clauses of the Bill as have failed to achieve the objects intended—now, that Budget has discouraged undoubtedly the building of houses for workmen throughout the land; it has discouraged the landowner in developing his land; it has not made prospective builders eager to buy building land; in fact, for the scarcity of houses the workman is suffering from to-day the Budget of 1909 is partly responsible—not entirely responsible, but it has tended in that direction.

When the war first broke out, we thought employment was going to be very bad for the workman, and the Prince of Wales's Fund was started and five million pounds subscribed at once to assist the unemployed. People were urged not to discontinue any work that employed labour, but to start fresh work that employed labour—anything that employed labour. We all expected

that the war was going to make employment very bad. The war has proved us all to be very bad prophets. Wages have risen, employment is to-day in the position that there are two jobs for one man. Now, why is this? Why should a Bill called the People's Budget have failed to achieve the building of more houses, that part of the Bill which was intended to so achieve, and war has produced employment when it was expected that it would reduce employment? Why is that? Well, in the first place, the one has discouraged and, in the second place, not only in munition factories but in all other occupations, the war has been a stimulus and an invigorator to both men and women. From patriotism, from every motive, we have all worked harder in munition factories and in our ordinary occupations since the war. This has increased the wages fund, this harder work, greater employment, men, women, and girls employed who were formerly not employed. This has produced more wealth, not Acts of Parliament. It is our determination to win this war, the high, patriotic effort we have put forth, that has increased wages. Of course, there has always been the destruction of property in the form of shells, cartridges, guns, battleships, and ordinary ships, and so on—that is going on all the time—but the big factor has been the stimulus to us to work harder, the opportunity to work harder. With equal stimulus to work and without war, the demand for munitions would have been a demand for more boots and shoes, more houses; but it has been the stimulus behind us to do our bit, and without that stimulus we would have been in chaos in this country, as many nations are. No; we cannot increase our wealth by Acts of Parliament, because we cannot see far enough what are the cross-currents and under-currents that we have to face; but we can organize our time and our work so that all shall have equal opportunities and none be overworked, and on that

line, with increased machinery and a six-hour working day, higher wages, reduced cost and improved leisure, increased consumption can be attained.

Now, who are the employers to-day? You think I am one—great delusion. You think Ford is one—another delusion. We are not employers; the people who employ myself, and every one who works in the business I am connected with, are the consumers. Let consumers buy other products made by other firms, and where are we all at our works? Let the consumer of motor-cars buy other cars than Ford's, where are Ford and his workmen? The employer of Ford is the consumer. The employer of every master in the country to-day is the consumer, and 90 per cent. of the consuming power of products made by machinery in this country are the workmen themselves. Therefore, 90 per cent. of those that employ me are working men and their families. I want you to bear that fact in mind. My employer is the consumer, and 90 per cent. of the consumers of my article are working men, and so with all the articles made in cotton-mills, boot and shoe factories, and so on. Well, now, don't you see that the real employer is the consumer, and not the capitalist—the so-called employer? Don't you see that the consumer's own best interests must be to see that whoever is the nominal employer he shall be stimulated to bring out the best that is in him? If you choose a chairman for any of your committees, you choose one who has your confidence, and who you consider is likely to give the best results. If the capitalist is a Rockefeller, the consumer practically employs Rockefeller on the understanding, and only on that condition, that he shall bore oil wells, build oil refineries, lay pipelines, and build tank steamers to transport the oil, and that he does this work cheaper than any other capitalist can do it. That is the only basis on which Rockefeller

was ever employed. If the capitalist is a Ford, the consumer says to him that he can make motor-cars on condition that he build them better in quality for the price, and lower in price than any other capitalist can build motor-cars for. But that is the consumer's bargain with the capitalist. There is not one of your wives going into a shop to-day who must not be satisfied as to the quality and the price before she purchases an article, and she will buy where—I know you have all got good wives—she gets you the best value for your money always. But the workman, how does he approach the capitalist? Labour says to Rockefeller or to Ford that they will only work for him on condition that he pays them the maximum wages; Labour in effect says, "We are going to reverse this process on which we buy our goods, and we are going to apply our rights as consumers in buying goods on that principle; but when we come to sell our labour we are going to sell it to the capitalist who gives us the most wages for our work, and we claim our right to both these privileges." And Labour can honestly claim the right when spending wages to get the best value obtainable, and when seeking employment to get the highest wages for producing articles bought at lowest prices. It is as if Labour said to Capital: "You are only our agent or broker. If you can give us the highest price for what we have to sell and sell to us the products of our own labour at the lowest price we can obtain the same for anywhere, then we will pay you a commission for so doing; but if you lose money over the transaction you go down and out and into the bankruptcy court and you must not look to us for help."

And what is this brokerage or commission? I have shown you that the profits on trade would be $4\frac{1}{2}$ d. per head per day of the population: the excess profits retained by the capitalist $2\frac{1}{4}$ d. per head per day; total,

6¾d. (for the purpose of this illustration we are now dealing only with profits in trade, therefore I am leaving out, at the moment, land and houses) or about 11d. per head per day of the workers. But from this we ought to deduct certain items that do not appear in the income tax returns. The bankrupt employers—employers who reach the bankruptcy court—their losses are not deducted from the income tax of the successful; there is no deduction for interest on capital. Income tax returns include interest on capital. Whether our factories and machinery are State-owned, or whether they are owned by private enterprise, we shall always have to employ capital to pay out wages to the workman whilst building our new factories and new machinery. If we had obtained all our existing factories and machinery by confiscation, in twenty years we should have just as much capital raised to pay workmen to build new machines and build new factories. We could not get away from capital and interest. Now, if you deduct interest on capital and losses of bankrupt capitalists, you will find that the net profits do not work out at more than 3d. per head per day of the workers; in other words, a most modest commission on the basis of the bargain, which is the highest wages for the workman and the cheapest selling price for the product of his labour. Abolish private enterprise, and you would not save the 11d., you would not save the 3d. For competitive capital you would get State Civil Service; every Government department, it is essential, must be run on what we call the lines of red tape. Wages would become nominal, not real, and whatever wages were nominally, they would always represent reduced purchasing power to the consumer.

Now, all I want us to ask ourselves is this; whether working on lines such as we have hitherto worked consistently has not increased wages solidly and substan-

tially? Every opportunity for advancing wages—and, believe me, the prosperity of a country depends as much upon high wages as upon any other element that can make a country prosperous—must be taken advantage of. But this means more machinery, and it has to mean, also, cheaper production. Wage increases must not be sham increases; they must be real increases, with increased purchasing power, as well as increases in amount. I want us to realize that, and then on sound lines we can, I believe, realize all our ideals.

But behind all this is the ambition that I rejoice at of the workers to control their own industries. I think that is one of the healthy signs of the day, and I can see it and feel it in the very fibre of my being, because, as I mentioned at the beginning, I began in a modest way and I have worked up, and I can realize your desire, the desire of every healthy man in the kingdom to raise himself and become pilot of his destiny. How can this be done? The greatest attraction to me of the six-hour working day is the education of the young. I ask myself, Why should not the sons of the workman have the same education as the sons of the master? They must have, if they are going to control industries in the next generation. Do not think for a moment that control can be achieved on any other lines; but, with better education and with the same ambition to control industries, who can say nay to Labour? But merely a desire to sit on a Board of Directors, without a knowledge of all that that position means, can help neither the workman, nor the industry, nor the country; there must be a period of training.

But if we get this training we shall be a better nation physically, we shall be better in brain power; and note well this, and I say it without any hesitation: sons and daughters who are trained with hand and eye as well

as brain will make better educated men and women than the mere University bookworm—ininitely better; and, you may depend upon it, the control of industries in the future will go to those who can work them to the greatest advantage. The circumstance that gave Ford his today's position was that he was thirty years ahead of anybody else when he was working on a farm, and he set himself to realize his ideals and gave up the farm to obtain a bigger field for his energies. The circumstance that made Rockefeller was that he had the conviction that single oil wells and single oil refineries, putting oil into casks and sending it on the train at high freights, was stupid, and he bought a number of oil wells; he combined big oil refineries, he laid pipe-lines from the refineries to the coast, he put tankers on the ocean to bring the oil to England, and he brought the price of oil down from 1s. to 4d. a gallon, and in that process he made a fortune. Now, that is the way it will be for your sons, for my son, if they have to make money, if they have to raise themselves, have more comforts for themselves and their children than we have had. We can only achieve these ideals by increased production.

Education, the consideration of which I have left to the finish as the crown of all, is the keynote of the situation, and I would rejoice, as every one of you would, that the sons of the workman should be the equal in education of the sons of the master. But behind the master, behind the hollow title of employer, is the consumer, and 90 per cent. of the consumers, as I have stated, are the working men and women. Through education the whole mass of the consumers of the country will be elevated and raised, the whole of our industries in which they are employed will be elevated and raised, and we shall march forward a proud nation to further achievements undreamt of even

to-day; and Great Britain, at home and overseas, the largest Empire the world has ever seen, will contain a people whose joyous lives are spent in such happy surroundings as are unknown to us in this room to-night, where life will lengthen and joy will deepen, and where happiness will be assured for all.

XIII

PRINCIPLES OF RECONSTRUCTION

WE are living in strenuous times, and are making sacrifices of life and treasure on a scale that we are apt to believe is greater than our forefathers, even in their most difficult wars, were ever called upon to endure. But this is obviously only true of dimensions. It is not true of proportions to scale with the resources or wealth of the present British Empire, as compared with her former war periods; nor is it true in relation to the resources Science has placed at our disposal for our more rapid recuperation from the effects of this war, by the exploitation and development of the nascent wealth that Nature, with lavish hand, has stored up for us within our boundaries. To realize the natural strength of the British Empire, let us think of it in the words of the poet:

As some tall cliff that lifts its awful form,
Swells from the vale, and midway leaves the storm,
Though round its breast the rolling clouds are spread,
Eternal sunshine settles on its head.

Our most cruel and deplorable loss in this war is the awful sacrifice of human life. The irreparable, disastrous consequences to civilization and the progress of the world that must result from so many of the flower of our manhood having been taken from us it would be impossible to overstate. This welter of blood has made the world one huge sob and stifled moan. There is not one single family group in the whole of the peoples of the

belligerent nations that has not to mourn some loved dear ones lost or returned mutilated and torn, blinded or crippled—the wreck and shadow of their former selves. No loving care nor patient toil can restore these or make good to us their loss.

But for the rest the loss can, on certain well-known and proved established lines, be fully recovered, and, most speedily of all, the money wastage. Many worthy good souls are worrying themselves and the nation as to the undoubted load and enormous burden of national war indebtedness we shall have to carry when this war is over, and are worrying still more as to our ability as a nation to repay these debts. In their alarm, and suffering from an attack of nerves and cold feet, some openly advocate unblushing repudiation of our war debts, and call the same by some such specious name as Conscription of Wealth. And in their haste to propound this “cure all” for our ills they cannot even wait until we have won a decisive victory on the battlefield and obtained the unconditional surrender of our enemies, but must needs weaken the national credit by advocating this impossible policy even whilst the necessity for further borrowing still continues.

There are seven pillars of national and individual prosperity and happiness. These are:—

Justice	Science
Truth	Art
Labor	Leisure
Capital	

The unit of the Empire, as of all democracies, is the home and fireside, and along the lines defined by the seven pillars of prosperity, individual nations and the home units have progressed from slavery to fullest liberty.

What were the conditions of life in Great Britain in, say, Oliver Cromwell's time, when we experienced our greatest advance towards our present ideal form of Government—a Constitutional Monarchy? London, even then, was the largest, the richest, and most populous city in the then-known world. Yet it was indescribably dirty, overcrowded, insanitary, badly lighted and worse drained, and neither health nor life was safe from attacks from disease, pestilence, or robbers and footpads. The then death-rate was over 49 per thousand in ordinary years, and much higher in years of special visitations of plague. In Oliver Cromwell's time, close to the then London, were 25 square miles of swamps, which to-day are absorbed within the boundaries of the Metropolitan area, drained dry and made healthy and built over. In wet weather the streets and roads were impassable, a quagmire of mud, in which chariots, wagons, and carts sank to their axles. Robbers, footpads, and highwaymen made it dangerous to travel in daylight, and impossible at night to do so without being under convoy of a guard. In the United Kingdom at that time there were 34 counties without any, even the most primitive, form of printing press. The master flogged his apprentice, and the husband flogged his wife. The stocks, the ducking-stool, and the whipping-post were national institutions in the most public centres of every town and village. Even a century later we were very little improved in our social life.

What has changed all this to conditions such as exist in the United Kingdom to-day? It has been the discoveries of science and the inventions of mechanics. About the close of the eighteenth century, Watt, Arkwright, Hargreaves, Crompton, Cartwright, and others invented various of our most important "key" mechanical utilities, such as the steam-engine, the spinning-jenny, the mule, the power-loom, the carding-machine, and scores of

others. It is said that as a result of these inventions, twenty-five men and fifty women and boys can produce to-day as much cotton goods as could have been produced by the hand labour of all the men, women and boys that were engaged in the cotton industry in Lancashire in Oliver Cromwell's time.

And what is the condition of London to-day? The population is more than a scorefold what it was then, and it has become the cleanest, most healthy and sanitary, the best lighted and the best drained city, as it is also the largest city in the world. And all traces of special visitations of plague or pestilence have ceased, and the death-rate is the lowest of any of the largest cities of the world, being no more than 15 per thousand.

And corresponding progress has been made in every city, town, and village in the country, and in the social betterment of the lives of the people, and the British Empire has become the greatest Empire in the world, not by repudiation of the Napoleonic War debts, not by Acts of Parliament, but by the steady maintenance of the beneficent support of the seven pillars of prosperity, and by the labour of employer-capitalist and employee-workman. These, as inventors, manufacturers, merchants, explorers, and shipowners, have often been handicapped in the march of progress in competition with other nations by stupid Acts of Parliament and ignorant statesmen; but in rectifying this handicap of progress let us be careful that we do not commit still greater errors of government in the future. Our best hope for the future is that the whole of the difficulties to be overcome, and of our social betterment to be achieved, shall be fully considered in all their bearings, shall be fully discussed and understood, before we enter upon the putting into effect of immature and ill-considered new and experimental policies. We must approach the consideration

of the problem with minds free from thoughts founded on prejudice, hatred, or temper—free from taint of selfishness or injustice. Above all we must dismiss from our minds and souls any idea of what, for want of a better name, we call “class against class” antagonism. In all countries, throughout all ages, there have been numerous divisions of peoples into so-called “classes,” but this good old world, large as it is, has never been big enough to contain more than a division into two great classes—the class that is doing its duty and the class that fails to do its duty. These two great divisions are wide enough and deep enough to include the whole human race, and all other distinctions are purely artificial. But we have got into a slipshod way of thinking of mankind as existing in “classes,” and nothing, in the present temper of the world, is more unjust or dangerous. Peer and peasant, employer-capitalist and employee-workman, have fought side by side in the trenches, and laid down their lives side by side on the battlefield in this great war, and as comrades in this war they honour and respect each other as never was possible before, and we have learned that in about equal proportional numbers there are included in all the artificial “class” divisions the industrious and the idle, the intelligent and the stupid, the brave and the cowards, the honest and the cheat, the truthful and the liar, the virtuous and the vicious, the temperate and the drunkard, the strong and the weak, the healthy and the sickly, the thrifty and the spendthrift, and that so long as these opposites of characteristics exist there will always be the rich and the poor. Let us uproot this habit of thinking of individuals according to certain artificial so-called “classes.” Nothing is more unjust, and nothing could be more dangerous.

Long before this war began we were experiencing the influence in politics of a new Parliamentary Party, whose

leaders scorned the beaten tracks of old-school politicians, and who called themselves the Labour Party. The employee-workmen, through their Trade Unions, have also become more active, and have rightly and properly—so long as they respect the just rights and liberties of others—organized to improve their position. The betterment of the condition of the employee-workers is declared, and I believe truly so, their sole objective and goal, but so far as my knowledge goes the employee-workers have not yet unanimously decided upon what might be the best methods for them to adopt to realize betterment and advancement. In short, whilst their aims, ideals, and ambitions are clear and definite, their proposed methods for realization are most indefinite and hazy.

When the dissatisfied colonists in North America won, under the leadership of General Washington, their severance from Great Britain nearly a century and a half ago, they declared as their ideals—and in these the whole English-speaking world agrees to-day—that all men were endowed by God with certain inalienable rights, amongst which were life, liberty, and the pursuit of happiness. Washington and his co-founders of the United States believed and trusted that, if all men were given an equal opportunity, and if the citizens of a country could frame their own laws and levy their own taxes, the inequalities in wealth that existed in the Mother Country could never exist in the United States. This was the view held in 1776, and the founders of the United States were convinced that the rich and wealthy were rich and wealthy in consequence of some unfairness in the laws of the United Kingdom. But after nearly a century and a half, in spite of the Declaration of Independence as to equality, in spite of universal manhood suffrage, there are greater inequalities of wealth in the United States to-day than there are or ever were in the United King-

dom, and it is clear that neither Acts of Congress nor the Constitution of the United States have been able to make all men equal in wealth any more than in health, weight or stature, brains or muscle, piety or morals, character or worth. But this inequality of wealth, although infinitely greater in 1916 than in 1776 (at which time, as often is the case to-day, it was thought to be the cause of all the poverty of the poor), has been proved to have relieved the extremes of poverty and wretchedness, and to have greatly raised the average of comfort and betterment, and to have resulted also in actually a better distribution and more plentiful supply of wealth amongst the employee-workmen. The United States has produced millionaires in greater number and of greater individual wealth than ever the United Kingdom produced, and yet the employee-workman in that country receives the highest rate of wages known in the world. In 1776 it was believed that in the United Kingdom the Government had somehow interfered with some great principle underlying all social well-being, and that in the United States, under the Constitution adopted in the Declaration of Independence, wealth would be more equally distributed and poverty would cease. But the result has clearly proved that, so long as some men are stronger, or more healthy, or more intelligent, or more industrious, or more virtuous, or more self-denying, or more thrifty than others, there will be inequalities of wealth, that the employer-capitalist was not responsible for these, nor was the employee-workman to blame, and that, if either changed places with the other by Act of Parliament, that change over would constitute no remedy for acknowledged inequalities nor be a stimulus to social betterment for all. Employer-capitalists in acquiring their wealth by hard work of brain and energy of body have benefited not only themselves and their families, but have, even if unwit-

tingly, conduced to the betterment of the employee-workman and also to the progress of the whole of the industries of the United Kingdom.

And now I venture to assert, notwithstanding that all the above circumstances are inevitable and normal and natural, that still no employer-capitalist with a true feeling of brotherhood can be quite happy in the fullest sense in the enjoyment of wealth (the product of his own hard work, intelligence, self-denial and thrift, every penny earned without committing injury to any man, and the acquisition of which has resulted in enormous benefits to his employee-workmen) without feeling a sense of dissatisfaction with present industrial conditions and a strong desire to improve them so that the employee-workman may be raised to a much higher level in social well-being.

But this ideal cannot be achieved by an Act of Parliament for the conscription or confiscation of wealth.

The men and women of British stock who crossed the Atlantic and founded the United States did not state in their Declaration of Independence that all wealth must be confiscated to the State. What they did declare was that man was endowed by God with certain inalienable rights of life, liberty, and the pursuit of happiness. Do these rights mean that Government should conscript or confiscate the fruits of the industry of one man who had led a thrifty, wholesome, industrious life in order that Government might use the same for the benefit of men who had lived lives of exactly the opposite type? That was certainly not what the citizens of 1776 ever intended. What was meant was that every citizen had the fullest liberty to live his own life and to make his own livelihood in his own way so long as that was honest and true, and that he was entitled to the full enjoyment of the product of his labour, whether of muscle or brain, and for the

pursuit of his own happiness—also within honest and true limits—in his own way.

And what was meant by liberty? One of the best definitions of liberty has been stated by—if I remember correctly—a French Convention in the following words: “The liberty of one citizen ceases only where it encroaches on the liberty of another citizen.” And as to the pursuit of happiness, John Bright has given us one of the best definitions of happiness in the following words: “Happiness consists in a congenial occupation with a sense of progress.” In addition, this Declaration of Independence laid down the axiom that Governments were instituted to preserve these rights to the people and that the people themselves were the source of all the power that Governments possessed. The force that has created the United States has not been Congress, nor was the British Empire built up by Parliament. There would have been no United States and no British Empire without the labour and toil and sweat of the people of the two nations. Governments create no wealth as such, and possess no money but what they receive from the taxation of the people. All Governments are paupers, and only exist in free democratic nations by the consent of the governed. All Governments being paupers, they have only two means for raising money—by taxation and by borrowing. In times of war or for great public undertakings such as waterworks, or municipal developments, such as docks, etc., borrowing has had to be resorted to in the past years as in the present years, and will have to be resorted to in the years to come when this war is over. The power and ability of a Government to borrow and the rate of interest to be paid depend entirely on the credit of the Government concerned, and on the assured belief of the lenders in the borrower’s ability and good faith for the due payment of interest and the

repayment of the debt. Our British Imperial and Colonial Governments and our municipalities have hitherto enjoyed the power to borrow all their requirements at the world's lowest rate of interest. This advantageous position is entirely due to public confidence in the honour, honesty, and good faith of our Governments. If we once shake confidence in either our ability or our willingness to repay our indebtedness, then our credit, our power to borrow, is either seriously damaged or may be hopelessly destroyed. And with this destruction of credit and confidence would come equally the ruin of our industries, and unemployment and hunger would be our chronic condition. If we, as British citizens, cannot realize these truths, then we are in greater peril than if the Prussians had landed on our shores and were marching through an undefended country on defenceless cities and towns. The British Empire might recover in time from defeat in war, but the British Empire never could recover from its own default to repay its war loan indebtedness. The credit and confidence enjoyed by the British Empire is the one and only foundation on which stand, foursquare to all attempts to overthrow them, the prosperity and stability of British industries and ability to provide full employment at full wages for the British workman. The repudiation of debt, or the so-called conscription of wealth, would be an assassin blow at the very heart of the British Empire. But even if it were a practical and honest policy, there would be two questions still that would arise and require to be answered—how could such conscription be accomplished, and what would it yield? The suggestion is that we conscript sufficient of the wealth of the country on some graduated scale to enable us to repay at least £4,000,000,000 of war loan indebtedness. How would our Government collect this £4,000,000,000 and convert the same into cash?—for

it is obviously only as cash that wealth could be used for the repayment of war loans. At present this wealth exists in the form of furniture, pictures, china, works of art, houses, land, workshops, factories, machinery, ships, horses, cattle, sheep, and the thousands of other forms of wealth, including debentures, shares, mortgages in public railways, industrial companies, municipal and dock loans, Government War Loans, deposits in banks and building societies. And this wealth includes the savings of the frugal father for his widow and children equally with those of the millionaire. We know the depreciation that takes place when trustees are forced to sell some portions of an estate in order to pay death duties. But only some £30,000,000 a year are paid in death duties, and much of this we know has been received by the trustees in hard cash from banks and insurance companies. It is only a cautious estimate to assume that not more than two-thirds had to be raised by forced sales—say £20,000,000 a year. But to realize even this modest sum each year has tended to depress the market value of securities. So that it is clear that no market could be found for £4,000,000,000 of conscripted wealth at what I may call *par* value, and as practically every one with wealth would be sellers and there would be almost no British buyers, it is only reasonable to say that the £4,000,000,000 of conscripted wealth would not realize in cash as much as £400,000,000. It would be almost valueless and unsaleable, and therefore not available for the purpose intended of repaying war loans. The confiscation of wealth would carry the country icebound below zero. Left to fructify in the pockets of its owners, we should have its yield in income tax and death duties to the State, and in employment for employee-workmen not only of the then existing factories and workshops, but still more important, of extensions and additions

thereto, and for the provision of capital for working and building the same to be obtained on the credit of the security available. But conscript 10 per cent. or 20 per cent. of the wealth of the country, and not only would the conscripted portion be unsaleable, but the balance would be depreciated as security for credit to finance our industries to the lowest level of the conscripted portion. This would be like cutting out the roots of the tree to anticipate the next year's crop of fruit.

But this cutting out of roots is certainly not what wise men would do. They would guard the roots, fertilize them, prune the dead roots, support the limbs and branches, protect from frost the blossoms, and finally reap an abundant harvest—growing larger in quantity and better in quality each year of patient care and cultivation. Therefore, our course for repayment of war loans lies in cultivating our industries and fertilizing them—root-pruning by death duties and collecting the harvest by means of income tax graduated so that all citizens with incomes of £80 a year and over contribute according to their means. In no other way can we realize so large a cash income to so speedily and quickly pay off our war loans, maintain British shipping and industries, find ever-increasing employment for British labour, and maintain British credit and the pre-eminent present position of our world-wide British Empire.

It may be asked how steeply can income tax and death duties be graduated; the answer can only be, that if our needs require them, the only limit can be that point at which they yield the largest return to the State with the least injury to our industries. If income tax at 5s. in the pound and death duties at 20 per cent. yield the largest return to the State with least injury to our industries, and if income tax at 10s. in the pound and death duties at 50 per cent. would yield actually less to the State

and would also threaten our industries with ruin, then the lower figure without risk to our industries would be proved to be the only practicable rate. In other words, at the higher rates you would be killing the tree that bears the golden fruit.

Every farmer and gardener knows that such a hint from Nature as to the limits of cropping as a decreased yield would, if disregarded, sour the land and the plants, with ruinous results. The reduced yield from the higher rate would also prove that trade and commerce, house-building, shipbuilding, and our manufactures were suffering from being denuded of capital by excessive taxation, and that unemployment would soon be stalking, with famine and sickness, through our land. And we should find that a just, fair, and reasonable scale of graduated taxation would not only yield the largest amount of cash to the State, but that the remainder, left to fructify in the pockets of its producers, would act as a stimulus to the production of ever larger and larger taxable incomes, and to the employment of an ever-increasing number of employee-workmen by employer-capitalists, to the expansion of British shipping, trade, and commerce, and to the maintenance of our present pre-eminent position amongst the nations of the world. So graduated income tax has its zero-point.

All that Freedom's highest aims can reach
 Is but to lay proportion'd loads on each.
 Hence, should one Order disproportion'd grow,
 Its double weight must ruin all below.

No! there is only this one way available to enable us to repay our war loans, to re-establish our mercantile marine, our trade, commerce and manufactures after this welter of a World War, and that is to stimulate the pro-

duction of wealth and to tax the annual income to the limits of utmost yield, but always so that the producers of wealth are encouraged, stimulated, and left with the necessary means for the production of more wealth. This production of increased wealth will demand and necessitate that every adult man and woman of all classes shall, up to the limit of their abilities and capacities, work hard and strenuously for its production. But human strength has its economic zero-point also. If in the production of this wealth either the employer-capitalist or the employee-workman is over-fatigued by working a longer number of hours than the limitations demanded by health and strength, then the result can only be disastrous to the production of wealth. But if all adults, of both sexes and of all classes, peer and peasant, employer-capitalist, and employee-workman, work each a reasonable number of hours per day, then, without over-fatigue of any, we can produce a wealth of products sufficient for our own home markets and wants and for overseas exportation far in excess of anything we have ever previously accomplished. The exact number of hours that will produce overstrain and fatigue, with resulting lower production, will obviously vary with the nature of the occupation and with the conditions under which the work is performed. On the farm, for instance, and on board ships, surrounded by green fields or green ocean and fresh air, the hours worked may presumably be longer than would be possible in factories, mines, workshops, foundries, offices, or stores, where perfect ventilation is never quite attainable and where the occupation is more or less monotonous. But in every kind of work and employment there must be some limit to human strength and endurance, and experience has taught us that between eight hours a day as a maximum and six hours a day as a minimum, the safety-point may most probably be found to rest. These

hours of daily toil are what may be called the income-making period—the remaining hours are available not only for sleep, eating, recreation, and leisure, but also for education and public service and all the refinements of life. St. Paul has told us that he “laboured with his hands that he might be chargeable to no man,” and we know that he was by trade a tentmaker. The hours of labour for tentmakers were, I am told, at that time from 5 a.m. to 11 a.m., that is, six hours per day, and the remaining hours St. Paul devoted to his life’s work—service to his fellow-men. Let us organize our time better. At present all our time is devoted to gathering income for maintenance, as if we were so many cows and sheep, all of whose time we know is devoted to the work of maintenance. Our factories, foundries, mines, workshops, stores, offices, and farms, throughout the British Empire, are full of men or women with ideals and ideas for utilities and inventions and who, in addition to their capacity for the work of income-earning for maintenance and support of themselves and families, are capable of, and keen for, work of enormous social value to their fellows and the Empire. What a wealth of inventive genius and ideas have we there running actually to waste through our bad organization of their hours of work and their subjection to overstrain and fatigue in the performance of the daily round of routine duties for income-producing! Under our present system, each day has to be fully occupied beyond the fatigue-limit in work of income-earning for maintenance, with the result that our machinery is underworked and our workers are overwrought, giving us less wealth, produced at greater cost than need be the case. Thought and ideas for new inventions and processes require intelligence, alertness, and leisure—all impossible under conditions of over-fatigue during long hours of laborious toil. Then see how the

wage and salary fund is impoverished. We can only work our machinery and mechanical utilities longer hours by working human beings fewer hours. We have already exceeded the limit of human endurance from schoolage to dotage. But we can reorganize our factories so that by working a number of change shifts of employeeworkers six hours each shift we can run our machinery twelve, eighteen, or twenty-four hours each working day. The wages paid at present for longer hours would require to be paid for the fewer hours, and in order to do this the total cost of production, which is partly interest, depreciation and repairs for machinery, all of which would be little if at all increased by the additional hours worked, would on an increase of from 50 to 200 per cent. in the output give us lower costs out of which wages could be increased and selling price to customers reduced. And, believe me, it is impossible to lay too strong emphasis on this crux of the whole proposal, which is the one and only basis which would make reduced hours and higher wages possible, namely, reduced final costs and lower selling prices for the consumer, with more wages to the worker and fewer hours of toil. The employer-capitalist could, of course, work with a lower percentage of profit and yet realize on his increased production a larger income to meet the demands made upon him for higher graduation in rates of income tax.

But in addition to a better organization of time in our industries, we require to still further advance in the direction of a more logical basis in the relationship between the employer-capitalist and the employeeworker. There must be some consideration given to the division between these two of the profit resulting from the joint labour of both. The wages system alone is not sufficient, but the wages system must of necessity remain the basis for the employeeworker. It is a system that has stood the test

of time; it is convenient; it is logical and practicable. Under the wages system the employee-worker practically says to the employer-capitalist: "I cannot undertake to bear any of the risks of this business. I must receive a weekly or monthly income, regularly, upon which I can absolutely rely and depend for my household expenses: therefore, if I engage with you we must mutually first agree on a sum which you shall pay me as wages or salary in exchange for my services. If after paying this sum of money to myself and also after your payment of all other expenses of the business there is a profit remaining, I agree that profit shall be yours. If there is a loss, you must make good that loss yourself alone, even to the extent of bringing ruin and disaster upon yourself and your family. I cannot share with you your losses, and I agree to make no claim upon you to share in your profits." This, I repeat, is the logic of the present wages system, and it is perfectly sound and just in its basis and principles.

The admission to Co-Partnership is not a right that the employee-worker can of necessity claim. It is obvious that there must always be the right with each of us to choose our partners by mutual consent if the true Co-Partnership spirit is to be maintained. The employer-capitalist can choose his partners, and does choose them, from those who can give him the best help and can best strengthen his business, either by contribution of capital or assistance in the management of the business; and in making this selection of partners every care and effort is directed to avoiding entering into a partnership that may prove undesirable in practice. The happiest and most successful relationships in business life have been realized under the partnership system, and it is equally true that occasionally, from various causes unforeseen at the time, private partnerships have proved disastrous,

both from the point of view of prosperity of the business and the happiness of the partners. But the intention has always been the same, namely, to help and strengthen the business and to share the responsibility and risks of the business between the partners. I am confident that, viewed in this light and not as a profit-sharing device, which in my opinion would be wrong, a Co-Partnership relationship with the employee-worker would be an added source of strength to any business to which it could be applied, and increase the prosperity and happiness of both the employer-capitalist and the employee-worker. The principles of Co-Partnership between these two would be as logical and as sound and practical a business arrangement as between any body of partners, and one that might be just as wisely entered upon.

Under the operation of our modern industrial developments, capital is generally raised from a body of shareholders, in the form of ordinary shares. These ordinary shareholders divide amongst themselves the total remaining profits of the business after payment of all claims for salaries, wages, interest, and other prior charges. The ordinary shareholders of a company are practically the partners who control the destinies of the company by their vote, but it is very rare for any of them to be engaged actively in the business as employee-workers. It can never be a source of strength to the business that the whole of the surplus profits, after paying a reasonable and proper rate of interest, should be entirely devoted to dividends to ordinary shareholders. I am convinced that the best interests of the ordinary shareholders would be better served, both in regard to the rate per cent. of their dividends and the security of their capital, if the surplus profits could be divided, under some scheme of Co-Partnership, between the employee-workers and the ordinary shareholders of the business.

It is not in the best interests of the success of any business nor the progress and development of British industries as a whole that the entire surplus profits should take only one channel, and that channel a direction away from those most interested in the business, and upon whom must depend the continued success of the business. It would not be right to view this question of Co-Partnership from any benevolent point of view. There can be no philanthropy in business. But the cultivation of a spirit of Co-Partnership and of a keen interest in the firm in which the employee-workers are engaged is not philanthropy but sound policy. The whole of the goodwill of any business, which goodwill is often of greater value than the actual bricks and mortar, plant and machinery, depends on mutual confidence. The employer-capitalist and the ordinary shareholders to-day view the employee-worker solely as a liability. Employees are not liabilities, but the most valuable asset of any business.

An objection often raised to Profit-Sharing, and I think rightly raised, is that there can be no Loss-Sharing. Under the system of Co-Partnership, Loss-Sharing can be linked up with participation in profits. After all, what are the losses of capital for the employer-capitalist? His losses of capital are that certain shares that he holds, by purchase or original application and payment, have become valueless because they have ceased to have earning capacity. One has often heard of shares in some company that have entirely lost their earning capacity being only fit to make into spills to light cigarettes with—their capital value has become *nil*. Equally, the Co-Partnership certificates issued under a scheme of Co-Partnership to the employee-workers would be only so many specimens of printing and absolutely valueless, if the power of the business to earn profits had ceased, notwithstanding all the efforts of employer-capitalist and employee-co-partner.

It is quite obvious that under a system of Co-Partnership, whereby an employee-worker receives each year an allotment of Co-Partnership certificates, in proportion to the amount of his salary or wages and the length and value of his services, and which Co-Partnership certificates are, during the Co-Partner's connection with the firm, entitled to dividends in proportion to the dividends paid to the ordinary shareholders, the Co-Partner would see the number of Co-Partnership certificates growing each year. He would experience the fact and realize the cause why dividends in some years were higher than others, and why in some years, from unavoidable causes, dividends might fail to be earned or paid. He would realize the direct connection between profits and all the problems that the Management have to solve in a business, and in this way the employer-capitalist would have secured a partner whose brain would be at work as well as his hands in effecting economies and avoiding waste in the business, and in making suggestions for the improvement of processes and improvement in the organization of the time of himself and comrades, so that profits might be increased and higher dividends be paid.

I claim that the employer-capitalist is not reasonable if he expects, in exchange for wages, any more than the performance of the services which he has contracted for. But in addition to services that could be rendered on a wages system, there is that constant thought and care outside business hours equally as during business hours for the good of the business which the employer-capitalist himself does constantly manifest, or his capital would be in danger and his profits might never materialize.

Under a system of Co-Partnership the employer-capitalist would have all his employee-workers who had been with him a certain number of years as Co-Partners, now

realizing that their interest in the business equally with that of the employer-capitalist ran along the lines of increased output and of cheaper costs of production, and there would come what I may call "team-work," which in the Army is, as you know, called *esprit de corps*, and which results in a spirit of comradeship in overcoming all obstacles, and which spirit is specially manifested in times of difficulty and danger.

And now let me say a word on the value of a better organization of time devoted to income-earning in its effect on education of brain, body, and mind, and the power it would give the State for training citizens for military service. In all change shifts the shift workers who one week worked in the morning would the next week work in the afternoon, so that there would be for every one the morning or afternoon free each week alternately. From fourteen to eighteen years of age there would be for boys and girls two hours morning or afternoon each day required by the State to be devoted to higher grade education and physical training. From eighteen to twenty-four the State would require that these two hours be devoted each day to technical and higher education, such as is provided to-day only in our Universities, and for physical training, and from twenty-four to thirty years of age the State would require that these two hours each day be devoted to military training and preparation for National Service. After thirty years of age the citizen would have completed his period of compulsory attendance under State Regulations, and would be fully equipped by education and training for all the duties of citizenship, and might reasonably be trusted to make, as did St. Paul, but in his own way, his own voluntary contribution to social advancement and betterment.

But whilst my endeavours have been to record the

views I hold, and hold very strongly and sincerely—that Governments of themselves cannot create wealth, and that the power of Governments to confiscate or tax wealth is strictly limited within the range of such rates as will produce the largest cash income for the service of the State without danger of check or hindrance to the production of wealth and opportunities for employment—and whilst I have endeavoured to show that we shall require the labour of all adults of both sexes and of all classes, from peer to peasant, to repay our war indebtedness and to provide products for home consumption and for exportation overseas; and have, further, endeavoured to show that work also has its limitations of profitable production, and that to overstrain employee-worker or employer-capitalist is not to produce the best results from either, I hold equally strongly that Governments can render such services of the State as will furnish opportunities and facilities, encouragement and stimulus for the creation of wealth by the citizens who have entrusted the State with powers of government. The State should and could make concentrated and well-considered efforts to provide every facility for honourable enterprise and honest industry. Our mercantile marine must be protected at sea and provided with ample harbour and dock facilities in the ports of the Empire. Shipowners, manufacturers, and merchants must be encouraged and helped by an efficient Consular and Foreign Office service so that our ships may sail over every sea and our flag be flying in every port. The State can improve our banking system by encouraging and stimulating our bankers to render increased credit facilities for the manufactures, trade, commerce, and mercantile marine of the Empire. In our Crown Colonies our Government can construct roads and bridges, build railways, open up new and rich territories of virgin forests, fertile soils, and rich minerals

to developers, planters, and traders on terms that would encourage and justify private enterprise in the investment therein of capital. The State can improve the sanitation and healthiness of our villages, towns, and cities at home and in the Colonies, and so not only lengthen human life but reduce the toll on productiveness caused by ill-health. Government can protect child-life and see to its welfare, and can improve our educational system so that we get the utmost in the finished product for the many millions we spend upon education, so that the child of the employee-workman can have the opportunity of becoming as well educated as the child of the employer-capitalist. Government can remove all incidence of taxation and rating, local or Imperial, from improvements on land such as houses and buildings of all kinds and from machinery, and provide that all such taxation and rating shall, in future, be provided from local and Imperial income tax source and on site values. All obstacles, in short, for the development of the resources of the Empire at home and overseas must be removed and every facility, encouragement, and security be given to stimulate the production of wealth, otherwise what right or title have we members of the British race at home and overseas in the possession and enjoyment of a world-wide Empire on which it is our boast that the sun never sets? If our Government is not sufficiently far-sighted or so wise as to foster facility and encourage great industries capable of producing enormous surplus wealth by the enterprise of her citizens within this world-wide Empire, which would not only find employment for all but provide a basis for taxation of incomes that would enable us to repay our war debts, then the British Empire is suffering from the palsy of old age, and we shall soon cease to exist as a World-Power. Empires rise and fall as they are well and wisely or badly and stupidly governed.

Under wise government they become rich and powerful, their ships sail over every sea and carry the national flag into every port; their Colonies cover whole continents; their peoples are happy and contented, well housed and well fed, and not overwrought to maintain themselves in comfort in homes where, with wife and children, life lengthens and joy deepens; their rulers and statesmen are honoured and respected by surrounding nations, who can view without bitter feelings of wrong to themselves a world-wide Empire wisely governed with every facility and opportunity, and where welcome is given to all right-minded citizens of all right-minded nations. Nothing can be better for the progress of civilization and the well-being of the whole world, than such a government of such an Empire. And it must with equal truth be stated that there can be no more pitiable sight in the whole world than such an Empire held and possessed by a nation that has neither the vision nor the intelligence to wisely develop or justly govern. "Where there is no vision, the people perish."

XIV

SOCIALISM, OR EQUALITY VS. EQUITY

It has always appeared to me that the question of Socialism or Individualism resolves itself very largely into a question of Day-work or Piece-work. We require to produce commodities for mutual consumption, and Socialism would appear to be a question of whether these can best be produced by a system of Day-work, and Individualism to be a question as to whether it would be more profitable to the community as a whole to produce them by what may be called Piece-work. We all agree that evils exist in the great extremes of wealth and poverty in the world to-day, but when Socialists propose remodelling society on a very high plane of intelligence, they do so without first endeavouring to find out what are the lines on which society can best make progress. If Socialists would content themselves with pointing out the goal which we are all aiming for, namely, the greatest possible amount of social well-being and comforts for all, and then if they would join in concentrated efforts to the discovery of what direction ought to be taken to ensure these benefits in accordance with the principles underlying all society, I venture to think that we should make greater progress in the future than we have done in the past. Sometimes we can see, say in Switzerland, a beautiful mountain whose summit is clothed in perpetual sunshine, but if in attempting to reach that summit we disregard all the precipices and ravines that have to be crossed—make no effort, in fact, to discover the only road that can safely

be taken—in all probability we shall never arrive at the summit.

So with a higher civilization we cannot disregard the constitution of society, nor can we disregard the very slow rate of progress we can make in the future, as we have made in the past, during the countless ages mankind has taken to develop to our present not very high state of civilization.

Now, before we come to the question of its distribution, let us consider what are the elements that enter into the creation of wealth. The principal elements are three: Labour, Capital, and the Employer. It is not a question of Labour and Capital alone; the Employer is as essential as the other two, and the Employer may be a private individual, or a Board of Directors, or a Government or State. Labour is wisely represented when organized by Trade Unions working on their own individual lines. Now, in the production of commodities the payment of wages to Labour is under the present conditions the first charge which has to be met. The next fixed charge is the payment of interest on capital. The payment to the employer comes last and is not fixed: it is variable. In fact, all that the employer can get for his labour is the leavings after Capital and Labour have received what has been agreed upon.

Sometimes there will be a loss; that is to say, not only no leavings at all, but an actual loss, in which case, after the employer has been exhausted, Capital may share in that loss. But under the present conditions not only is it a fact, but it is a law of the land, that the payment of wages must not suffer loss under any circumstances whatever. Therefore, under the present state of society, payment for labour is a first charge on production, equivalent to a first mortgage or a debenture bond.

Now, what do the Socialists propose? They propose

to nationalize all the implements of production and to make the State the owners of all capital, and therefore the one and only employer. But, by nationalizing the implements of production they will not have abolished capital: they will have altered the nominal ownership of capital, but they cannot abolish capital, and for this reason—that capital is essential to production. Now, let us suppose it was considered that as a first step towards nationalizing the implements of production, mills, tools, machinery, and railways should all be confiscated. I don't suppose that this is seriously proposed by Socialists or by any one, but we will imagine for the moment that confiscation would be carried out and private ownership cease. That would not abolish capital. Railways would wear out, mills would become old-fashioned as to machinery, and would want renewing; and how would this wearing out be remedied and machinery be renewed? It could only be by the employment of labour to build fresh mills, to make fresh railways, and for this work labour would have to be paid. To provide payment for labour, loans would have to be raised on the credit of the nation as a whole and interest on them would have to be paid. Therefore, although temporarily, for a few years only, by the confiscation of all the means of production, the private ownership of the capital of the country might cease, this would not be permanent. From the very moment the nation took over the implements of production there would be decay going on, renewal would become necessary, and capital would again assume its position and would again be a charge on the undertaking.

Neither would Socialists have abolished the employer, whose salary is at present a variable quantity. The employer would still be required just as much in the nationalized industries as when enterprises were carried on by private individuals, but under the new conditions the

employer—that is, the State—would be represented by managers, who would have to be paid fixed salaries. Then we should have effected this change only: that whereas formerly the employer took for remuneration only the leavings (if any) of Capital and Labour, the employer would now take, as manager representing the State, a fixed salary to be added to the cost of production.

We have still got Labour to consider. Now, we have seen that under the present system Labour receives wages whether production is successful or not, and we have also seen that under the altered system proposed by Socialists, managers, representing the employer, would require to receive fixed salaries, whether production was successful or not, and would rank equal with Labour as a prior charge on production. When accounts came to be balanced in these nationalized industries, they could only be balanced by advancing the prices of the articles produced, at the expense of Labour, because Labour is always the greatest consumer. The consumption of products being mainly by Labour, it would result that the wages of Labour would cease to be real and become nominal; that although wages had apparently not been reduced, their purchasing power had been reduced, and that therefore Labour would actually be receiving less in real wages, although the same in nominal wages: consequently, under the system proposed by the Socialists, Labour would have changed places with the employer.

Now, with regard to the employer. Management, to be really effective, must have a direct interest in the results of its labour. There is a peculiar quality, call it temperament or what you will, about management, that is produced under the present system by which management is the employer and is compelled to take risks, inculcating that alertness and activity of mind, that perfect

mingling of caution with audacity, that grasp of possibilities, opportunities, and contingencies, which make all the difference between success and failure. Therefore, Management, being paid a fixed salary, would not be brought into that state of tension, that bending of the bow, as it may be called, which is so essential to good management. Not being controlled by Labour, because Management would still have to control Labour; not being controlled by Capital, because Capital would still be a fixed charge on the business, but being controlled perhaps by some elective body, taking the form probably of a council appointed or elected for the purpose, the whole temperament of Management would be changed, and I venture to say it is not in that way that we can improve the position of Labour. The bow would be un-bent and useless.

The profits earned by employers are not great, if averaged over the whole of the industries of the country. If we include those undertakings which, instead of making profits, are making losses, and take the average over all, I venture to say that employers as a body would make more money as managers under a system of fixed salaries than under the present system, and that the production of goods would not be cheaper but dearer under the system advocated by Socialists than under our present system, imperfect as that system is and wasteful in many directions.

One of the most clearly defined of our human aspirations is a desire for Equality. It is upon this yearning of humanity for Equality that the Socialist, the Anarchist, and the Bolshevist found their hopes for the realization of their ideals as to the re-organization of Society.

But they are following a mirage of the desert—a will-o'-the-wisp—that can only lead them into a waterless, barren land, where hunger and famine are the constant

accompaniment of life, or into a quaking bog where mankind would sink into slime and ooze and death.

For let it be noted that this yearning for Equality is never coupled with any basis of Equity. It is a desire for an equality that would divide the wealth of others amongst those who consider that such division would bring gain—not loss—to themselves.

The Trades Unionist, Artisan, or Socialist desires to share with his employer, but will not agree that his labourer should share with himself, nor even receive the same rate of wages as himself. His interpretation of Equality is that he should say to his employer, "I am equal with you," but not that he should also say in Equity to his labourer, "You are equal with me." When the Socialist wears khaki he has to accept the gradations of rank and pay that follow from Private to Corporal, from Sergeant to Lieutenant, from Captain to Colonel, and so on up to Field-Marshal, but in industries the Socialist claims equality with all above him, whilst denying equality to all others beneath him. We all wear khaki throughout our lives, invisible to all eyes but our own, but our own conscience sees our uniform, and we appoint ourselves to our own rank, and no man chooses for us.

The basis of all social conditions and advancement is the law of service to others, and in this only can we realize Equality and Equity with both the man above and the man below us. The earliest manifestation of selection amongst most primitive men was that they chose as their King Ruler the man most distinguished by prowess in defending them from their enemies, and right down to the present day Kings are looked up to to serve their peoples. When Kings cease to make service to their peoples their title to Kingship, and demand instead service from their peoples, that moment Kings have themselves signed their own abdication. Neither King nor

Priest, nor politician, nor people, nor capitalist, nor employer, nor employee-worker who has ceased to serve can survive, and no Socialist "cure-all" can produce equality in value or fruits of service until our Creator sends us into this world all equal in health, strength, energy, and ability. There will always be gradation of rank of service from King to peasant, from Field-Marshal to Private, from Admiral to Jack Tar. Equally by service and by service alone in Business, Science, or Art come gradations in rank and advancement.

Gigantic combinations, whether called Trade Unions or Trusts, or Labour or Capital, which are solely concerned with their own selfish, narrow aims and ideals cannot succeed or continue any more than a one-winged bird can fly. Their continuance depends on their fulfilling the eternal law of service. That great truth is as immutable as the law of gravitation, and service means, to work for and to serve others. It does not mean "ca' canny" by a "Trade Unionist," or slackness and competition dodging by the Employer-Combine; nor does service for others mean overstrain or work beyond limits of continuance in frenzied competition with fellow-man—that is War, not Service. The Employer-Capitalist or Employer-Worker, or Socialist, or Anarchist, who thinks only of Equality and ignores the Equity of service, will stand no chance of survival under modern social conditions of life. Life is a game that must be played with scrupulous fairness. The outstanding law of life is service to others and just and equal rights and liberties for all. Life will not surrender a bishop for a knight, nor a queen for a rook. However alert we may be we shall never catch Equity napping in that way.

Either by ourselves directly, or by our fathers or forefathers, the corresponding service must have been rendered. We can inherit good health or ill-health, strength

or weakness, strong mentality or feeble-mindedness, energy or slackness, application or inertia, with their corresponding rewards or punishments "to the third or fourth generation of those that serve." No typewriter or calculating machine more correctly records the key we ourselves or our ancestors have struck than does Life record our service, be it high or low, noble or mean. Equity is depicted as silent but scrupulously just and pitiless. Nature or Equity—call it what we will—knows no pity. The game of life is difficult and our antagonist Equity is wary and adept, but victory always rests with the man whose life conforms most successfully to the rules of service. Equity or Nature is always more than willing to be checkmated by the man of boldness who brings courage and efficiency and noble service to the game. And equally true it is that Equity will exact the fullest price for every false move and for every error and blunder of ourselves or of our forefathers. Nature or Equity—call it what we will—is absolutely infallible. Judas thought to sell his Lord for thirty pieces of silver and make a profit on the deal. But he only sold himself and brought about his own suicide. Cain sought his own happiness by killing Abel, but he only achieved his own misery and undoing. And these truths are written large through all the pages of History. All down the echoing vaults of time there comes only one recorded note as the basis of success, and that note is—service to others.

It is quite out of the power of any one of us to escape from our ego any more than we can escape from our own shadow in an open field on a sunny day. Our ego is the central force of our very life and being, and consequently we are all by nature Individualists and not Socialists. We are all egoists just as surely as snow is white and coal is black. All snow is not alike in whiteness, but all snow is white. All coal is not alike in black-

ness, but all coal is black. And so we may each of us differ individually, but we are all egoists—we cannot avoid being so if we would and we would not if we could. But rich or poor, high-born or low-bred, saint or sinner, peer or peasant, philosopher or fool, wolfish or lamb-like, bold or timid, courageous or cowardly, we are all egoists.

Even whole nations are egoists. The Germanic nation are egoists in their ideals of "Mittel Europa" and world domination. Great Britain, France, Italy, United States and their Allies are egoists in opposing this Germanic ideal. All our best Heroes, Statesmen and Citizens have been egoists, and believing in themselves have worked for human happiness, have saved mankind from disaster, or have deluged the world with blood, suffering, hardships and misery according to their ideals and ideals of their ego. Lincoln, Washington, Cromwell, Pitt, Wellington, Nelson, Napoleon, Cæsar, and Alexander were all egoists of different ideas and ideals. An ignoble idea of self, a weak, feeble egoism is the root of all evil more surely than any other cause.

As is the compensating balance to the watch, or the safety valve to the boiler, so is the power of self-criticism and self-valuation to our ego. The power of self-criticism must be as true and exact as a beam scale with just balances founded on accurate self-knowledge. It is when our ego is self-judged by the power of self-criticism that it leads us to power and dominance over all the forces which oppose our aims and ideals. We can only fulfil our full and useful service when we have impartially subjected our ego to the searchlight of self-criticism.

The unique attribute of the successful man, who does accomplish results as compared with the mere dreamer, is this power of self-criticism. The great power of an ideal is not so much in the ideal but in the balanced ego-

ism of the idealist. If he be a true egoist then he possesses the inward strength to realize his ideal. Without this inward force of the egoist the ideal will never progress beyond a dream.

The world owes its position and advancement to-day not to self-distrust and self-effacement, but to the self-centred individualists, well-balanced egoists who, with confidence in themselves and faith in their ideals, have dared and done all for their realization and achievement. It has been said that the British are a nation of shopkeepers; that the Americans are thinking only of the dollars; and Bismarck had a saying that Germany was a nation of servants. Her soldiers are drilled units of humanity. Her workmen are dragooned into service, but they are consequently, as rank and file, not equal in ego to the rank and file of other races. They lack the ego of individualism and its power of initiative.

We are egoists because we are human. We serve with our ego the happiness of others because we are Divine as well as human. It is the Divine in us that triumphs always and ever; it is the base in our ego that lowers and destroys us. But through it all our ego is to each of us what the sun is to Nature, and we can no more triumph without our ego than Nature can produce food and flowers without the central radiance and power of the sun.

But whatever we call ourselves—Individualist, Socialist, or Anarchist—we cannot escape by adoption of any name or badge the obligation laid upon us of service for others. That must be our highest ideal and the goal to which we travel in our national and personal aims and ambitions. And let us consider the joy of ideals founded on service to others. First, there is the joy of the ideal itself, the inspiration. Then our inspiration to achieve that ideal. Then the joy of tireless and ceaseless applica-

tion to overcome all obstacles and difficulties, and, lastly, the final joy of realization.

But we so often fix our attention too much on the goal of our ideals rather than on the best methods to adopt to make sure of reaching that goal. The point is not how high we can climb or how far we can travel each day, or year, or life-time, to reach our goal, but to see that our methods are true and right for ourselves and posterity. If we are to concentrate solely on our ideals and not equally concentrate on methods that will stand the test of all conditions of time, then we are no more likely to reach the summit than would be an Alpine Climber who, with eyes fixed on mountain peaks, ignored the ravines, precipices, rivers and glaciers he had to traverse and overcome.

The Socialist would look to attain a higher state of civilization by the giving of all power to Governments. The Anarchist would hope to attain the same ends by the denial of any power to Governments. There have always been two types of Government—one nearest to Socialistic ideals, and the other nearest to Individualistic ideals, but there is no record of social life in communities without Governments. From the days of ancient Egypt and ancient Rome there have been Governments that pauperized the people; that gave doles for a cheap loaf; doles for house-building that the workman might pay less for his bread and less rent for his house than he had received for his labour as the cost of their production. This type of Government is considered by Socialists to be the protector and guardian of the people, and is said to live and exist for the people. The other type of Government gives no doles for cheap bread or cheap houses. It believes that the individual should be a freeman and self-supporting. It concentrates on Justice and Equity and equal rights for all; favouritism or pauperizing for

none. This Government is proud of its reputation that its policy is to encourage the people to live for themselves.

Every act of the Socialistic Government makes each man's penny—the penny of those who receive Government doles equally with the penny of all others—worth less than one penny. Every act of the Individualistic Government makes each man's penny worth more than one penny in the comfort, health, and happiness it places within his reach.

Reward must be linked to effort, and without effort there can be no reward. It is only when we play the game of life, not on the basis of asking and looking for doles and grants from Governments, not on the basis of "ca' canny" or cunning, but on the basis of whole-hearted service for others, that we can reach the sublime heights for ourselves, and make it the easier for all others to reach there and to attain to a full and complete life of happiness.

Who can set a limit on the influence of a human being for good or ill? But we are poor and feeble whatever may be our wealth or health, if we lack the leisure to satisfy healthy wants of mind and soul as well as of muscle and body. Material, individual, and national progress is inseparably interlocked with the progress and development of men, women, and children as individuals. We have seen in Russia the collapse of hopes for betterment founded on the fallacies of Socialistic theories. We are a democratic nation living under the finest and most sane and stable form of Government the world has ever known—a Constitutional Monarchy—and it would be nothing less than a scandal if we, a democratic nation and empire, could organize successfully for War at short notice, as we have done, and could not equally successfully and rapidly organize for Peace.

There is a saying amongst sailors that if the wind were always south-west by west then children might take ships to sea. But we British with our brave Allies have for over four long years on individualistic, democratic principles successfully weathered the tornado hurricane of this present World War, and surely we can successfully navigate in the calmer winds of Peace. Our only ally that has dropped out has been the Ally misled by Socialistic fallacies, but that Ally will, let us all hope, yet turn from these fallacies and, rejoining her friends, achieve liberty and freedom.

Our greatest hindrance for betterment reconstruction after the War will be that we always find it difficult to shake ourselves clear of prejudice and preference for former habits and lines of thought. The inertia of former habits of thought and habits of action is difficult to overcome, and inertia makes cowards of us all. But science was making rapid progress, and moving with accelerated speed during the War, and will move with still more rapid strides immediately Peace follows on War.

It is true that as marked by figures on a calendar there is a greater interval of time from the days of Adam to the days of Sir Isaac Newton than from the days of Sir Isaac Newton to to-day. But as marked by the progress of science, civilization and of the unlocking of the secrets of Nature by man, and his acquisition of correct knowledge of the universe and of the infinite power of such natural forces as electricity, there has been a greater span and interval from the days of Sir Isaac Newton to the present time than in all the preceding centuries since the foundations of this world were laid.

It is Science, and the wealth of Capital and mechanical utilities made possible by Science, that have raised mankind from a race of cave-dwellers clothed in skins of

beasts into house-dwellers clothed in scarlet and fine linen. And yet it is these very modern conditions of life that have given us power for increased production, accompanied by lessened exertion, that are viewed as powers that can be made to produce greater well-being if they are accompanied by a policy of "ca' canny." The workman fears the mechanical utility, believing it reduces employment, and is obsessed with the fallacy that Capital and the Capitalist, which have made Science and machinery possible, are the sworn enemies of the workers, whilst a closer examination of these operations would prove that both are the best friends the workers and mankind have ever enjoyed for the service of man. But to the ignorant or partially informed the truths of knowledge and facts of history do not exist any more than if they were not. The present-day attitude of Trades Unionists to labour-saving machinery is just as logical as if our cave-dwelling ancestors had decided that the first inventors of bows and arrows, canoes, and fishing nets or clubs and spears for the men who hunted, fished, or fought, were likely to bring about periods of distress through over-production by giving increased facilities for securing more game and fish, and better defence from attack, involving social danger that might bring ruin in its train if not "cabined, cribbed, and confined" by "ca' canny" methods.

We are told that the cave-dweller had a shallow, receding skull fashioned like an inverted saucer and which skull held little more than a spoonful of brains. He did not worry about Socialism or any other "ism"; and let us thank God that he had brains enough to see that the inventor who invented for him the mechanical utility, crude as it was, of a bow and arrow that enabled him to kill the fleeing deer without the necessity of running himself off his legs on foot chasing after the deer, or who in-

vented the mechanical utility of the canoe and nets which enabled him to catch more fish in an hour than he could take in a month without them, or who invented the club and spear that enabled him the better to defend his wife and children from attacks of enemies, and so live in greater security and comfort, could not possibly be other than his friend; and that every mechanical utility that enabled him to produce more food and clothing with less exertion, and in greater safety for his wife, children and himself, was something to be sought after and to be employed without hesitation or doubt as to future ill effects.

The greatest of our utilities to-day for the production of more food and clothing, with greater safety and comfort for our wives, our children and ourselves, is Capital; for Capital is the result of the developed heart and mind of man which has enabled him to produce more than he consumes. Hence we get stored-up Capital. Capital to-day is mankind's best friend, which with magic wand, harnesses the waste forces of Nature into the service of mankind, making the desert places and wildernesses of the earth to blossom and bring forth food and clothing and to provide comforts for our sheltering homes. And yet Capital and the so-called Capitalist system is the most abused, the most misunderstood and probably the best hated of our institutions. Without Capital and the Capitalist there could be no machinery, no mechanical utilities, or opening up and development of our Colonies or of the distant waste lands from the frozen North or South poles through the torrid tropics and temperate zones. Unless some one had rendered service to others by self-denial, in order to save up Capital with which to purchase machinery and mechanical utilities, our feeble physical strength could not produce one-hundredth part of the food, clothing, shelter, and bare necessities of life required to main-

tain our highly civilized modern life at one tithe of its present level of comfort, health, and happiness.

Capital, machinery, and mechanical utilities, plough, sow, cultivate, and harvest our fields; milk our cows and prepare our food ready for consumption; spin, weave, and make our clothing; dress our leather and make our boots and shoes; make our furniture and carpets, and erect our houses, build our ships, locomotives, and engines; and by electricity can light and heat our homes, cook our food, clean our knives and our boots. A vacuum cleaner will sweep our floors, carpets, and curtains. Machines typewrite our letters, add, subtract, and multiply our calculations for us, set up the type for and print off our newspapers, and, in fact, perform for us, without entailing strain or overwork on ourselves, thousands of services too numerous to describe, which, without the aid of Capital, machinery, and mechanical utilities we could never by our own feeble strength accomplish.

Capital, machinery, and mechanical utilities bear our heaviest burdens for us and prevent our own backs from being broken under the heavy load we would otherwise have to bear, or be forced to return to the misery and discomfort of the life of our ancestors, the cave-dwellers. If Capital, machinery, and mechanical production were withdrawn from the world to-morrow, or their service to mankind curtailed, or hindered, or arrested, this would cause millions of our fellow creatures to perish, and force the remainder to exist in abject misery and wretchedness. In awe and wonder we exclaim this is a machine age, and that it is all too wonderful for us to understand or realize, or adequately appreciate.

But the modern street-corner orators and Socialists, and large masses of employee-workers, and ill-informed Trades Unionists attack what they are constantly denouncing as the "Capitalist system," and they speak of

“Wage Slavery,” “Capital,” “Machinery” as the cause of each and every ill that a distorted imagination can depict. Even religion and Christianity are described as part of the Capitalist system of “Wage Slavery.” If our Christian religion and its Founder teach us that our own well-being and happiness are absolutely dependent for realization on the extent of our own services and the services of our fathers and forefathers to our fellow-man, and that service to our fellow-man is a duty we can never disregard without bringing suffering also on ourselves, then revolutionary orators declare that religion is a device of the so-called “Capitalist system” for the enslavement of mankind, and is “fundamentally” wrong, and one that must be abolished by the “proletariat” as the enemy of the people. Talk to the man who would carry the “Red Flag” through the land, talk to the Socialist or Anarchist of increasing production, or of volume of output and its relation to the costs of production, and you receive a vacant stare from out their bloodshot eyes and a scornful reference to “Capitalism” and “Wage Slavery.” They hold all increases in production as solely the exploitation of the workers, and they view machinery and mechanical production as part of a “Capitalist System” and “Wage Slavery” to be met and defeated only by Trades Unionist secret rules for limiting output by “ca’ canny” methods. Abolish the “Capitalist System,” abolish “Payment of Interest,” abolish the “Wage System,” confiscate all wealth, let all the industries of the country be run by Committees of Workmen without Capitalist heads to guide, direct, and control, and they declare we shall then have discovered the secret of “Perpetual Motion” in our industries, the “Philosopher’s Stone” of Government, the “Elixir of Life” for social well-being, and the “Transmutation” of baser metals into gold for every employee-worker, and finally

that but for the so-called "Capitalist System" and so-called "Wage Slavery" mankind would bask in the perpetual sunshine of satisfied wants and realized ideals without any corresponding labour.

This mental outlook of the Socialist and Anarchist has been cartooned by a satirist in a French journal, who depicted some Bolshevik workman reading a poster put out by the Bolshevik Russian Government, which reads, "Our soldiers and citizens are without bread and all other necessaries. Let every citizen do his duty and work"—the Bolshevik workman's comment being, "Work!! Our Government has betrayed us. The Capitalists have triumphed."

But "if a man will not work, neither shall he eat" must always be the law of the universe, and instead of Capital, machinery, and mechanical utilities being the foes of the worker, making his laborious task the harder, they are just as much his friends and more surely improvers of his condition, and are even more necessary to his civilized existence than were the first club, spear, bow and arrow, canoe, and net invented for the use of our cave-dwelling ancestors.

Who and what are the Capitalists? Every man or woman with good health, good character, common sense, who exercises self-denial and practises the essential law of service to others, can become a Capitalist.

Capital and wealth or health are the results that Equity records in the game called Life, when we strike the keyboard letters and figures with habits of industry, economy, attention to duty, service to mankind, and hard, concentrated work. Every man or woman lacking in these qualities will become bankrupt in Capital, wealth, or health, even if he or she inherited the same from father or remoter ancestors, who had possessed and had practised them. Nor can Capital, wealth, and health be fraudu-

lently acquired and retained. Poverty and ill-health are the record of Equity in the game called Life when the keyboard letters and figures of fraud or of idleness, extravagance, slackness, selfishness in regard to others have been struck by ourselves or our fathers. But when we see Capital, wealth or health, poverty, or ill-health, we view them as causes not as effects. It would be as reasonable to view the rosy flush of health or the pustules of small-pox as the cause of health or disease. But with these manifestations we do not fall into any such error. We know they are not causes, and we recognize them as effects, and as the outward and visible sign of good health or ill-health.

It would be just as logical and productive of service to mankind to declaim against health and strength as it is to declaim against Capital and Wealth. The more we desire to produce conditions that result in rosy cheeks of health and strength, the more we find ourselves dependent on the conditions that equally are necessary for the production of Capital and Wealth. Do we wish mankind to become each succeeding year the possessor of more Capital and of more Wealth, Health, and Strength, then we must make easier the practice of the qualities that lead to the acquisition of either and both. We must do nothing to discourage the acquisition of Capital and Wealth, any more than we should discourage the acquisition of health and strength; otherwise we shall bring suffering and distress on the whole human race—on ourselves equally with all others.

If we could bring greater prosperity and happiness on mankind by preventing the fertile valley from yielding a more plentiful and a richer harvest as compared with less fertile soils, or by preventing the cow that was a good milker, the hen that was a good layer, from producing more than the poor milker or poor layers, we might then

achieve prosperity and happiness by preventing or discouraging the man or woman of exceptional powers for the acquisition and the production of Capital, Wealth, or Health, from producing more than was produced by those of feeble powers for the acquisition of either. Any attempt at limiting the powers of the individual to acquire wealth is like endeavouring to lower some one's standard of health because it is higher than the average. The healthy of a community are a source of strength to all others, and so are the wealthy. What we require to do is not to weaken the strong or impoverish the wealthy, but to show to the weak and the poor the way to become healthy and wealthy.

Our hope for the future is a deeper and wider knowledge and a broader outlook, a frank discussion without prejudice or temper. We are, in our industrial and economic conditions, merely like a healthy, strong child that has grown faster than it could be provided with new clothes. No blame attaches to Capital for this, and no blame attaches to Labour; both have become entangled in the strong currents bearing along the drift weeds of previous growths. The strong and wealthy are as helpful and generous as the sickly and poor would be if they were to change places. Men work and are saving and frugal, not only for themselves, but for their wives and children. If we abolished distinctions between men there would still be the strong and the weak, the healthy and the ailing, and consequently the rich and the poor. The healthy and strong of to-day may be the sickly and weak of to-morrow, and the wealthy of to-day may become the poor of to-morrow, and the children of the poor of yesterday will then take their places. The brightest hope for the future is our ever-increasing healthy wants and ever-increasing desire to live and enable our children to live in greater happiness and comfort. The old wage will

not supply the new wants, and science and the better organization of our industries enable us by increasing production to reduce the hours of toil, increase the wages, and cheapen the product.

On these lines our future happiness lies, and not on dreams of an impossible Socialism. Already we see the coming of a new day, and are warmed by the glorious rays of its rising sun.

THE END.

INDEX

- Accidents, precautions against, 168-75
Agriculture as an example of unrestricted output, 192-3
"All Electric" scheme, the, 35
America, labour, conditions in, 50-1
 production in, 13, 35, 50-1
 machinery and wages in, 201
 inequality of wealth in, 222
Australia, working conditions in, 53
Birkenhead, prosperity of, 161
Borrowing, 97, 255
Boy Scout movement, 41
British national debt, 19
Business, 132
 truthfulness in, 139-40
 overconfidence in, 142
"Ca'canny" policy, the, 1, 7, 13, 17, 53, 191, 209, 254
Capital—
 and Labour, 56 *et seq.*
 dependent on management and labour, 93
 its obligations, 107
 and Henry Ford, 203-5
 as agent or broker, 212
 basis of prosperity, 253-61
 greatest of utilities, 255
 attacks on, 256-8
Capitalists, definition of, 258
Capitalist system, results from, 118-19
Certificates, Lord Leverhulme's scheme of, 97-9
Combines, 247
Comfort of employees, 8
Commercial supremacy, 44-5
Competition, 90, 106
Co-operative system, 120
Co-partnership, 63, 69-84, 133, 144, 177, 232-6
 and management, 85-112
 and efficiency, 113-30
 at Lever Brothers, Limited, 109-11
Cotton industry, 72
Courtesy in business, 139
Crompton's and Arkwright's spinning-loom, 219
Daylight saving, 135
Day-work *versus* Piece-work, 103
Death duties, 46
Democracy, 48
Divisional Committees, 166-8, 173
Education, 40-3, 178-9, 215-16, 287
Efficiency, 113 *et seq.*
Egoists, 248-50
Employers, capable and incapable, 75
Employers and employees, 16, 18, 183-4
Employment, regulation of, 92
Equality, not based on equity, 246
 sincere claims for, 222
Equity, 246-8
Evening classes, 41, 178
Excess profits tax, 207
Factory Act Legislation, 28-9
Factory Acts Amendment Bill debate, 26-7
Factory buildings, 165
Factories, shortage of, 39
Ford, Henry, 203-5, 211, 215
Free land for housing, 155-8
George, Henry, theories of, 11
Golden Rule in business, 116
Government, its powers and duties, 239-40
 dependent on labour, 225

- types of, 251-2
socialistic, 252
- Hadfield, Sir Robert, quoted, 33-4
- Happiness, 5, 12
John Bright's definition of, 225
- Health and housing, 145-68
Health insurance, 47
Health of munition workers, 32
Home, importance of, 6
love for, 48
Housing of working classes, 146, 162
in London, 21, 155-6
- Income tax, 46, 88, 182, 207, 228, 230
"Industrial Administration," 185, 191
Industrial system, flaws in, 88
Imitation, 135
- Jeans, Miss Victorine, quoted, 28
- Labour—
British attitude toward, 4
conditions in America, 50-1
as a Debenture Holder, 69
eligibility of, for Boards of Directors, 43, 107-8
laws ineffective, 209
relations to capital, 58 *et seq.*, 118-19
under Socialism, 251-2
"Labour the source of all wealth," fallacy the, 202, 205
and production of wealth, human factor in, 77
Labour and Capital, 56-67
Labour unrest, 9-11, 40, 64, 68, 113, 197
Land, division of, 105
Leisure, importance of, 199
Liberty, definitions of, 225
Liverpool, overcrowding in, 148
London, in Cromwell's time, 219
overcrowding in, 148
death-rate in, 151
Loss-sharing, 89, 101
- Machine power *versus* human energy, 14-16
Machinery increases wages, 201
Management and Labour, 86 *et seq.*
Manchester Ship Canal, 203
Monotony, deadening effect of, 8, 20-1
- National debt, 19
National prosperity, seven pillars of, 218
- Output, maximum, 33
absorption of, 36
and shorter hours, 190-2
of English-speaking races, 52-3
Output, restriction of, 7, 13, 49, 57, 189, 194
Overcrowding, 147-52
- Partners, sleeping, 134-5
active, 136
People's budget, the, 209
Philanthropy not desirable, 103, 147
Port sunlight, statistics of accidents, 174
births, deaths, and marriages, 179
Preference shares, 99
Problem, employer's greatest, 183
Production, 17
quality of essential, 37
after the war, 37
increase of, 189, 198, 215
Profit-sharing, 71-132
defined, 87
Prosperity-sharing, 80-1
- Raw material, 39
Rents 154, 159-60
Rockefeller, 212, 215
Ruskin, quoted, 195
- "Safety Bulletin Boards," 171, 189
Safety Inspector's Report, 170
Self-interest in business, 85

- "Scientific Management," 185-6.
 Service the law of life, 44-7
 Shaftesbury, Lord, speeches in
 1844 and 1866, 29-30.
 Sharing of capital, drawbacks
 in, 95-7
 Shop committees, 164 *et seq.*
 Six-hour day, 23, 36-7, 39, 179
 and education, 40
 gain by adoption of, 54-5.
 Six-hour shift, the, 20 *et seq.*
 Socialism, 243-6
 Socialist criticisms answered,
 103-5
 Society, interdependence of, 9-
 10
 St. Paul, cited, 231
 "Staff Training College," 178
 Strikes, 91
 Supply and demand, 200

 Taxation, proper basis of, 22
 fair proportion, 46-7
 Ten Hours Bill, 36
 Tenements, 147-50
 Trade, fluctuations of, 44-5
 Trade unions, 194-5
 in British colonies, 53
 and co-partnership, 67-8
 and profit-sharing, 71
 Trades Unionist, the, 246
 Training essential, 14, 42-3
 Trust and distrust of Labour, 4

 Vernon, Dr., report of, 32

 Wages—
 wartime demand for increase,
 17
 after the war, 18
 relation to output, 20
 under co-partnership, 22
 and cost of living, 25, 51
 logic of present system, 51
 adjustment of, 91
 increase of decreases earnings,
 117
 and better conditions, 128
 in America, 191-2, 201
 in agriculture, 192
 increased by machinery, 193
 in China and India, 201
 "Wage slavery," 257-9
 Wages boards, 127
 Walton, Cecil, quoted, 34-5
 Waste, avoidance of, 19, 49, 136
 Wealth, 11-13
 inequality of, 45
 and labour, 205-7
 conscription of, 224-7
 production of, 230
 confiscation of, 197
 necessary to human welfare,
 259
 Welfare work, 21, 165-79
 Work, blessings of, 45
 necessity for, 258
 Works Committees, 166-9
 Workers, intelligence of, 6
 in United Kingdom, 20
 Working day, 20, 230
 Workmen's dwellings, 156

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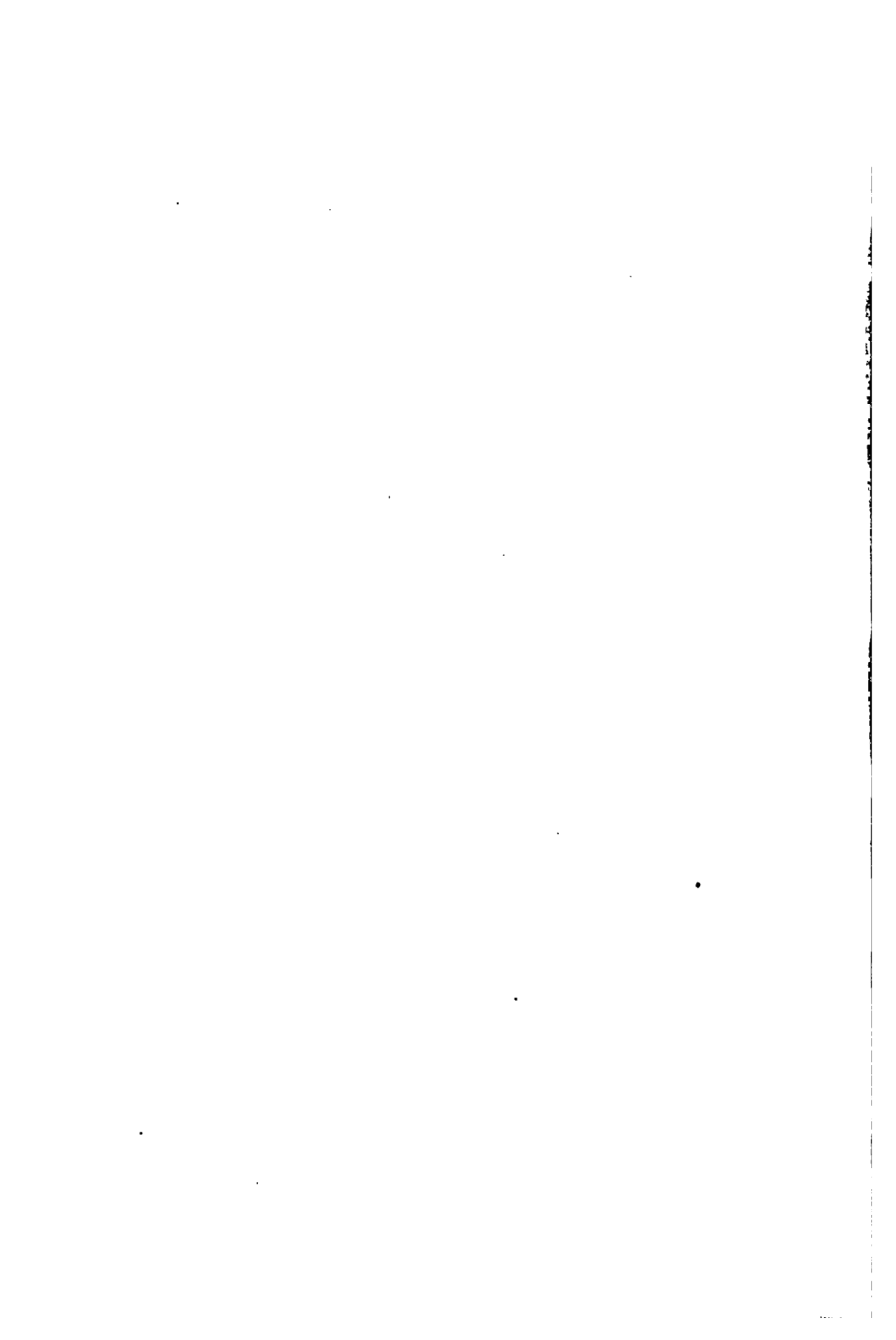
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