LABOUR AND WAGES

Reprinted from the "Manual of Political Economy."

BY THE

RIGHT HON. H. FAWCETT, M.P.,
Professor of Political Economy in the University of Cambridge.

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PREFACE.

When the new edition of my *Manual of Political Economy* was published a short time since it was suggested that the republication, in a cheap form, of some of the chapters which specially refer to questions affecting the interests of the industrial classes might be useful. In this little volume five chapters have been selected for republication, and in all of them I think it will be found that subjects are considered which are likely to engage an increasing amount of public attention.

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LABOUR AND WAGES.

CHAPTER I.

REMEDIES FOR LOW WAGES.

No question in economic science can be of more practical importance than the attempt to ascertain the causes which regulate the rate of wages. In no country has capital increased more rapidly than it has in England during recent years; the extension of our commerce and the increase of our national wealth have been quite unprecedented. Numberless statistics may be quoted, each of which would prove a wondrous development of our commerce and trade. In twelve years, from 1849 to 1861, our exports advanced from 60,000,000l. to the value of 120,000,000l. ; they were in 1882 306,000,000l. ; there has been a corresponding increase in our imports; for they have steadily advanced until in the year 1882 they reached the value of 413,000,000l. The opinion is not unfrequently expressed that this remarkable growth of wealth has not been accompanied by any corresponding improvement in the condition of the labourers, and it has been contended by, amongst others, Mr. George, in his Progress and Poverty, that there has been no improvement at all. Although the progress in the condition of the working classes may have met with some temporary check, yet if we take a review of a considerable period, it can, we believe, be conclusively established that there has been a marked improvement in the general condition of the industrial classes since the adoption of free trade, the extension of the railway system, and the introduction of other improvements in the means of communication. At the time (1842) when Sir Robert Peel began his series of great financial reforms which ultimately led to the complete abolition of protection, there was scarcely a single article of foreign produce imported which was not heavily taxed. At that time our tariff contained about 1,200
import duties: nearly the whole of these have been repealed, and at the present time almost the entire amount of the revenue levied on commodities either of home or foreign growth is obtained from six articles—spirits, wine, beer, tobacco, tea and coffee. The remission and reduction of duties, and the removal of all protective imposts upon foreign products have materially cheapened almost every article of general consumption except meat and dairy produce, and this reduction in price is particularly felt in unfavourable seasons. Formerly, when there was a falling off in the supply of home produce the restrictions that were imposed upon foreign importation often caused the necessaries of life to advance to almost a famine price, and widespread misery resulted which is now happily never witnessed. Miss Martineau, in her admirable History of the Thirty Years' Peace, gives a most vivid description of the state of the country in 1841:—"The distress had now so deepened in the manufacturing districts as to render it clearly inevitable that many must die, and a multitude be lowered to a state of sickness and irritability from want of food. . . . In Carlisle the Committee of Inquiry reported that a fourth of the population was in a state bordering on starvation—actually certain to die of famine unless relieved by extraordinary exertions. . . In Stockport more than half the master spinners had failed before the close of 1842: dwelling-houses to the number of 3,000 were shut up: and the occupiers of many hundreds were unable to pay rates at all. Five thousand persons were walking the streets in compulsory idleness."

It is almost impossible now to form a conception of the abject misery in which many of the agricultural labourers lived in those days. I can well remember when the ordinary wages of agricultural labourers in Wiltshire and Dorsetshire were not more than 7s. or 8s. a week. Some striking examples of the abject wretchedness of many of the rural population are to be found in Mr. John Morley's Life of Cobden. "In Somersetshire the budget of a labourer, his wife and five children under ten years of age, was as follows:—Half a bushel of wheat cost four shillings; for grinding, baking and barm, sixpence; firing, sixpence; rent, eighteenpence; leaving out of the total earnings of seven shillings a balance of sixpence to provide the family with clothing, potatoes, and all the other necessaries and luxuries of human existence." In Devonshire the anti-corn-law lecturers found that the labourers "seldom saw meat or tasted milk; and that their chief food was a compost of ground barley and potatoes." (Life of Cobden, Vol. I., p. 156.)

1 Mr. Thorold Rogers, in his recently published book, Six Centuries of Work and Wages, states that "during the first twenty years of the nineteenth century the price of wheat was on an average 98s. 6d. a quarter." Bread must consequently have been in these years quite twice as dear as it is at the present time, and wages in almost every branch of industry were considerably less than they now are.
Although there may now be fluctuations from year to year in the condition of the industrial classes, nothing can more conclusively show the marked improvement which has been secured than the fact that although we have lately had to contend with a series of unfavourable seasons, and many branches of industry have been seriously depressed, yet there has been no approximation to any such wide-spread suffering as that which has been just described. Severe losses have within the seven years, from 1876 to 1883, had to be borne by those engaged in agriculture and other branches of trade, but it cannot be doubted that these losses have in numerous instances fallen more upon the employer than the employed; for far from there having been any scarcity of food, the price of all articles, except meat and dairy produce, has been exceptionally low; and this diminution in the cost of living has not only provided the labourers with a compensation in those cases where wages have been reduced, but has enabled a period of trade depression to be tided over without that wide-spread misery which had so often to be endured in the past.

Although I have thus endeavoured to show that there has been a decided advance, yet it cannot be denied that the general condition of the people admits of almost indefinite further improvement, and remedies are constantly being proposed with the object of improving the condition of the poor. The practical utility of Political Economy cannot be better illustrated than by applying its principles to test these remedies. When this is done many of them will prove to be impracticable or illusory; it will be shown that they not unfrequently cause the opposite effects to those which they are intended to produce, and increase the poverty they seek to alleviate. Strikes, trades'-unions, and cooperation are the remedies for low wages in which at the present time different sections of the labouring class place most faith. I shall therefore devote a separate chapter to the influence which may be produced by strikes, trades'-unions, and cooperative societies. There is also a growing tendency to rely, for the amelioration of the condition of the poor, upon various schemes which involve State aid and State machinery. Many of these assume the character of State socialism, and it will be desirable also to devote a separate chapter to this subject. The scheme known as the Nationalisation of the land, has at times received a great deal of popular support. But before discussing these subjects, it will be well to consider some other remedies, in the efficacy of which many people have at different times expressed great confidence.

Our own statute-book proves that the attempt has frequently been made to regulate wages by law. The most famous of these acts, which almost invariably were framed in the supposed interest of employers, is the Statute of Labourers passed in 1350. This act was intended to prevent the great rise in wages which had taken place in consequence of the scarcity of labour resulting from the devastations of the plague.
known as the Black Death. Not only did it fix the rate of wages, but it also forbade the labourer to leave the parish where he lived in search of better paid employment.

Laws which attempt to regulate wages are always either futile or mischievous. It will be necessary to examine several cases in order fully to elucidate the effects of legislative interference with wages. In the first place, suppose a general law were passed enacting that wages in every employment should be raised 20 per cent. If employers were unable to repay themselves for the higher wages they were compelled to give, by a rise in the price of commodities, it is evident that this advance in wages would simply represent so much taken away from profits. The immediate consequence of this would be a contraction of business. Capitalists would find it less profitable than heretofore to invest money in home industry. A larger portion of the national capital would be exported; a great advantage would be given to our foreign competitors in every branch of industry. They would undersell us even in our own markets; our foreign and our home trade would be most seriously crippled. The result therefore of any attempt to secure a general advance in wages by law would be mischievous to the whole nation and especially disastrous to the labourers themselves. It is also to be borne in mind that if any temporary advantage which the labourers might gain by such an enforced rise in wages should stimulate an increase of population, there would after a few years be an additional number of labourers competing for employment, and thus the condition of the working classes might ultimately be made considerably worse than it was before.

It may be thought that these evil consequences would not ensue if a law to regulate wages only affected some special trades, in which all are ready to admit that wages are too low. In order to examine a case which seems to be the most favourable for Government interference, let it be assumed that a law is passed declaring that no able-bodied agricultural labourer shall receive less than fifteen shillings a week. It can be urged that no man ought to receive less than this amount; and that, in fact, fifteen shillings a week is the minimum upon which a man with a family can maintain himself in full health and vigour. It is probable that employers would be benefited if the wages of the worst-paid labourers were raised. An opinion has in fact been expressed, that farmers who only pay their labourers eleven or twelve shillings a week act as unwisely as if they were to give an insufficiency of food to their horses. Facts indisputably demonstrate that the labour which receives the lowest remuneration is often not the least costly. It would therefore seem that a law fixing the minimum of agricultural wages at fifteen shillings a week would not only confer a boon upon the labourers, but would inflict no loss upon their employers. Such might be the immediate effects of this legisla-
tion; but unless this advance in wages were accompanied by a corresponding elevation in the social and moral condition of the labourer, earlier and more improvident marriages would indubitably ensue. An increase of population would thus be artificially stimulated; a legislative discouragement would moreover be given to emigration; in a few years the supply of labour would be unnaturally increased; nothing would at the same time have occurred to augment the demand for labour. Hence the ultimate effect of legislative interference with wages even in the most favourable case that can be supposed would be to produce an excess in the supply of labour when compared with the demand for it; or, in other words, there would soon be a large class unable to obtain employment who would have to be supported by parochial relief.

It may be said that no one at the present time seriously proposes to ask Parliament to regulate wages. Such a request is now never directly made; but demands are constantly put forward which plainly show that many still continue to be influenced by the same fallacies which formerly misled those who considered it to be the duty of Governments to regulate wages. In some of the states of the American Union laws have been passed fixing a day’s work at eight hours. Such a law would certainly find favour with some workmen in England. A programme has lately (1882) been put forward by an influential section of French workmen, advocating a universal reduction of a day’s work to eight hours, and also that the State should fix the minimum of wages, varying this minimum each year with the cost of provisions.\(^1\) With regard to the proposal to place a legal limit upon the length of the day’s work it is with much plausibility argued that if this eight hours’ law were passed, labourers would probably receive as much for eight hours’ work as they do now for ten hours’ work; for it is said that the supply of labour would be diminished, and therefore its remuneration would be proportionately increased, if men were forbidden to work more than eight hours a day. In order to show the fallacy of this reasoning, it will only be necessary briefly to allude to some of the consequences which as shown above would ensue if a law were passed to raise wages. Employers would find their profits diminish if they had to pay as much for eight hours’ as for ten hours’ work. This diminution of profits would cause capital to be withdrawn from business, and our industry would be crippled. It may, however, be argued, that employers could recompense themselves by charging a higher price for their commodities. It must not, however, be forgotten that each country has to carry on a keen contest with foreign competitors. England, therefore, would have to succumb to her foreign rivals, if the price of her products were thus artificially raised, and her trade would consequently be paralyzed. But even supposing that she had nothing

\(^1\) See articles by M. de Laveleye in *Fortnightly Review*, April, 1883, and *Contemporary Review*, April, 1883.
to fear from foreign competitors, and that a rise in general prices sufficient to compensate employers for increased wages could be maintained, the additional remuneration received by the labourer would be nominal and not real; if he obtained a greater number of shillings for a certain number of hours' work, these shillings would be of less value to him than before; for since general prices have risen they would possess less purchasing power.

Many, no doubt, are induced to advocate legislative restrictions on the hours of labour, from a conviction that at the present time men are often over-worked, and that as much would be done if the hours of labour were shortened. If this opinion be correct, employers could of course afford to pay the same wages for a shorter day's work. Every one would rejoice if such a change were brought about; for it is most desirable that the hours of toil should be as far as possible diminished, so that men may have more leisure for physical and mental enjoyment. Nothing is a greater reproach upon our vaunted material progress, and nothing more surely indicates the grave defects in our existing economic arrangements, than the fact that a vast augmentation of national wealth has hitherto done so little to make the labourer feel that his struggle for existence is less severe. But if it is true that as much work can be done in eight hours as in ten, employers should be made to recognise the circumstance, not by legislation, but by experience. It is not difficult to foresee the inconvenience and the countless anomalies that would arise if a law were passed on such a subject. Different kinds of labour vary greatly in severity. It can scarcely be seriously argued that when work is light as much can be done in eight hours as in ten. Some labour is so exhausting that, at the present time, eight hours is considered a full day's work. For instance, in the Cornish copper mines, the men who work underground never work more than eight hours in a day; whereas those who are employed in lighter work upon the surface labour for ten hours. It may be hoped that in future, workmen will have increased opportunities of showing what is the best time for a man to continue working in different employments. If cooperation should extend, and industry should more largely be carried on upon the principle of allotting some share of profit to workmen, a greater number of labourers will be engaged in various kinds of business on their own account; they could therefore ascertain from their own experience what in each special case is the proper length of a day's work. No discovery would be more valuable in its social and economic aspects than if they could demonstrate that many of our labourers would be able to do more work if they received higher wages, or if they were employed for a smaller number of hours during each day.

To provide work for the unemployed is a service which many think they have a much greater right to demand from the Government than
the regulation of wages by law. It will be desirable to trace some of the consequences that would ensue, if every applicant had a right, not only to demand work from the Government, but to receive the ordinary wages. When such a privilege was first granted, it might prove very beneficial to the labouring classes, and would not probably be injurious to the general community; but if the privilege were continued, its ultimate effects would be most disastrous to the nation. If the Government were compelled to find work for the unemployed, it would be necessary to provide the money, either by loan, or by increased taxation. If the money were supplied by loan, it would still be necessary to resort to increased taxation in order to provide the interest. So far as the money expended by the Government in giving work to the unemployed was obtained from capital previously invested in home industry, an influence would be brought into operation to lower general wages. In such a country as England, however, the experiment might continue for some time without leading to such a diminution of capital, because there might be a considerable increase of taxation without lessening the capital employed in home industry. There would be therefore, in the first instance, a real gain for the working classes, if the wages paid to labourers by the Government were obtained, not from capital, but from a reduction in the personal expenditure of the tax-payers, or from a diminution in the amount of capital invested abroad. This benefit would not necessarily be confined to the labourers; for a Government may frequently increase the wealth of a country by applying a loan, or increased taxation, to public works, which would not be carried out by private enterprise. It therefore appears that, if a great number of labourers were thrown out of work by some sudden and unavoidable cause, a Government may be justified in promising, as a temporary expedient, to find work for the unemployed. Such a policy need not in any way cripple the productive resources of the country, because the money which is paid away by the Government in wages will not, in the first instance, be provided out of the capital of the nation. Most disastrous consequences, however, would ensue, if the Government continued to give employment to all applicants; for population has an indefinite power to increase; and, therefore, no limit could be assigned to the numbers which Government would be compelled to employ, if it engaged to give work to all those who applied for it. If Government offered such assistance to the working classes, there can be no doubt that, in the present state of society, an increase in population would be so powerfully stimulated, that the number of those seeking employment would be constantly augmented; at last the resources of the nation would be strained to the utmost to provide the wages which the Government would be called upon to pay. This is no imaginary supposition, for statistics have demonstrated that many among the lower classes of
society marry with utter recklessness. If they can live when they first marry, they are perfectly contented; the additional expenses which a family entails are not thought of. If, therefore, Government found work for all applicants, marriages amongst the labouring classes would be so encouraged, that increase of population amongst them would no longer be restrained by any prudential considerations. The State, therefore, could not continue to find work for the unemployed, unless a law were passed imposing severe checks upon the increase of population. The absolute necessity of this precaution is shown in our own system of Poor Laws. Every parish is bound to provide all those who are charged upon it with food and clothing sufficient to protect them against physical want. But those who claim this relief can be compelled to reside in the workhouse, where they are subjected to certain restraints; man and wife, for instance, unless they are very aged, are not permitted to live together; if this were allowed, union workhouses would become establishments for breeding hereditary paupers, and the poor-rate would soon absorb the whole wealth of a parish. It therefore appears that there is a fundamental difficulty connected with all attempts to improve the material condition of the poor by any permanent system of relief; for population is encouraged by granting pecuniary assistance to the poor, and consequently the money required for such a scheme of general relief would constantly absorb an increasing amount of wealth. This difficulty can only be met by placing some check upon population; and it would be impossible for our present Poor-Law system to continue, if man and wife were permitted to live together in the union workhouse. It is not here necessary to pursue this subject further; as the influence exerted by the Poor-Law upon the condition of the labourers will be considered in a separate chapter.

In considering any scheme for improving the condition of the poor, one of the chief points to keep in view is to endeavour if possible to effect so marked an advance in their condition that they will not willingly sacrifice the higher standard of comfort which they have reached. If the improvement effected is only slight there is a danger that it will not be sufficiently valued to prevent its being lost through some form of improvidence. Any scheme of general philanthropy cannot, therefore, be really efficient, unless it so decidedly improves the condition of the working classes, that they are lifted into a different stage of social and material comfort. Some of the lower classes marry recklessly, because they do not feel that they have any social position to maintain; and they often live so miserably that they cannot be said to have an habitual standard of comfort, such as they will not willingly resign. Men in the middle and in the upper classes will not, as a general rule, marry, if they expect to be obliged to live in an inferior state of comfort, and to bring their children up in a
lower social position. Similar prudential motives would control the labouring classes if their material condition could be once greatly improved. They would then possess, as the middle and upper classes do now, an habitual standard of comfort, which they would not willingly sacrifice by improvident marriages.

The natural conclusion to be drawn from these remarks is that no remedy for low wages can be really effectual unless it increases the efficiency of labour, and secures a social and moral improvement in the condition of the labourers themselves. This being the case, it will not be difficult to show that national education will be the most powerful agency in effecting a real advance in the condition of the poor.

Little need be said in reference to the increased efficiency which is given to labour by education. There is scarcely an industrial process which does not require a mental as well as a physical effort. It has until recently been generally assumed that agricultural operations vary so little from year to year, and that the implements with which the land is cultivated are so simple, that education is of little importance either to a farmer or to his labourers. But gradually the truth is beginning to dawn even upon farmers themselves, that agriculture, as much as any other industry, requires skill and intelligence; that in order to realise satisfactory profits costly and complicated implements must be used, and that these cannot with safety or advantage be entrusted to unskilled workmen. Employers in every part of the country now complain that each year it is becoming more doubtful whether England will be able to maintain the commercial supremacy she once possessed: the countries which are becoming her most formidable competitors are those which like Prussia and the United States have long since established a system of national education. Increased dexterity, greater power of concentration, superior trustworthiness, quickness in discovering a new industrial process and in learning how to use a new machine, are some of the many industrial advantages which the labourer whose mind has been trained, generally possesses over one who has grown up in ignorance.

A not less important influence, however, is indirectly exerted by education upon the efficiency of labour and upon the prosperity of industry. Ignorance almost invariably implies premature employment. Millions in this country are unable to read and write, not because there were no schools within their reach when they were young, but because their parents, either through ignorance, poverty, or selfishness, sent them to work at too early an age. Frequent allusion has been made to the deplorable ignorance of our rural labourers; yet it is well known that there are few of them who were not at school when very young. A child, however, who is taken from school when eight or nine years old rapidly forgets almost the whole of the little he has learnt. Wide-spread ignorance, therefore, is a sure indication that a
considerable proportion of the population has had inflicted upon it the manifold evils which result from premature employment. Health is sacrificed, physical vigour is diminished, and strength often becomes exhausted at an age when men ought still to be in the prime of life. The mischief which thus results is not confined to the labourers themselves; the whole community suffers a severe pecuniary loss if the industrial efficiency of those by whom wealth is primarily produced is impaired. Many who are thus made prematurely old have to be maintained by parochial relief, at a time of life when they ought still to be productive labourers. In this way the burden of local taxation is seriously increased.

Each year facts are coming to light which show that the competition which England has to carry on with foreign countries is more keen and more closely contested; and the balance of advantage may not improbably ultimately turn in favour of the country which has the most intelligent and best educated workmen. Again, the complaint most frequently heard from English employers is, that industry is impeded by the heavy burdens of local taxation; and that trades' unions enforce upon employers regulations antagonistic to the principles of Political Economy. The importance to be attributed to this latter allegation will be considered in a subsequent chapter upon strikes and trades' unions. It is here sufficient to observe, that if a child is allowed to grow up in ignorance, it can scarcely be expected that when he becomes a man he will possess the requisite knowledge to enable him to guide his actions in strict accordance with the principles of economic science. With regard, however, to the pecuniary burdens which the industry of this country has to bear, no one can doubt that this is an evil of great and increasing significance. It is almost needless to state that to crime and pauperism are in a great degree due the onerous charges which our industry is compelled to bear. Statistics indisputably prove that ignorance is the fruitful source of crime. The vast majority of convicted offenders are unable to read and write with facility. It may be said that drunkenness is the most powerful promoter both of crime and pauperism; but there is manifestly an intimate connection between intemperance and ignorance. Men will frequent the public-house if they are unable to derive enjoyment from rational pleasures; for leisure, instead of being a blessing to them, hangs heavily on their hands.

England has only enjoyed a system of national education since 1870, when the Elementary Education Act was passed; and evidence is beginning to be afforded of a very gratifying diminution in crime, drunkenness and pauperism. Since 1869 the number of persons convicted of criminal offences in England and Scotland has decreased by nearly 25 per cent. It is calculated that the decrease in the consumption of spirits between the year 1875-6 and the year 1882-3 causes an annual
loss to the revenue of 5,000,000l.; and within the last ten years the number of persons in receipt of parochial relief in Great Britain has decreased by about 25 per cent. notwithstanding that there has been during the same time a considerable increase of population, and depression in many branches of trade. Although the whole of this improvement cannot fairly be attributed to the introduction of national education, yet the facts just quoted afford strong ground for the hope that the diffusion of education over the whole of Great Britain is beginning to produce a marked influence upon its social and economic condition.

In attempting to trace some of the economic consequences which are likely to result from an extension of education, particular importance ought I think to be attributed to the influence that may be exerted in increasing the efficiency of labour. It is almost a truism to assert that an intelligent labourer is as a general rule a more productive workman than one who is unintelligent; for instance, a man of active intelligence can adapt himself much more readily to changes in industrial processes which may be rendered necessary by improvements in machinery, than one who is sunk in stolid ignorance. It is also important to bear in mind the effect that may be exerted upon industrial efficiency by any improvement in the moral condition of the labourers. As an example, reference may be made to the fact that with each advance in the trustworthiness of workmen a smaller amount has to be expended in the mere labour of superintendence; and when work is done with greater activity and intelligence an improvement takes place in its quantity and quality. When this is the case the expenditure of a certain amount of capital and labour yields a larger return, and consequently there is an additional fund from which capital and labour can both obtain an extra reward. I shall have frequent occasion to point out how different are the consequences which ensue according to whether any additional remuneration labour may receive is taken from the employer's profits or is obtained from increased efficiency. In the former case the advantage to the labourer can as a general rule be only temporary, because with a diminution in profits the inducement to employ labour diminishes, and the demand for it

1 See Mr. Childers's budget speech, April 5, 1883.
2 It is greatly to be regretted that the system of national education which was secured for England and Scotland by the Education Act of 1870 and by supplementary Acts which have since been passed, has hitherto not been extended to Ireland. By the application of compulsory education a certain amount of school attendance is now secured to every child in Great Britain. The same obligation is not imposed upon parents in Ireland, and consequently each year the general average of education in Ireland is likely to become much lower than in England. So far as I am aware no valid reason has ever been suggested why the State should repudiate for Irish children a responsibility which it has assumed with so many good results with regard to children in the rest of the United Kingdom.
consequently declines. When however higher wages result from the increased efficiency of labour the advance in wages will be generally accompanied by a corresponding increase in profits, and therefore in this case instead of higher wages calling into existence a force to reduce wages there will be an increased demand for labour consequent on the rise in the rate of profit.

Although these remarks would lead to the conclusion that greater reliance is to be placed upon improved education than upon any other circumstance to secure a permanent advance in the labourer’s condition, yet it would not be desirable to underrate the importance of many other agencies that may be brought into operation. A most beneficial influence, for instance, may be exerted, not only upon the working classes but upon the general industry of the country, by any improvement in the means of communication which leads to increased facilities being given for the migration or emigration of labour. Relief is thus not only given in those cases where the supply of labour is in excess of the demand, but the labour which is drafted away is often of inestimable value in developing the resources of those places where labour may be scarce. The United States, as well as Canada, Australia, and other colonies, owe much of their rapid increase in wealth and prosperity to the supply of labour they have received from Europe. These new countries not only afford many advantages to labourers, but the supplies of cheap food which they furnish to a thickly-peopled country like England are of incalculable importance. In return for the supplies of food we receive from them, they take from us manufactured goods, and thus an exchange mutually beneficial takes place.

In the chapter on cooperation, other agencies, such as building societies, will be referred to, as calculated to exert an important influence in improving the condition of the labouring classes. It is I think essential to avoid the mistake of placing too great reliance upon any single agency for effecting social improvement. What is required is simultaneously to bring into operation every available means by which the condition of the poor is likely to be ameliorated. If a marked advance can be secured in the condition of one generation, it is far less likely that there will be a relapse into the former state of things. It is perhaps not unnatural that the advocates of any particular scheme of social improvement are apt to place too high an estimate upon the effects produced by its operation; and many instances might be quoted of the reaction of disappointment which ensues when it is found that the expectations at first indulged in are not realised. As an example, it may be mentioned that some forty or fifty years ago extravagant hopes were formed of the benefits to be conferred on labourers by the system of allotment gardens. There can be no doubt that these allotments exert a most beneficial influence. They are not, however, in
themselves sufficient to raise the condition of a class. Too much was in fact expected from them. People became disappointed, and many high authorities on economic subjects have subsequently underrated their advantages. It has, for instance, been maintained that, in the case of our worst-paid labourers, an allotment only acts as a rate in aid of wages; that these labourers obtain from their wages and their allotments only just sufficient to live upon; and that, consequently, their wages would have to be advanced if they were deprived of their allotments. In some cases there is a certain amount of truth in these allegations; but as the labourers gradually improve, the produce obtained from an allotment must represent a real addition to wages. When allotments can be provided for town labourers, they not only supply much produce which would be expensive to purchase, but they furnish a healthy and most desirable occupation for leisure time. The greatest care should therefore be taken to secure land for allotments. The Enclosure Act of 1845 specially provided that when land was enclosed some portion of it should be reserved as allotments for the labouring poor. These provisions have been most shamefully ignored. In the year 1869 a bill was introduced into Parliament by the Government to enclose in different parts of the country 6,900 acres of land, and the whole amount reserved as allotments for the labouring poor was six acres, with three acres for purposes of recreation.

Sometimes it is urged, with the supposed object of benefiting the poor, that our remaining waste lands should be brought under cultivation. Those who make such a demand should remember that since the commencement of the last century nearly 5,000,000 acres of land have been enclosed. Evidence which has been repeatedly given before Parliamentary Committees indisputably proves that in the case of almost all these enclosures the interests of the poor have been systematically neglected. The land which has been thus enclosed has sooner or later been added to the large estates of neighbouring proprietors. Land over which the public could exercise many most valuable rights and privileges is, when enclosed, converted into private property. The opportunities for recreation and for enjoyment are not only greatly curtailed, but labourers who have been accustomed to graze a cow or feed poultry upon a common never again have a similar opportunity when the common is enclosed. Those who possess rights of common are no doubt, in the first instance, compensated; but the benefits of this compensation rarely extend beyond those who receive it. The small plot of land which is allotted to some poor commoner is almost certain to be sold; whereas his rights of common constituted a property which could not be alienated. Formerly it was advantageous to bring unenclosed land under cultivation, but enclosures have now in almost every locality gone far enough. Every new proposal for destroying a common should be watched with the utmost
jealousy. Such public lands as commons must each year become of
more value and importance to the whole community, in a country
where land is so scarce and so eagerly sought after as it is in
England.

Many other remedies for improving the condition of the poor have
from time to time excited public attention. The efficiency of these
may be tested by considerations similar to those which have been men-
tioned in this chapter. The question of primary importance is this.
Will the agency proposed exert an influence to make the poor rely
upon self-help? It will be shown in the chapter on State Socialism
that there never was a time when it was more necessary to apply this
test; for in our own and other countries various proposals are receiving
increasing support for carrying out social and economic schemes by
funds supplied by the general body of the tax-payers. If the working
classes are encouraged to seek this form of State assistance a most
disastrous effect will, I believe, be exerted in weakening the influence
of self-help and self-reliance.

CHAPTER II.

TRADE'S-UNIONS, STRIKES, AND CO-PARTNERSHIP.

The frequency of strikes has for a considerable period been a
prominent feature in the social condition of England. The labouring
classes would not be always ready to make such great sacrifices to
support a strike, unless they believed that it was an efficient remedy
for low wages. The subject demands a careful and dispassionate
consideration, for the prejudices of each party in the dispute are so
strong, and the feelings excited so angry, that little is heard but
useless recrimination and unreasoning partisanship.

According to popular ideas, strikes are inseparably connected with
trades'-unions, and it will therefore be necessary, in the first place, to
settle the much-disputed question as to the purposes which trades'
unions are intended to fulfil. A royal commission, after an elaborate
investigation, made a report in 1869 upon trades'-unions. From this
report and other sources of information the following conclusions may
be deduced:—Trades'-unions serve two distinct purposes. In the first
place a trades'-union performs the ordinary functions of a friendly
society. A member of one of these societies is assisted, when thrown
out of work either by illness, or by the stagnation of trade. It is

1 It would be an error to suppose that any large portion of the funds of trades'
unions is ordinarily spent in strikes. It was stated by Mr. Frederic Harrison in his
address to the Trades'Union Congress at Nottingham, 12th September, 1883 (see
Contemporary Review, October, 1883), that in the six years between 1876—1881, a
period of great depression of trade, seven of the great trades' unions spent nearly
not here necessary further to discuss the effects of a trades'-union, when it is simply used for the charitable purposes just indicated. But a trades'-union is always something more than a friendly society; its chief purpose is generally to organise the workmen of a particular trade into a combination, sufficiently powerful to enforce various regulations, both upon masters and men.

The promoters of trades'-unions seem distinctly to understand that the most effective way to raise the wages in any particular trade is to restrict the number of labourers who are employed in it. Consequently many of the rules of these societies are framed with the specific object of artificially limiting the supply of labour. Thus some trades'-unions will not permit a master workman to take more than a certain number of apprentices. In the hat trade the number is limited to two. If the union has sufficient power to enforce obedience to its mandates, any restriction which limits the number of those brought up to the trade must exert a direct influence to raise the wages which are paid in this particular branch of industry. For suppose that those who are engaged in the manufacture of hats were freely permitted to take as many apprentices as they pleased, the number of journeymen hatters in the country might be very much increased. Let it be assumed that there would be twenty per cent. more journeymen hatters than there are now; under these circumstances there would be a greater number of labourers competing for employment in the hat trade, and their wages would consequently be reduced. The saving resulting from the lower wages will ultimately benefit those who purchase hats, because the price of hats would be reduced. The hat manufacturers would not be able to appropriate to themselves the saving which would accrue from the payment of a less amount in wages, because, when the cost of producing any commodity is reduced, its price is sure to be lowered in a corresponding degree, since people engaged in the same trade compete against each other for as large an amount of business as possible; and in their anxiety to undersell one another, they offer their commodities at a price just sufficiently in excess of the cost of production to leave them the profit ordinarily realised in trade. It therefore appears that those who purchase any commodity are compelled to pay a higher price for it, and that the wages of the labourers engaged in its manufacture are artificially raised when restrictions are imposed which limit the number of those who are permitted to be employed in the particular trade.

These restrictions can on no grounds be defended; in the first place, 2,000,000£. in allowances to members out of work; and of this vast sum only 162,000£., or less than 9 per cent., were spent in trade disputes. And even this comparatively small expenditure in strikes is in excess of what may be looked upon as normal. Mr. Harrison estimates that the usual expenditure in strikes only amounts to one or two per cent. of the total available resources of the unions. Additional information on this subject is to be found in The Conflicts of Capital and Labour, by Mr. George Howell.
any such interference with the distribution of the labour of the country, amidst its various branches of industry, introduces many most mischievous inequalities. The labour of which some employments are compulsorily deprived is thrown, as a burdensome surplus, upon other branches of industry; and the wages in some employments are consequently as much depressed as the wages in others are raised. The members of a trades'-union, when they usurp such powers, virtually confiscate to their own advantage a portion of the wages which would be paid to other classes of labourers, if industry were unshackled by such arbitrary rules. Although this injustice is striking, yet there still remains to be described a much greater wrong, which is inflicted upon those who are prevented by a trades'-union from following the employment they would select if left to their own free choice. There is no right to which all men and women have a more indefeasible claim than absolute freedom to follow those pursuits in which they think they are best qualified to succeed. The laws of a free country ought to secure to every one this right; for, if it is denied, individual freedom at once ceases to exist. Such a right is denied if a person is excluded by a trades'-union from following a particular employment. It is no excuse for the members of the union to say—Our trade is already overcrowded, wages are too low in it, and it would be disastrous if they should be still farther reduced by an increase in the number of those applying for employment. Every man has a right to judge of such things for himself; he may wish to engage in the trade, because he has a particular capacity for it, and if he is arbitrarily driven to some other employment, he is deprived of the advantages of the skill with which nature has endowed him. It would therefore seem that trades'-unions may inflict upon labourers great social tyranny; it is not the labourers alone who suffer, for every class of the community is more or less injuriously affected. These trades'-unions may imperil the very existence of an industry in any particular district: for the various restrictions imposed upon employers may so much increase the cost of a commodity, as to render it impossible for them to compete against others in the same trade, whose operations are not similarly impeded. Examples may be quoted which prove that some branches of industry have been driven from certain localities by trades'-unions. These societies have long been very powerful in Birmingham, and their efforts were at one time chiefly directed against the introduction of machinery. These efforts were in a great degree successful, and consequently, when steam began to be generally applied, those trades which required much machinery settled in other localities, and the manufactures of Birmingham are to this day in a great degree confined to those branches of industry which require comparatively a much greater amount of manual labour than machinery.

It may perhaps be asked:—How can these trade societies exercise
the influence they do, when every one is aware that when coercion is practised it is not based on any legal sanction? No one can doubt that the members of a trades'-union commit a criminal act, if they attempt, in the slightest degree, to interfere with any individual who does not belong to their society. Although such outrages as once gave an unenviable notoriety to Sheffield are now happily very rare, yet in too many instances it has happened that a trades'-union has maintained its power through a social terrorism which cannot be too earnestly deprecated. Thus a non-union man is often subjected to so many petty annoyances that his life not unfrequently becomes a burden to him; and employers are coerced in a similar manner, if they do anything contrary to the rules of a trades'-union. Thus, if a master, engaged in some business such as wool-stapling, where the trade society is all-powerful, were to employ non-society men, all his labourers who belonged to the trades'-union would at once refuse to work for him, and he would in this way be subject to great loss and inconvenience.

It is not, however, these regulations concerning the internal arrangements of a trade, which have caused so much public attention to be directed towards trades'-unions; the interest excited in these societies has been in a great degree due to their connection with strikes. The trades'-unions have, in fact, endeavoured to regulate wages, and they apply their organisation to compel employers to agree to their demands. If, for instance, it is proposed to reduce the wages in some particular branch of industry where the majority of the men employed belong to a trade society, then, if the leaders of the society consider that the reduction ought not to be made, they issue an order that work should be discontinued rather than accept the reduction. If the reduction is still insisted on by the employer, the immediate consequence is a turn-out of the workmen, or, in other words, a strike. Now it is evident that a trades'-union need not necessarily have the slightest connection with a strike; even if trades'-unions did not exist, strikes might still be of frequent occurrence. A strike implies a combination amongst a large number of workmen, and such a combination is not possible unless a considerable majority of those engaged in any trade agree to act in unison. Such combined action as a strike requires, cannot therefore exist unless the workmen submit to be governed by an organisation. The trades'-unions supply this organisation, without which there cannot be complete unity of action. It is quite possible, however, to conceive that a trades'-union may prevent a strike, and many of these societies have, as yet, never been connected with a strike; still, as long as a great number of workmen in this country are warm advocates of the system of strikes, it is quite certain that trades'-unions and strikes will be intimately connected.

Since a strike requires combination, we have to inquire, when investigating the effect of strikes, whether workmen by combining can
obtain higher wages. It can scarcely be disputed that they possess a perfect right to combine. The right may be, and has been, abused; then, of course, it ceases to be justifiable; but if employers are freely permitted to invest their capital to the greatest possible advantage, the employed may equally claim to be allowed to obtain the highest wages they can for their labour. If, therefore, any number of them choose to form themselves into a combination, and refuse to work for the wages which are offered to them, they are as perfectly justified in doing this as capitalists are when they refuse to embank their capital because the investment offered is not sufficiently remunerative. Workmen, however, do an illegal and most mischievous act, which ought to be severely punished, if they attempt to sustain the combination by force, or if they coerce individuals to join it by threatening to subject those who keep aloof either to annoyance or personal violence. Workmen have sometimes maintained their combinations, not only by acts of violence, but also by various kinds of social terrorism. Justice obviously demands that the blame which attaches to such actions should not be borne by those who never abuse the power of combination. An increasing number of the intelligent artisans of this country each year become more decided advocates of trades'-unions. The influence of these societies is rapidly extending in other countries; it is therefore very important to ascertain the effect exerted upon wages and upon the general condition of the labourer by a legitimate use of the power of combination.

It is interesting to remark, as pointed out in The Economics of Industry (p. 189) by Mr. and Mrs. Marshall, that when trades'-unions first began to be formed at the beginning of this century, they directed their efforts mainly to obtaining the revival of certain restrictions in trade, such as a limitation in the number of apprentices, which had been framed in the time of Mary and Elizabeth. Gradually, however, instead of asking for Government interference, trades'-unionists have so successfully directed their efforts to free themselves from Government interference, that now the right of combination has been fully recognised, and workmen are freely permitted to combine in any manner which would be lawful to other persons.

When investigating the effect of trades'-unions on wages, it is essential to keep clearly in view the fundamental distinction between the permanent and temporary consequences which arise from the operation of an economic agency. In every branch of industry there is a certain position of equilibrium to which profits and wages have a tendency to approximate. A long time, however, may be required to restore wages and profits to this position of equilibrium. Thus the woollen trade cannot permanently continue very much more profitable than the cotton trade, because the competition of capital will gradually induce capital to be invested in the one trade and withdrawn from the
other. Competition cannot exercise this equalising force instantaneously; it takes, for instance, a considerable time to erect new woollen mills, and there will always be much hesitation before men will relinquish such a business as the cotton trade, to which they have been accustomed. Hence, one branch of manufacture may continue for many years exceptionally prosperous, whilst in some other business there may be a corresponding depression.

Competition exerts a similar equalising influence upon wages. If wages in one branch of industry are exceptionally high, whilst in some other they are exceptionally low, labour will be gradually attracted to the business in which the high remuneration is given, and will be withdrawn from the business in which the remuneration is less than the average. But here, again, time is required for carrying out this equalising process. Labourers will rather submit to some temporary loss than change their occupation. A considerable expense will also be incurred if a man has to change his residence in order to obtain a new employment. In some cases it happens that such obstacles as these neutralise the force of competition, not temporarily, but for an indefinitely long period. For instance, the wages of agricultural labourers in some localities are permanently depressed below the average rate. The reason of this is, that the force which competition would exert to advance these wages is neutralised by the labourer being prevented through ignorance and poverty from resorting to those localities where wages are higher. These general remarks enable us more exactly to determine the influence which can be exerted upon the condition of the labourers by the power of combination.

If competition acted instantaneously, or in other words, if profits and wages in every branch of industry were always at their natural rate, it might be at once concluded that the power of combination could exercise no effect either upon profits or upon wages. Suppose, for instance, that workmen by resorting to a strike obtained an advance in wages. This advance would be of no benefit to them, if the competition of other labourers, anxious to participate in this advance, could immediately produce its equalising effect. No conclusion of any practical value can be arrived at on the subject unless the mode in which competition acts is kept steadily in mind. In all those branches of industry in which the competition of labour and capital freely acts, there cannot be secured any increase of profits or wages by a combination either of employers or employed. It has, however, been previously remarked that in some cases the equalising effect of competition is neutralised through an indefinitely long period. This occurs with regard to agriculture in those counties where wages are the lowest. When a branch of industry is in this position, there can be no doubt that labourers can by combining secure a permanent advance in wages. Suppose, for instance, that when the Dorsetshire labourers were earning
only ten shillings a week they received so much extraneous assistance that they were able to maintain a prolonged strike. The farmers, under such circumstances, would almost inevitably be vanquished in the struggle. They would be ruined if their land remained uncultivated, and since the wages previously paid were minimum wages, it would be impossible to obtain labour from other localities unless a higher remuneration were offered for it. The power of combination has, within the last few years, since the establishment of agricultural labourers’ unions, produced some effect in raising the wages of our worst-paid agricultural labourers. When these combinations become more general, various other agencies, such as migration and emigration, will be brought into operation to raise wages. It now remains to investigate the influence which a power of combination may exercise upon wages and profits during the time which always elapses before competition can produce its equalising effect.

When men labour simply for hire, it is manifest that the adjustment of wages is analogous to the bargaining which is carried on by the buyer and seller of a commodity. Although it is no doubt true, that the price, at which a commodity is sold, approximates to the cost at which it can be produced and brought to market, yet the price at which it is actually sold is often to a considerable extent influenced by various circumstances which may happen to place the buyer in either a better or worse position for bargaining than the seller. In a similar way wages ultimately depend upon the amount of capital and upon the number of labourers; yet the wages which, at any time, are paid in a certain trade are to a considerable extent influenced by the relative advantages possessed by employers and employed for carrying on the bargaining by which wages are adjusted. The question therefore arises, Will workmen by combining, or by showing that they have the power to combine, improve their position in carrying on this bargain?

It is well known that employers in various trades frequently act in combination. For instance, the iron-masters in the midland counties hold quarterly meetings at which a scale of wages and prices is fixed. Every iron-master considers himself bound to conduct his trade in strict accordance with the scale agreed upon. If any one should disobey the decision of the meeting, he would subject himself, not indeed to personal violence, but to a social terrorism very analogous to that by which trades’-unionists so frequently maintain their organisations. The recalcitrant iron-master would be abused by his fellow-employers, and very probably an effort would be made to ruin one whose conduct was supposed to be injurious to the interests of his class. It is impossible fully to understand the effects resulting from combinations of workmen unless it is remembered that similar combinations are formed by their employers.
Let it be supposed that the iron-masters at one of their meetings decide, in consequence of a prosperous state of trade, to advance wages 10 per cent. The iron-masters, who like other people are liable to mistakes, may not have made such an advance in wages as the state of the trade would fairly admit. Wages might, perhaps, have been raised 20 per cent., without unduly trenching upon profits. A labourer, impressed with the conviction that an advance of 10 per cent. is not sufficient, demands something more from his employer. The employer, who has entered into a compact with others of his class, as to the wages which shall be paid, must at once feel the advantageous position he occupies in resisting the demands that the labourers make upon him, if they have no organisation for combined action. He knows that if any of them refuse to work for him, they will be unable to obtain higher wages from other employers in the locality; because by previous agreement a uniform rate of wages prevails. A labourer has seldom saved sufficient to be able to maintain himself for any length of time without work; he makes a great sacrifice if he seeks another occupation to which he is unaccustomed, and especially at a time when his own trade happens to be exceptionally prosperous. It therefore appears, that the bargaining which often goes on in adjusting wages, implies a struggle, or a conflict of effort between employers and employed; in this conflict a great advantage will be possessed by those who can act in concert, over those who simply act as isolated individuals. The truth of this will be more distinctly perceived by considering what would occur if, in the case just described, the labourers combined to make a demand for a greater advance in wages. Assume that in the iron trade there is a powerful trades'-union; that all the labourers in the district belong to it, and that they are as well organised as their employers. The representatives of this trades'-union would feel that they were placed in a position of equality with their employers, when making a demand for higher wages; the employer also would know that as a last resource a strike would be agreed upon. This would bring business to a standstill, and thus trade would be suspended when it was very prosperous, and when exceptionally high profits were being realised. The loss and inconvenience thus inflicted upon employers would be a strong inducement to them to yield to the demand of their labourers if it could be fairly conceded. Each party to the bargain would thus be placed in a position of equality when arranging its terms.

In the example just investigated it has been implied that the employers do not, in the first instance, offer an adequate advance in wages. It often, however, happens that the labourers err on their side, and insist upon wages which cannot be fairly conceded. The only security against such errors is the serious loss inflicted both on masters
and men by trade disputes. It is difficult adequately to estimate the loss which is caused to each party by such a suspension of business. The employers not only have a vast amount of capital lying idle, but a very considerable portion of their trade may permanently pass away to other localities. When business is recommenced many of their former labourers have left the district, and their places have to be occupied by inferior workmen. During a strike labourers often endure the most severe hardships; the savings of many years are spent, and so acute is the distress, that even household furniture has sometimes to be sold. All this suffering is aggravated by the losses inflicted on the employers, because if a great amount of capital is sacrificed in the conflict, less will remain to be distributed in wages when work is resumed.

There can be no doubt that in the majority of strikes the masters have been sufficiently powerful not to concede the demands of their workmen. Not only do the superior resources of the employer enable him to carry on the struggle for a longer period, but workmen are generally such unskilled tacticians that they usually strike, not to secure an advance in wages when trade is prosperous, but to prevent a reduction when trade is depressed. In times of depression a temporary suspension of business may very possibly be rather an advantage than a loss to employers. Consequently at such a time the prospect of a strike implies by no means so formidable a threat as when trade is active.

From the tenor of these remarks it appears that strikes are inseparably associated with our present economic system. As long as the relations between employers and employed continue to be analogous to those existing between the buyer and seller of a commodity, it must often happen that the one party will refuse to accept the price which is offered by the other for labour; if the refusal is persisted in, a strike inevitably ensues. When strikes are regarded from this point of view it is as hopeless to expect that legislation can prevent them, as it is to suppose that merchants could be compelled to sell their goods if an inadequate price were offered for them. Something may no doubt be done by conciliation and arbitration, either to obviate or to render less frequent the trade disputes arising between employers and employed.\(^1\) A master who exhibits great personal interest

\(^1\) A plan known as the sliding scale has been in operation for some years in the coal and iron trades in the north of England which has been very successful in preventing strikes. The wages which are paid in these trades are made to depend upon the price of coal and iron, and the particular relation between wages and prices, or, in other words, the scale, is adjusted at intervals of two years. It is evident that this plan is chiefly applicable to those trades where an increase or decrease in profits depends upon a rise or fall in prices. In many industries, however, this connexion between profits and prices does not exist; for instance, in the cotton trade it is well known that trade is generally most active and profits are highest when there is an abundant supply of raw material and manufactured goods can be sold at a low price.
in his workmen's welfare, is generally able amicably to settle any difference which arises in his business upon a question of wages. Experience has also shown that the establishment of courts of arbitration often enables trade disputes to be arranged, without recourse being had to the disastrous expedient of a strike. The efficiency of these courts depends to a great extent upon making a wise selection when choosing an Umpire. It is usual for the employers and employed to have an equal number of representatives in these courts of arbitration. The ultimate decision has therefore sometimes to be made by the Umpire or Referee, who must be a person absolutely unsuspected of any bias towards either party in the dispute.

Such expedients as personal conciliation and courts of arbitration, although exerting a most useful influence, do not provide a completely efficient remedy for strikes. These disputes must be regarded as the natural outgrowth of the existing relations between employers and employed. In order to obtain a complete remedy for strikes, it will be necessary to remove the antagonism of interest now existing between employers and employed. Some plan must be adopted, which will make masters and workmen feel that they have an identity of interest. It is no doubt true that all those who are engaged in any business have a common interest in its prosperity; but the grave defect connected with our present economic arrangements is that the amount of advantage or disadvantage which is derived from prosperous or adverse trade by employers and employed is not arranged according to any definite plan, but is too frequently settled in an angry struggle of rival pecuniary interests. Various schemes have already been tried with considerable success, which correct the defect just alluded to, and which introduce a system of co-partnership or profit sharing between masters and workmen. These schemes are based upon the general principle, that labourers should not work simply for hire, but should participate in the profits which are realised by their industry. It has been previously shown that the power of combination enables workmen more surely to participate in the profits realised in times of active trade. From this it would appear that the power of combination establishes, as it were by force, a co-partnership between employers and employed. If this fact should obtain general recognition it may be anticipated that the principle of co-partnership will be generally introduced into our industry. In order to show that there are no practical difficulties in the way of its introduction, which cannot be

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1 The latest and most complete information on the subject of profit sharing is to be obtained from various articles and addresses by Mr. Sedley Taylor, of Trinity College, Cambridge. These articles, with other information on the subject, have lately been published in a collected form under the title of Profit-Sharing between Capital and Labour.
ultimately surmounted, I will proceed to describe some of the cases in which it has been applied.

One of the first and most valuable experiments was made by M. Leclaire, a house decorator in Paris. The experiment, though well known, is particularly important, because its results have been verified by the most accurate testimony. In 1840 M. Leclaire employed about 300 workmen, and the carelessness and apathy of his men subjected him to constant loss and annoyance. He therefore resolved that he would endeavour to make the labour of his men more efficient by giving them some pecuniary interest in the work in which they were employed. He calculated that each workman by putting more zeal into his work could, without prolonging the hours of labour, produce surplus work equal in value to 6d. a day; and also that an additional $2\frac{1}{2}$d. a day could be saved by each workman if he exercised greater care and economy in the use of tools and materials. In 1842 acting on this calculation he assembled his men together and told them that he proposed to give them the whole of this extra $8\frac{1}{2}$d. a day, or 10l. a year, if they would earn it, and he overcame the doubt and suspicion with which his proposition was at first regarded by dividing there and then with the 44 men, who, he reckoned, would be entitled to participate, the profits of the preceding year. From this moment the success of the scheme dates. The workmen were convinced of Leclaire's sincerity, and the scheme, which is based upon the extra productiveness given to labour by the principle of profit sharing, has been a most remarkable success. A mutual aid society was started in connection with it which gives all its members pensions and annuities when they are disabled by age or sickness. The success of the system originated by Leclaire is strikingly manifested by the fact that it was so organised as to be independent of the fostering care of its author. Leclaire died in 1872 but the "Maison Leclaire" has more than maintained its prosperity since that date; the business of the society and the share of profits allotted to labour has steadily increased.

As another example it may be mentioned that the Paris and Orleans Railway Company distribute a certain portion of the profits realised amongst the working staff of the railway, and it is unanimously affirmed by the directors that the plan succeeds admirably. The amount now distributed is equivalent to about 10 per cent. on wages, the wages paid being the same as on other French railways. The plan has been in continuous operation since 1844, and the whole amount received by the employés of the Company between that year and 1880 as their share of profits, is no less than 2,395,000l.

The fact that the late M. Leclaire and others have been abundantly recompensed for the share of profits allotted to workmen, deserves particular attention. It shows that co-partnership does not require
from the employer any sacrifice on behalf of his workmen, but, on the contrary, that both are equally benefited. The efficiency of labour and capital must evidently be greatly increased, by improving the relations between employers and employed; and when labour and capital become more efficient, there is more to distribute both in wages and profits. The error is not unfrequently committed of supposing that the share of profits allotted to labour represents so much abstracted from the returns of the capitalist. The Royal Commissioners, who in 1869 reported upon trades'-unions, failed to appreciate the advantages resulting from co-partnership, because they assumed that the share of profits received by the labourer was so much taken from his employer. If this were so, no particular benefit could attach to the system, because there would be no identity of interest established, if what was gained by the labourer were lost by the capitalist. The fundamental advantage of these schemes arises from the circumstance that the benefit they confer is mutual; the share of profits received by the labourer is a measure of the gain secured by the employer, as a consequence of the additional efficiency given to labour and capital by introducing harmony, where before there was antagonism and rivalry of interest. Some idea may be formed of the enormous saving which might thus accrue. Not only would the loss inflicted on industry by strikes and lockouts be avoided, but a vast amount of waste would be obviated. Employers constantly complain of the loss they sustain from the listlessness and apathy of their workmen. A heavy outlay has to be incurred in overlooking labourers, in order to see that work is not shirked. In some branches of industry it is impossible to obtain anything like an adequate supervision; the labour is too much dispersed. This is particularly the case with agriculture, and to such a business co-partnership could be applied with maximum advantage. It can be confidently asserted that a farmer would largely increase his own profits if he consented to allot to his labourers some portion of his profits. After paying them the current wages, and setting aside a fair amount, as interest upon capital and as remuneration for his labour of superintendence, he might agree to distribute amongst his labourers a portion, say one half, of any extra profits that might be realised. If each labourer's share of this bonus were determined by the aggregate amount of wages he had earned, the most would be obtained by those who were the best labourers. Such an arrangement would powerfully stimulate the industrial energy of the labourer, who is now proverbially slow in his movements and apathetic in his work because he has no inducement, except when engaged in piece-work, to exert himself more than he is absolutely obliged. Other plans of industrial partnership have been adopted which secure a more complete union between capital and labour. During the last few years the practice has been rapidly extending, not only of allotting to workmen a share in profits, but
also of enabling them to invest capital in the business in which they are employed. When the great carpet manufactory of Messrs. Crossley of Halifax was converted into a joint-stock company, one-fourth of the shares were preferentially offered to the workmen engaged in the business. This arrangement, by enabling the workmen to become part owners of the concern, gave them a far more direct interest in the prosperity of the business than if they had been employed as ordinary labourers. Another very interesting experiment was carried out by the Messrs. Briggs at their collieries at Methley, near Leeds. In this instance the workmen not only had an opportunity of purchasing shares in the company, but after a profit of ten per cent. had been realised on capital, one half of the surplus profits was distributed amongst the labourers as a bonus. Every workman was thus given an immediate interest in the success of the business. For many years this experiment was carried out with admirable success. Trade disputes, which had before been of frequent occurrence, altogether ceased, and the workmen were stimulated to increased exertions by the prospect of securing to themselves a share of the profits realised. The unprecedented rise in the price of coal, which took place in 1872, brought such sudden prosperity to coal-mining that it unhappily disturbed the harmonious relations between workmen and employers at Methley. A dispute arose upon the extent to which capital and labour should respectively participate in this extra profit, and the profit-sharing principle has unfortunately been abandoned. It is obvious from what has occurred at Methley that profit-sharing is likely to be carried out with the best chance of success in those branches of industry which are not liable to great and sudden fluctuations in prosperity. These considerations lead to the conclusion that the system could be very advantageously applied in agriculture. A very interesting experiment of the kind was tried a few years since with marked success, by the late Lord George Manners, on a farm which he cultivated on his estate near Newmarket. The plan which he adopted was very simple, and resembled in all essentials the method which was carried out by M. Leclaire in Paris. The labourers on the farm received the ordinary wages which were current in the district; but it was agreed that if through extra exertion, or greater skill on their part, extra profits were realised, a portion of these profits should be distributed among them as a bonus on their labour. Lord George Manners unfortunately died before this experiment had been long in operation; but he spoke confidently of its permanent success, and affirmed that it would prove alike advantageous to employer and employed.

It may be hoped that these co-partnerships will so rapidly extend as to fundamentally change the economic relations now existing between employers and employed. There can be no doubt, as was
remarked in the last chapter, that the movement will be powerfully
promoted by national education; for all these schemes which have
been described require men to repose a certain amount of trust in each
other; distrust and suspicion are always prominent characteristics of
a low state of intellectual development.

Ultimately it may be hoped that there will be so much moral and
social advancement as to enable a perfect union between capital and
labour to be established: this is secured when labourers supply all the
capital which is required to sustain the industry in which they are
engaged. When this is accomplished there is cooperation in its highest
form. The subject of cooperation is of so much importance that it
will be necessary to devote a separate chapter to its consideration.

CHAPTER III.
COOPERATION.

The fact has frequently been referred to in the foregoing pages that
the capital and labour which industry requires are in this, and in most
other countries, generally supplied by two distinct classes, employers and
employed. Industry is said to be carried on upon the cooperative
principle when these two classes are merged into one, and when the
capital which is needed for the production and distribution of wealth
is supplied by those who provide the requisite labour. Thus a cotton
manufactory would be converted into a purely cooperative undertaking,
if the operatives employed in it were able to subscribe a sufficient
amount amongst them to purchase the manufactory and to carry on
the business on their own account. Again, an ordinary retail shop
would become cooperative if the premises and stock-in-trade were
owned by those who served in the shop, by the porters, and by others
who were engaged in carrying on the business. The great majority,
however, of the societies which are known in this country as coopera-
tive, differ essentially both from the cooperative manufactory and the
cooperative retail shop which have been just described. Cooperation
has hitherto been seldom applied to the production of wealth. Probably
at least nine-tenths of the existing cooperative societies carry on those
ordinary retail businesses the function of which is to distribute rather
than produce wealth. These distributive societies, which are now
generally known as cooperative stores, are wanting in the most
essential characteristic of cooperation, for they do not necessarily
establish an union, or, as it has been described, a merging of capital
and labour. The capital in these stores is owned by, and the profits
realised upon it are distributed amongst, the customers and the share-
holders, and in many instances those who supply the labour obtain no
share of profits,
In thus pointing out that the title cooperative is now given to many trading concerns which are not conducted upon strictly cooperative principles, it must not be supposed that I underrate the great benefit which cooperation, even applied in this modified form, has conferred not only upon the working classes, but also upon the general community. The cooperative movement is no doubt, as yet, only in its infancy, but in tracing its rapid development during the last few years, I shall not only endeavour to describe the great advantages which have already resulted from it, but I shall also attempt to explain why cooperation may probably be more confidently relied upon than any other economic agency, to effect a marked and permanent improvement in the social and industrial condition of the country.

One of the earliest and most successful of the cooperative stores in this country was established 40 years since, and it had an origin so humble as at the time scarcely to attract any notice. It appears that in the year 1844, there was great depression in the flannel trade at Rochdale, and as the wages of the weavers were much reduced, the fact seems to have impressed itself upon some of them, that their scanty earnings did not go so far as they might, because the articles sold to them in the ordinary retail shops were dear and often much adulterated. Twenty-eight of these poor weavers accordingly agreed to club together a small sum in order to purchase some tea and sugar from a wholesale shop. After they had done so, each one of their number was supplied with tea and sugar from this common stock, paying ready money for it, and giving the same price for it as they had been charged at the shops. They did not expect to secure any considerable profit; the object they had in view was not so much to obtain a good investment as to avoid purchasing dear and adulterated articles. But they found that a very large profit had been realised. The great advantage of the plan became self-evident, for not only were they provided with a lucrative investment for their savings, but they obtained unadulterated tea and sugar at the same price as they had been previously obliged to pay for these same articles when their quality was deteriorated by all kinds of adulteration. A fresh stock of tea and sugar was of course purchased. Other labourers were quickly attracted to join in the undertaking, and subscribe their savings.

In 1856 this society, now become famous as the Rochdale Pioneers, possessed a capital of about £12,900. The business was not long restricted to articles of grocery; bread, meat, and clothing were all sold on the same plan. Their capital so rapidly increased, that they were soon enabled to erect expensive steam flour-mills; and a supply of pure bread was thus insured. During many years, this Pioneers' Society has attracted frequent public attention; for it has gradually grown into a vast commercial institution, embracing a great variety
of trades. The society now occupies eighteen branch establishments in Rochdale besides its central building which was erected in 1867 at a cost of nearly £14,000. The share capital of the stores so rapidly increased that it now possesses far more than sufficient to carry on its business. From the annual report for 1882 it appears that the Pioneers' Society has 10,894 members; the goods sold in that year amounted to £274,627, and the profits on this business were £32,577. After paying a fixed dividend of 5 per cent. upon capital the remaining profits are distributed among the customers of the stores in proportion to the amount of their purchases; this bonus is sometimes received in cash but is more frequently invested as capital in the society. As already stated, a capital far exceeding the amount required for carrying on the business of the stores has been accumulated. Its amount at the close of 1882 was £315,243. This capital is invested in various ways, some of it in the support of other cooperative societies, some in the shares of first-class railway companies, a large amount is invested in mortgages to members chiefly on dwellings occupied by themselves.

The remarkable success achieved at Rochdale naturally led to the establishment of similar stores throughout the country. In many of the manufacturing towns in the north of England, the working classes deal almost entirely at these stores; but they have not been established in the large towns only, for they are now frequently to be found in agricultural villages. Exclusive of the large London stores such as those known as the Civil Service and the Army and Navy, there are 782 retail cooperative stores in England and their annual sales amount to £13,868,498. As previously remarked, the profits realised in these stores are distributed not amongst the employés, but amongst the customers and the shareholders. The particular method of distributing the profits which has been adopted at nearly all the stores is extremely simple, and is the one originally agreed upon at Rochdale, which we will now describe. Each customer, when he makes a purchase, receives certain tin tickets or tallies which record the amount of his purchases. The accounts are made up at the end of each quarter, and after a fixed dividend at the rate of five per cent. per annum has been allotted to capital, the surplus profits are divided amongst the customers in proportion to the amount of their purchases. Each customer brings his tin tickets, which serve as a record of the amount he has purchased. The goods are sold at the prices which are current at the ordinary retail shops. The business is strictly a ready-money one. Under no circumstances whatever is any credit given. The strict adherence to this rule has doubtless contributed more than any other circumstance to the remarkable success of these stores. At the principal Cooperative Stores in London, the business is conducted on a different

1 See Speech of Mr. W. E. Baxter, M.P., President of the Cooperative Congress held at Edinburgh on May 14th, 1883.
plan. Here also the rule of giving no credit is rigidly adhered to, but the customers, instead of receiving their share of the profits at the end of each quarter, obtain the goods at lower prices than those which are charged in the ordinary retail shops. The method of distribution adopted at Rochdale is certainly to be preferred when, as is the case with a majority of the stores, the bulk of the customers belong to the working classes. It is obvious that an individual's share of the profits is more likely to be saved if he receives it in a lump sum at the end of each quarter, than if he is enabled to save it in driblets each time he makes a purchase. Experience, in fact, shows that the amount which has to be received at the end of each quarter is very generally left as an investment in the society. Saving is thus powerfully promoted, for many men, by the accumulation of these small investments, gradually become the possessors of a considerable amount of capital. As affording a striking example of what can be achieved by the working classes through their own unaided efforts, reference may be made to the practice which has for a long time prevailed at the Rochdale Pioneer's Store of devoting $2\frac{1}{2}$ per cent. of the net profits to educational purposes. The Rochdale Pioneers have thus been enabled to open 18 news rooms at their various establishments, they have also formed excellent reference and circulating libraries containing more than 15,000 volumes; they have moreover started, and to a large extent supported, classes attended by 500 students for the teaching of science, languages, and technical arts.

The remark has already been made that nothing has done so much to promote the success of the stores as strict adherence to the ready-money principle. In the first place, there are no bad debts. Nothing probably interferes so much with the success of the retail trader as the loss he incurs from bad debts, and the great amount of capital which, when credit is given, he is sure to have locked up in book debts. In the second place, it is obvious that when all the goods sold are paid for across the counter, a maximum amount of business can be carried on with a minimum of capital. It is shown from the published accounts of these stores that their capital is not unfrequently turned over ten times in the course of the year. In the third place, it is to be observed that when no credit is given, no credit need be received. The managers of these stores can pay ready money for all the goods they purchase. They consequently obtain them at the lowest possible price, and have also, as has been well described, the pick of the market. There are also many other most important advantages resulting from the adoption of the principle of giving no credit. The facility with which people are allowed to get into debt at retail shops gives a disastrous encouragement to improvidence. Credit, it has been truly said, is the great bane of the working classes. When a man is heavily in debt, not only does

1 See the Rochdale Pioneers' Almanack for 1883.
he too often become reckless, but to a great extent he ceases to be a free agent. The tradesman to whom he owes money can force him to go on dealing with him, and can charge him extravagant prices for very inferior articles. Again, it is evident that under a system of credit, the honest who do pay are charged a far higher price than they ought to be, in order to compensate the tradesman for the losses he incurs from the dishonesty of those who either do not pay at all, or who keep the tradesman waiting for his money. There is good ground for believing that if the retail business of this country were generally conducted on the ready-money principle, prices might be so much reduced that the public would gain far more than would be represented by the entire remission of the national debt. I express this opinion not simply as a vague surmise, for it has been shown at the principal stores in London that, although the goods sold there are quite 20 per cent cheaper than they are in many retail shops, yet the business is so remunerative that a far larger profit is yielded on the capital invested in the business than is secured by the ordinary tradesman. This being the case, it appears that the credit system virtually imposes an income-tax of 20 per cent upon all that portion of every individual's income which is expended in the purchase of commodities of ordinary consumption. It need scarcely be said that paying such a tax is equivalent to a far more onerous burden than is imposed by the interest of the national debt. It is also to be borne in mind that the credit system is scarcely less injurious to the retail trader than it is to the general public. It is well known that a large number of tradesmen fail in business, not only in consequence of their losses from bad debts, but also in consequence of their money becoming locked up in book-credits. Not long since the price list of one of the London Stores was submitted to a grocer who was carrying on a large business in a provincial town. He admitted that the prices in this list were 20 per cent. lower than those which he charged, but he said that if he were paid ready money for all the goods he sold, he was sure that he could sell his goods as cheaply as they were sold at the stores, and he was also certain that his business would at the same time become far more profitable than before. Such considerations as these go far to prove that not the least important advantage likely to result from the cooperative stores is, that they will so conclusively demonstrate to the whole country the loss produced by the credit system as gradually to lead to the almost universal adoption of the ready-money principle in all retail transactions. Although it is probable that these stores will absorb a great proportion of the retail business of the country, yet the individual trader need not fear that he will be superseded. Instead of expending his energies in vain attempts to seek the aid of the legislature in impeding the progress of these stores, he would act more wisely if he at once came to the determination that as they had secured
their success by refusing credit, he might obtain a similar success by adopting the same principle in his own business. Many retail tradesmen, probably through the competition of the Stores, have lately, with great advantage to themselves, adopted the ready money principle.

I have already referred to the fact that these cooperative stores are wanting in one important element of cooperation, because no share of the profits is allotted to the managers, clerks, porters, and the other employés whose labour is essential to the carrying-on of the business. These stores may, in fact, be correctly described as joint-stock companies, which conduct their business on the ready-money principle. When considering in a previous chapter the advantages and disadvantages of the joint-stock system, it was shown that the circumstance which is likely most to impede the success of a joint-stock undertaking is that the paid manager has not so direct or immediate an interest in the prosperity of a business as one who owns the business and has his fortunes bound up in it. Joint-stock companies may, no doubt, be freed from the difficulty to which allusion has just been made, by giving the managers and other employés a certain portion of the profits realised. They may thus be made to feel almost as active an interest in a joint-stock undertaking as if it were their own business, and carried on entirely with their own money. It therefore seems to be of the greatest importance that this plan should be adopted in the case of cooperative stores; for not only would it meet a disadvantage under which all joint-stock companies suffer, but it would give to these stores a much more truly cooperative character than they can now fairly claim.

In describing the remarkable progress of the Rochdale society it was stated that its capital soon became far more than sufficient for the store. Consequently it was necessary to determine the best mode of employing this surplus capital. This was an extremely delicate and difficult question, but the managers of the society, by the exercise of remarkable tact and sagacity, have shown that in almost every instance they were capable of dealing successfully with it. This I think will be proved as I proceed to describe the various undertakings that have from time to time been supported by this Pioneers’ Society. It is the more important that such a description should be given with as much clearness as possible, because it serves distinctly to mark the gradual development and progress of the cooperative movement.

As the business of the store at Rochdale rapidly extended, its managers were not unnaturally led to perceive the advantage of establishing a wholesale depot of their own, instead of purchasing the various goods they sold, from ordinary wholesale houses. It was moreover felt that such a wholesale society might render invaluable assistance to small struggling societies if an attempt were made to crush them by a combination of tradesmen jealous of cooperation. In 1863
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this wholesale society was transferred to Manchester. It has now become a great central depot with branches in London and Newcastle. It owns manufactories in London, Manchester, Newcastle, Leicester, Durham, and Crumpsall; and it has depôts in Cork, Limerick, Kilmallock, Waterford, Tipperary, Tralee, and Armagh for the purchase of butter, potatoes, and eggs. It has buyers in New York and Copenhagen, and it owns two steamships. It also has a Banking Department with a turnover of more than 12,000,000Z. annually. The Wholesale Society is now doing a business of more than 3,800,000Z. a year. No individual can purchase goods from the Society; its entire business consists in selling goods to various cooperative stores. At the present time no less than 622 of these stores deal with the Society, and of this number the great majority have capital invested in it. Those stores which purchase goods from the Wholesale, but do not hold shares in it, are usually small struggling stores which have no spare capital. The business appears to be most admirably conducted. Under no circumstances whatever is a longer credit given than seven days from the date of invoice. The result of strictly adhering to this rule is that on transactions amounting to more than 3,800,000Z. per annum, the amount lost by bad debts only amounts to a few pounds a year. The cost of management is unprecedentedly small; not amounting to 1 per cent. on the returns. After a fixed dividend of 5 per cent. has been allowed on capital the remaining profits are distributed amongst the retail stores in proportion to the aggregate amount of their purchases. To those stores, however, which have no capital invested in the Wholesale Society the share of profits allotted is only half as much as to those stores which have capital invested. The leading idea which appears to be predominant amongst the supporters of this Wholesale Society is a desire as far as possible to get rid of middlemen. In order to do this, commodities are purchased, whenever an occasion offers, directly from the producers, and as the concern develops they will undoubtedly manufacture for themselves a greater portion of the goods they sell. For instance, instead of buying Irish butter through the provision merchants who import it, they have their own agents in Ireland, who purchase it directly from the farmers. They have also already established a shoe manufactory of their own at Leicester, a biscuit manufactory at Manchester, and a soap manufactory at Durham. It is difficult to assign limits to the development to which this Wholesale Society may ultimately attain. Some of those who are connected with it already begin to feel confidence that the day is not far distant when they will obtain wheat and other agricultural produce from their own land, and when they will import tea, coffee, and sugar in their own ships from their own plantations.

It is to be remarked that as the chief motive which prompted the establishment of this Wholesale Society was to give assistance to the
various cooperative stores scattered throughout the country, the goods are sold at the lowest possible price; only such an amount is charged for them as to cover the expenses of management, and leave a sufficient margin for profit. It is also to be remarked that this Wholesale Society, like the cooperative stores previously described, is not so truly cooperative as it might be, because its managers and other employés do not enjoy any share of the profits, but are remunerated by salaries or wages, just in the same way as they would be in an ordinary wholesale house. At various times the proposal has been discussed to allot them a certain share of profits. The decision which may be ultimately arrived at on the subject will, in all probability, exercise a most important influence on the future of cooperation. It is sometimes said that the remarkable success obtained by such a society as the Wholesale, satisfactorily proves that it cannot be necessary to allot any share of profits to labour. The managers of this society could not possibly have displayed more ability or zeal. They are so devoted to the cause of cooperation that it is quite unnecessary to stimulate their activity by giving them a more direct pecuniary interest in the prosperity of the undertaking. Such reasoning, however, as this is surely both unsound and shortsighted. A business, however successful it may be, cannot be regarded as resting on a sure and permanent basis, if those who conduct it are not adequately rewarded, and if, taking advantage of the enthusiasm they may happen to feel for a cause, their employers give them less for their services than they could command in the open market. If this determination to deprive labour of all share of profits is persisted in, cooperative societies will become nothing more than ordinary joint-stock companies in which a great part of the capital is owned by the working classes. I do not in any way desire to underrate the advantages of the movement even if it simply assumes this form. It must be an immense benefit to the working classes to obtain the commodities they purchase at a cheaper rate, and to have placed within their reach an eligible investment for their savings. Prudential habits will in this way be powerfully stimulated, and without an increase of prudence no permanent improvement can be effected in the condition of the working classes. Again, it is impossible to place too high a value upon the educational influence which may be exercised upon the members of cooperative societies. A workman who has a few pounds invested in a cooperative store soon understands what are the true functions of capital. Instead of thinking that capital is some mysterious agent specially created to oppress and injure labour, he becomes as much impressed as an employer can be that capital is not less essential to industry than labour, and that consequently it possesses a not less indefeasible claim to receive its due reward. But the friends of cooperation cannot too carefully remember that the mere fact of calling societies cooperative will do nothing to improve the industrial
position of the labourer, if he is to enjoy no share in the profits, for I believe all experience has shown that a joint-stock company is not likely to be a less severe, or a more liberal taskmaster than the individual employer. Cooperation moreover loses its chief industrial advantage if the labourer is not permitted to participate in profits; for, as I have endeavoured repeatedly to explain, the great defect in our present industrial economy is that it fails to make labour as efficient as it ought to be, because it has not a sufficiently direct and immediate interest in the success of the work upon which it may be engaged. It is this defect which may be remedied by cooperation; and it is because cooperation, when truly carried out, may remedy this defect, that the application of the cooperative principle may be regarded as one of the most effective of all agencies for securing improvement in the economic condition of the country.

As the manner in which the success of cooperative stores led to the establishment of the Wholesale Society has now been shown, I will next proceed to describe various other developments of the movement. The large profits realised by the stores brought so forcibly home to the working classes the advantages of carrying on retail trade on their own account, that they very naturally thought that they should be able to secure still greater advantages if the labourers could form themselves into associations to carry on some of the various trades in which they were employed. One of the first experiments of this kind in what may be termed cooperative productive industry was made at Rochdale in 1855. Previous to this time, however, several cooperative trading establishments had been in successful working in Paris. Some of these will be hereafter described. But, reverting to what was done at Rochdale, it is found that, as was the case at the Pioneers’ Store, the experiment of applying cooperation to productive industry was commenced on a very small scale. In the first instance only a room was rented, and in it were placed a few looms. The cotton trade, however, was then in the height of its prosperity, and large profits were consequently realised even from so imperfect an effort. Encouraged by this first success, the promoters of the undertaking determined to extend their operations, and part of a mill was accordingly rented. Their capital at that time was about 5,000l., and the system of conducting the business was as simple as it was excellent. A dividend of five per cent. on capital was the first charge on profits. After this dividend had been secured, the remaining profits were divided into two equal shares. One of these shares was given as an extra dividend on capital, and the other was distributed as a bonus amongst the labourers employed. Each labourer’s share of this bonus was proportioned to the aggregate amount of wages he had earned. The most therefore was given to those who worked with the greatest regularity and the greatest skill; and as, in addition
to this bonus, the wages current in the trade were paid, it was natural that the best efforts of those employed were stimulated, and the most prudent operatives in the locality were powerfully attracted to an undertaking where their labour received an extra remuneration, and where they obtained a lucrative investment for their savings. The undertaking developed so rapidly that soon a larger mill was required than any that could be rented. It was therefore resolved to build one: it was commenced in 1856, and completed in 1860, at a cost of 45,000£. The mill was fitted with the best machinery and was complete in every respect. So confident were the workmen of the success of the scheme that the outlay involved in the erection of this mill did not exhaust the capital they were willing to invest, and accordingly a second mill was soon commenced. These mills had scarcely time to get into full working when the breaking out of the civil war in America brought the cotton trade of Lancashire into a state of unprecedented depression. Long after many of the surrounding manufactories had been closed the cooperative mills courageously struggled on. The difficulties, however, which had to be contended against were of so entirely unusual a character that no one can have any just reason to feel less confidence in the cooperative movement, because an association of workmen were unable successfully to contend against circumstances so exceptional as to be quite out of the current of ordinary calculation. As the cotton trade gradually revived after the close of the American civil war, many cooperative cotton mills were established in different parts of Lancashire. They have obtained a varying amount of success. One of the most prosperous of these manufactories appears to be the Sun Mill at Oldham. Cooperation certainly seems to flourish more in this town than in any other place, except Rochdale. It has been calculated that the working classes of Oldham have no less than 500,000£. invested in various cooperative undertakings. Of this amount not less than 100,000£. is invested as share capital in the Sun Mill. During the last few years this manufactory has on an average realised a profit of 12\(\frac{2}{3}\) per cent. This certainly is an eminently satisfactory result when it is remembered that the cotton trade during a portion of this period was much depressed.

It is to be remarked that in these manufactories, which have been established by associations of workmen, the plan has been very generally departed from of allotting to labour a share of the profits. When depressed trade brought adverse times to the Rochdale Mill, one of the first things that happened was a contention as to the right of labour to share in the profits. Those who possessed capital in the concern seemed to think that they were unnecessarily generous, and were making a sacrifice for which they received no return, if they surrendered any fraction of profits to labour. Antagonism of interest thus arose in every respect similar to that which, unhappily, so widely prevails
between employers and employed. The question whether labour should enjoy any share of profits is still being keenly disputed amongst co-operators, and it is difficult to say how it will be ultimately determined. There certainly seems to be good reason to hope that the party will ultimately prevail who, having obtained an insight into the true nature of cooperation, assert that the bonus which is distributed amongst labourers is not a sacrifice on the part of capital, but is rather a measure of the increased efficiency given both to capital and labour; and that if such a bonus is withheld from labour, cooperation loses that which gives it its chief vitality; and a cooperative society becomes little else than an ordinary joint-stock company.

Before leaving the subject of cooperative production, it is desirable to point out that the cooperative principle can be applied much more easily and much more simply to the distribution than to the production of wealth. It is, for instance, evident that a cooperative store has not to contend with many difficulties which stand in the way of a cooperative manufactory. As the business of a store is conducted on the ready-money principle, scarcely any risk need be incurred. It is not necessary to make any speculative purchases. The goods can to a great extent be bought as they are wanted. The returns in such a business are regular. The trade done in one quarter differs little from that done in the previous quarter, and there is no difficulty in contracting or expanding the business if it should be requisite to do so. A manufacturing business is, however, from the nature of the case, speculative and uncertain. Profits often depend almost entirely upon purchasing raw material at a favourable time. Sometimes the trade becomes so depressed that it is necessary to withhold the manufactured goods from the market. This, of course, cannot be done unless there is a reserve fund to fall back upon. It is probable that the cotton trade, more than any other industry in the country, has always been characterised by violent fluctuations. Prosperity and adversity seem to succeed each other in regular cycles, for if exceptionally high profits are realised for two or three years, there is sure to be a period of corresponding depression, when scarcely any profits at all can be secured. As an example, it may be mentioned that from the published accounts of the Sun Mill at Oldham, it appears that the average profits during the last three quarters of 1869 were only 9 per cent., whereas the profits during the first three quarters of 1870 were 22 per cent. Sometimes the profits are three times greater in one quarter than in the quarter immediately preceding or succeeding it. Thus in the quarter ending in June, 1872, the profits were returned at no less than 30 per cent., whereas in the quarter ending in September in the same year they sank to 9 per cent. It is obvious that the greatest prudence and forbearance are required in order that a business which is liable to such severe and sudden fluctuations may be successfully carried on. There
is, of course, a constant temptation to appropriate too large a portion of the exceptionally high profits yielded in prosperous years, and thus leave an inadequate reserve to meet adverse times. That this temptation has been in many instances successfully resisted by associations of workmen may justly be regarded as affording the most satisfactory evidence of the capacity of a considerable number of the labouring classes to carry on most complicated and difficult industrial undertakings. The experiment of applying the cooperative principle to so speculative and fluctuating a trade as the cotton manufacture was an extremely bold one; for there is no other branch of industry in which associations of workmen have to resist so many temptations and to struggle against so many obstacles. Cooperative production may no do doubt be far more easily carried on in those trades where the returns are more regular, and where the amount of capital which has to be invested in plant and material is small compared with the amount expended in wages. One of the earliest and most successful cooperative productive societies in this country was established by a body of workmen who were engaged in making picture frames. Such a trade manifestly requires very little capital; all the capital in fact that is needed can be readily supplied by those who are employed as workmen in the society, and thus there is much less chance of a conflict arising between capital and labour. It may also be mentioned that another most successful cooperative productive undertaking is a boot and shoe manufactory at Northampton. In such a trade it is obvious that a small amount of capital has to be invested in proportion to the business done, and the returns are much more regular than in the cotton trade. One great obstacle to the success of cooperative production is no doubt removed when the necessary capital required for carrying on a business can be entirely provided by those who also supply the requisite labour.

Cooperative production has assumed a much more important development in France than in England. At the present time there are certainly not more than two or three cooperative productive associations in London, whereas in Paris there are more than forty. These societies embrace a great number of different trades, such, for instance, as pianoforte making, house painting, tailoring, file cutting, spectacle making, carpentering, basket making, gas fitting, paving, furnishing, market gardening, &c. At the time of the revolution of 1848 various attempts were made in France to encourage the establishment of cooperative productive societies by granting them state loans; and it is particularly worthy of remark that in no single instance has any society which obtained state assistance secured any permanent success. One of the societies started in 1849, viz. that of the pianoforte makers, received no state assistance, and is now one of the most successful of the cooperative institutions in Paris. It had an extremely
humble beginning, as, in the first instance, fourteen workmen subscribed a capital of about 2£ each. This society now consists of eighteen members, who employ in addition a certain number of auxiliary labourers, who are paid by piece-work, and the members are elected from among the auxiliaries. The freehold of the building in which the business is carried on belongs to the association, and represents, together with plant and material, a capital of about 11,000£.

The cooperative associations in Paris have obtained a varying amount of success. Many of them have departed from the principle, which may be regarded as the essence of cooperation, of employing no labour without allotting to it some share of the profits. This, however, ought not to cause any want of confidence in the future of cooperation. It will no doubt happen that the complete application of the principle will be arrived at by gradual steps, and it should be remembered that even in those cases where some of the labour employed does not participate in the profits, yet even here the labourers who are members of the association secure the important advantage of themselves supplying the capital which their industry requires.

Without attempting to predict the exact phases through which cooperation will pass, it can scarcely be doubted that the principle is so well adapted to agriculture, that it is certain some day to be applied to that particular branch of industry with the most beneficial results. Hitherto cooperation has never been applied to agriculture except in a very imperfect form; but these experiments, though very incomplete, have been most encouraging and satisfactory. The one that has attracted the most attention was made nearly forty years since by Mr. Gurdon, on his estate at Assington, near Sudbury, in Suffolk. Mr. Gurdon was so much impressed with the miserable condition of the agricultural labourers who were employed on his estate, that he was prompted to do something on their behalf. When therefore one of his farms became vacant, he offered to let it at the ordinary rent, 150£ a-year, to the labourers who worked upon it. As they, of course, had not sufficient capital to cultivate it, he in the first instance lent them the requisite stock and implements. The labourers were, in fact, formed into a company in which there were eleven shares, and no labourer was permitted to hold more than one share. The plan was so eminently successful that in a few years sufficient had been saved out of profits to repay all that had been advanced, and the stock and implements became the property of the labourers. Each share greatly increased in value. Mr. Gurdon was so much encouraged, not only by the pecuniary advantages secured to the labourers, but also by the general improvement effected in their condition, that some years afterwards he let another and larger farm on similar terms. Although no statement of accounts has ever been published, the remarkable pecu-
niary advantages secured to the labourers is proved by the fact that,
after enjoying at least as high wages as were paid in the district, they
were able in a few years to become the owners of a valuable property,
consisting of the stock and implements on the farms. One of the most
significant and hopeful circumstances connected with the experiment is,
that it was not carried out by a picked body of men; and if so much
could be done by labourers who were probably amongst the worst
educated in the country, it may be fairly concluded that when the
intelligence of our rural population has been better developed, co-
operation may be applied in a more complete form to agriculture,
and with even more striking results than were obtained at Assington.\(^1\)
Agriculture has perhaps suffered more than any other industry from
the listlessness and apathy of the labourer, and the only way of re-
moving this listlessness and apathy is to give the labourer a more
direct and active interest in his work than he possibly can feel so long
as he simply works for fixed wages. In the description which has been
frequently given of the system of peasant proprietorship, it is shown
how powerfully the industry of the labourer is stimulated by the feel-
ing of property. When he cultivates his own plot of ground, he exerts
himself to the utmost, because he knows that he will enjoy all that is
yielded by his labour. Each year, with the extended use of machinery
in agriculture, it is becoming more advantageous to carry on farming
on a large scale. When, therefore, cooperative agriculture becomes
practicable, land may be cultivated by associations of labourers, and
thus many of the advantages associated with the system of peasant
proprietorship may be secured, whilst at the same time the disad-
vantages of small farming may be avoided. The progress towards coopera-
tive agriculture will no doubt be slow and gradual. The labourers will
have to advance towards it by many preliminary steps. As shown in
the last chapter, many schemes of modified cooperation, based on the
principle of co-partnership or profit-sharing, have been brought into
successful operation. These schemes, by affording valuable training to
the labourers, will, it may be hoped, enable them to triumph over the
difficulties associated with cooperative production.

It must not be supposed from the striking success which in numerous
instances has been achieved by cooperation, that a cooperative insti-
tution is not subject to many of the same dangers which beset ordinary
commercial undertakings. If a want of judgment is shown in selecting
the managers, if care is not taken to secure both intelligence and
honesty, failure must, of course, inevitably result. All that need be

\(^1\) The severe depression which has affected agriculture during the last few years has
put a most serious strain upon the cooperative farms at Assington. For some time
both the farms struggled against the exceptional difficulties which had to be en-
countered, but lately one of the farms (the second of the two to which the cooperative
principle was applied) has had to be relinquished. An attempt is now (1884) being
made to re-establish the undertaking,
contended for by the advocates of cooperation is, that advantages are certain to result when the principle is judiciously and skilfully applied. As an instance of want of judgment it may be mentioned that the idea seems to have found much favour among many cooperators that a cooperative bank should be established on the principle of allowing a fixed rate of interest of 5 per cent. on deposits. It seems to be thought that 5 per cent. is the proper rate of interest to be paid, but it need scarcely be pointed out that it is impossible for a cooperative bank to allow 5 per cent. when the current rate of interest is below that amount.

Hitherto cooperative banking has not obtained any marked success in England; I cannot, however, leave the subject of cooperative banking without referring to the origin of the movement which took place in Germany in the year 1851, under the direction of the late Herr Schulze-Delitzsch. The object of these cooperative or credit banks, as first started under the wise supervision of this gentleman, was to give to the labourer, through the agency of self-help, direct access to the capital necessary to production. It is evident that an individual labourer cannot obtain the use of borrowed capital, for the simple reason that the security he is able to give for its repayment is insufficient; but what is true of a single artisan ceases to be true of an association of artisans jointly and severally responsible for the debts of every member of the association, and especially where the terms of membership are such as to reduce to a minimum the risk of loss through the dishonesty or the incompetence of those who join it. Such associations were formed through the influence of Herr Schulze-Delitzsch; the terms of the association are so drawn up as to exclude all but bonâ fide labourers, and as the cardinal principle of the association is self-help, the candidates for admission must give substantial proof that they are able to help themselves. The circumstances of the candidate for admission are always carefully inquired into before he is allowed to join. He is moreover required to become a shareholder in the concern. It may be urged that if all these securities are required to prove a man's honesty and his power to pay, he would have no difficulty in obtaining a loan independently of the association. A very little consideration will, however, show that this is not the case. The security offered by an individual workman can in the vast majority of instances only be a personal security; if, therefore, he obtained a loan at all it would be on exorbitant terms. The owner of capital advanced to an individual workman would run a very great risk of losing it altogether: if, for instance, the workman died or absconded, the owner of the capital would have no remedy. But the credit of a workman rests on altogether a different footing if he belongs to an association every member of which is jointly and severally responsible for the

1 Herr Schulze-Delitzsch died April 29, 1883.
debts of all the rest. One fundamental principle of the Schulze-Delitzsch Credit Associations is that of unlimited liability: this principle makes the credit of the association unimpeachable; it also exercises an important influence in keeping up due watchfulness on the circumstances of the candidates for admission. The capital required for the working of the associations is obtained in two ways; first, by the subscriptions of members, and secondly, by loans contracted in the open market on the credit of the association. The bulk of the business is carried on with capital obtained in the latter way. To give some idea of the proportions which this movement has assumed in the country in which it originated, it may be mentioned that in the year 1865 there were 961 of these Credit Associations in existence in Germany. Of these about one-half or 498 sent in their statistics to the central bureau, showing that they then possessed nearly 170,000 members, and that the money they annually advanced was equal to 10,000,000. In 1877 there were 1,827 of these associations, with over 1,000,000 members, owning 8,000,000 of capital, with 20,000,000 more on loan, and doing business to the amount of 110,000,000.

The progress of cooperation was for some time materially impeded in England by various legislative restrictions. Until 1867 no co-operative society was permitted to invest more than 200% in any other society. This restriction at one time brought a very serious danger upon the Rochdale Pioneers. Having more capital than they could use in their own business, a portion of their capital, in consequence of their not being able to invest more than 200% in any other society, was lying idle. It was therefore decided to repay to some of the largest shareholders a portion of the money which they had invested in the society. No sooner had this process of repayment commenced than a rumour not unnaturally gained credence that the wealthier shareholders had lost confidence in the concern, and were withdrawing their capital from it. A panic ensued, and such a run was made by frightened shareholders upon the funds of the society that it was for some time in imminent peril. It is impossible to have a more instructive example of the widespread mischief which may result from meddlesome and ill-considered legislation. As another instance of the manner in which the development of cooperation has been retarded by legal impediments, it may be mentioned that until two Acts were passed in 1867 and 1871 cooperative societies could not buy or sell land except for the purposes of their special trade. Now that these societies have been empowered to buy and sell land, many of them have invested a considerable portion of their surplus capital in the erection of houses for their members. The Rochdale Pioneers have already expended

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1 See the eleventh Report of the Trades' Union Commissioners, vol. ii. Appendix, pp. 165—178. This part of the Report is by Mr. R. D. Morier.
2 See Economics of Industry, by Mr. and Mrs. Marshall, p. 223.
many thousands in this way, and it need scarcely be said that it is not possible to render the working classes a greater service than to make it more practicable for them to obtain suitable dwellings. The members of a cooperative society may obtain their houses just as the customers of a cooperative store obtain their goods, at the lowest possible price, since the object of investing the money of the society in building houses is not to obtain a large profit, but to secure the best possible house accommodation for the members of the society. Various other schemes have from time to time been propounded with the object of improving the houses of the poorer classes. These schemes, though not cooperative in the sense in which we have employed the word, are based on the principle that much more can often be done by an union of several small capitals than can be done by each of these small capitals working separately. Thus, if a hundred men subscribed 200l. each, with the 20,000l. thus collected a block of buildings could be erected, which would provide each member with much better accommodation than if each had expended his 200l. in building a house for himself. Building societies afford important facilities for workmen becoming the owners of the houses in which they live. These societies gather together a great number of small capitals, and employ the fund thus collected in making advances to those who wish to build or purchase a house. The house itself is a security for the money advanced, and the loan is repaid by small weekly or monthly instalments. It is difficult adequately to estimate the good which is done by these societies. They have undoubtedly enabled many hundreds of thousands of workmen to become the proprietors of their own houses. It is estimated that at the present time (1883) there are in the United Kingdom 750,000 members of registered Building Societies.¹

A few years ago a society was started known as the Artisans’, Labourers’, and General Dwellings Company, which, though possessing in many respects the character of an ordinary building society, yet has so many peculiar features of its own, that it will be desirable to give a brief description of the manner in which it carries out its operations. This society not only assists the occupier of a house in acquiring it as his own property, but also encourages workmen to become the builders of their own houses, and, further, takes security that the houses shall be

¹ It is remarkable that Building Societies have obtained little development in Scotland or Ireland compared with England; for of this total of 750,000 members, only 14,000 belong to Scotland and 7,000 to Ireland. No satisfactory explanation has, I believe, been given of this striking difference between England and Scotland. There is a still greater disparity in the number of members of Friendly Societies in the two countries. Part of the difference is probably due to the fact that the system of registration of Building and Friendly Societies is not so complete in Scotland as in England; but after making due allowance for this, it seems difficult to resist the conclusion that the thrift for which the Scotch are proverbial has not hitherto taken the form of inducing them to place their savings in these societies,
built as part of a general scheme, strict attention being paid to sanitary and other regulations. In order to carry out these desirable objects, the society in the first instance purchases a tract of building ground. Upon this ground roads and drains are laid out, and all the other necessary preparations are made for building. It is then decided that a certain number of houses shall be erected; it is thus provided that too many houses shall not be crowded together, and a certain amount of garden ground, when the occasion permits, is reserved for each house. Any one who wishes to build a house obtains from the society an advance of money, which he can repay by weekly, monthly, or yearly instalments. Although houses of different character and size are erected, yet various regulations with regard to drains, ventilation, &c., are strictly enforced. At Salford sufficient land was purchased by the society for the erection of seventy-six houses. In Birmingham three estates have been purchased, on which it is proposed to erect 600 houses. Probably, however, the most successful and the most extensive scheme yet carried out by the society has been in the neighbourhood of London on what is known as the Shaftesbury Park Estate. This estate is close to the Clapham Junction railway station. Upon it 1,199 houses have been erected, yielding an annual rent of 22,699£, and ground-rents of 742£. A lecture-hall and schools have been erected, a recreation ground has been reserved, and it is proposed to rent a dairy farm in order to secure a supply of pure milk. Similar undertakings have been to a large extent completed in another place, close to the Harrow Road, known as the Queen's Park Estate, and further operations are contemplated at Hornsey.¹ It need scarcely be said that great advantage must result from encouraging workmen to build their own houses. In an account of Shaftesbury Park it is stated²: "The whole shows what an amount of practical ingenuity a body of workmen (for each man contributes his suggestions) can bring to bear on a project on which the men’s hearts are set, and, above all, in passing through those lines of streets it is impossible to forget that to a great extent the builders are the occupiers. The men are working on the estate cheerfully, with the evident conviction that it is their own property, and, moreover, with the look of men who know that it is no ‘charity’ scheme in which they are concerned, but one of complete independence." It need only further be remarked that there seems to be nothing to prevent the operations of the society being almost indefinitely extended.

I have now described some of the more important results of cooperation, and have also indicated some of the probable phases of

¹ See the Annual Report and Balance-sheet of the Artisans', Labourers', and General Dwellings Company, 1882.
² See the Times of November 14, 1873.
its future development. Any one who considers what it has already effected, and what it is capable of doing in the future, must, I think, come to the conclusion that we may look with more confidence to cooperation than to any other economic agency to improve the industrial condition of the country. It cannot be too carefully borne in mind, that those who have achieved the most striking success in cooperation have not been assisted by any extraneous aid. They have placed their chief reliance in union of effort, in prudence, and in self-denial. In striking contrast to this, I shall in the next chapter describe various socialistic schemes, which, far from not depending on any extraneous aid, it is sought to carry out through the direct intervention of the State.

CHAPTER IV.

STATE SOCIALISM AND THE NATIONALISATION OF THE LAND.

It has been pointed out in a previous chapter that the most characteristic feature in the socialism of the present day is the reliance which it places on the intervention of the State. The most distinguished advocate of this new form of socialism was probably Lassalle; between him and the late Herr Schulze-Delitzsch there was for many years in Germany a keen and active contest. They respectively became the founders of two rival schools of social and industrial reformers, and there was in almost every respect the widest divergence in the ideas propounded by each of these schools. Herr Schulze-Delitzsch gave, as we have seen, a most important stimulus to the cooperative movement; and the guiding principle which influenced him was that the people were to rely for their improvement upon self-help. Lassalle, on the other hand, thought that what the people chiefly needed was a greater amount of aid from the State. The leading principles of modern socialism have been embodied in the programme of the Society, known as the International, in the formation of which Karl Marx took a leading part. It will be found that almost every object comprised in this programme involves State intervention. The agency however on which the Internationalists, and the socialists generally of the present day, place by far the greatest reliance is the scheme which is known as the nationalisation of the land and the other instruments of production. As this plan of nationalisation may be regarded as the most important development of State socialism, it will be desirable to consider it before describing other socialistic schemes, the adoption of which would involve pecuniary aid from the State. The subject of the nationalisation of the land has moreover lately attracted special attention in consequence of two books which have been recently published on the subject,
the one by Mr. Wallace,¹ the well-known naturalist, the other by an American writer, Mr. Henry George.² It has rarely happened that a book dealing with social and economic questions has been more widely read than Mr. George's work. It therefore becomes the more important carefully to examine the proposals there advocated. Although Mr. George writes in a style which is often particularly attractive, yet it is frequently extremely difficult to arrive at the exact character of his proposals. There seems, however, little room for doubt that if his scheme were carried out, the existing owners of land would obtain no compensation at all, or would receive as compensation an amount which would be only equivalent to a small proportion of the present selling value of their property. It has been suggested that the State would be a gainer if the land were purchased and paid for in the form of terminable annuities. There is, however, no magic in a terminable annuity. It seems to be sometimes forgotten that wealth cannot be created by a mere arrangement of figures. The State would, of course, gain if it were decreed that the owners of land should receive annuities equivalent to the existing rent for a limited number of years. The gain would be precisely the same as if fundholders, instead of having the perpetual annuity they now enjoy, should only be paid interest for a limited period. But the injustice involved would not be less in the one case than in the other. Nothing can be more unjust than for the State to take possession of land without paying the full market price to its owners. It is sometimes urged in defence of such a course that the land originally belonged to the people, and that the State had no right to alienate national property in order to enrich a few favoured individuals. But the question as to whether or not it was expedient to have so completely relinquished the rights which the State, as representing the nation, originally possessed in the land, appears to me to have no bearing upon the question of appropriating land at the present time without giving adequate compensation to existing owners. Land has changed hands an indefinite number of times since the principle of private property in land was first recognised; and it would consequently be most indefensible if the State were to take possession, either in whole or in part, of the land of the country. In describing the injustice and inexpediency of the suggested schemes of land nationalisation, it must not be supposed that it would be desirable for the State to surrender its proprietary rights in the land in those countries where it still possesses them. In India, for example, almost the whole of the land is owned by the State; the cultivator, instead of paying rent to a private landowner, pays it to the State in the form of a land tax; the land revenue which is thus yielded amounts to about 22,000,000l. a year, and represents a sum

¹ Land Nationalisation, its Necessity and its Aims, by Alfred Russel Wallace.
² Progress and Poverty, by Henry George.
nearly equivalent to what is raised by all the imperial taxes that are imposed in India. As evidence of the fact that the cultivators would not be necessarily better off if the State had relinquished its proprietary rights in the land, it may be mentioned that by the celebrated permanent settlement of Lord Cornwallis in 1793, over a considerable portion of Bengal, the proprietary rights were transferred to the tax-collectors or zemindars for a fixed annual payment. The result has been that with the increase in wealth and population, the cultivators in the permanently settled districts pay, in the form of rent to the zemindars, three or four times as much as the zemindars pay to the Government. A large amount of revenue has consequently been sacrificed for the benefit of a special class, whilst the cultivators’ position has been in no way improved; but on the contrary, the injury which has been inflicted on them may in some degree be measured by the amount of the additional taxation which they have to bear, in consequence of a large amount of revenue having been needlessly sacrificed. If the permanent settlement in Bengal had never been effected, the additional revenue which would now be obtained from the land would be sufficient to enable the Government to repeal so burdensome an impost as the duty on salt.

The extent to which it is expedient for a Government to dispose of its proprietary rights in the land, suggests considerations of the utmost importance for many recently settled countries, such, for instance, as Australia. In that country vast tracts of land have been sold by the Government, and when the amount received is used as ordinary revenue the inquiry is at once suggested whether it can be wise to adopt an arrangement which virtually allows capital to be devoted to income. I cannot help thinking that it is unadvisable for a State thus completely to divest itself of the proprietary rights it possesses in the land. Although I believe that too much importance can scarcely be attributed to the economic advantages which result from associating the ownership with the cultivation of the land, yet the industrial stimulus which is given by the feeling of ownership would still continue in active operation if in such a country as Australia the Government, instead of completely relinquishing its rights in the soil, retained some share of the property in the form of a land tax which, instead of being commuted, as it has been in our own country, for a fixed money payment, should be equal to some small proportion of the annual value of the land. If, for instance, in Australia the land had been sold with the condition that one-tenth or even one-twentieth of its annual value should be paid in the form of a land tax, no discouragement would have been offered to enterprise, and the revenue which might be yielded as the country advanced in population and wealth would be a valuable national resource, which might be utilised in rendering unnecessary many taxes which will otherwise have to be imposed.
It has been thought necessary to make these remarks in order to bring out with distinctness the very different issues which are involved in surrendering proprietary rights which are still possessed by the State, or in resuming possession of those rights when, as in England, they have been long since surrendered. In considering the proposals which are now being brought forward for nationalising the land of England, it will be desirable, in the first place, to endeavour to describe some of the consequences which would result if no compensation, or inadequate compensation, were given to existing owners; and I shall then proceed to discuss the subject on the supposition that full compensation is given, the land being bought by the State at its present market value. As a result of careful inquiry, I have come to the conclusion that until the appearance of Mr. George's book, almost every one in England who advocated nationalisation, even including the members of such a society as the International, never entertained the idea that the land should be taken without full compensation. In England, perhaps more than in most countries, a respect for the rights of property is widely diffused; and the fact has certainly not been lost sight of by many of the working classes, that if the policy of taking land without compensation were once embarked upon, it is not only the property of the wealthy owner which would be confiscated; the small proprietor who by years of careful thrift and patient toil had acquired a plot of land, he too would be ingulfed in this whirlpool of spoliation. It would be impossible to say where this wholesale appropriation would stop. The large landowner and the peasant proprietor would not be its only victims. If the State were to take without compensation all the land of the country, the workman, who through the agency of a building society is now able to call his house his own, would find himself dispossessed of the land on which it stands. If the nationalisation of the land without compensation is thus flagrantly unjust, it can, I think, be shown that nationalisation with compensation, though not so unjust, would prove incalculably mischievous in its consequences. In the opinion of a well-known statistician, Mr. Robert Giffen, the annual rent of the agricultural land in this country is about 66,000,000L. Take this at 30 years' purchase, and the amount of compensation required for the agricultural land alone would be 2,000,000,000L, or nearly three times the amount of the National Debt. And when the State had become the possessor of all the land, what is going to be done with it? What principles are to regulate the rents to be charged? Who is to decide the particular plots of land that should be allotted to those who apply for them? If the rent charged is to be determined by the competition of the open market, in what respect would a cultivator be better off if he paid a competition rent to the State instead of to a private individual? and if the market price is not to be charged, who is to bear the loss?
from what fund is the deficiency to be made good? There is only one answer to this question; it must be made good from the general taxation of the country; and increased taxation means still more taken from the hard-won wages of the people. But the subject may further very properly be looked at from another point of view. If the Government owned the land and once began letting it on any other terms than those which regulate the transactions of ordinary commercial life, there would be opened indefinite opportunities for State patronage and favouritism, and the demoralising corruption that would ensue would be more far-reaching and more baneful in its consequences than even the pecuniary loss which the scheme would involve. If land was to be allotted as a matter of patronage, who would have the fertile plots and who would be relegated to those barren soils which, under the most favourable conditions, will scarcely pay for cultivation? It would therefore appear that the nationalisation of the land would inevitably lead to this dilemma:—if the land were let at less than its market price, not only would there be an unlimited field for State patronage with all its attendant corruption and demoralisation, but the difference between the amount at which the land would be let, and its letting value if a competition rent were charged, would involve an enormous annual deficit that would have to be made good at the expense of the general body of the tax-payers of the country.

It is further to be remarked that this deficit would by no means represent the whole loss that would be involved, because it cannot be doubted that the raising of so large a loan as 2,000,000,000l. which, as has been stated, is the estimated value of the agricultural land, would considerably affect the credit of the State. The Government would have to borrow upon less favourable terms; and the more unfavourable were the terms, the greater would be the difference between the amount yielded by the land and the annual interest on the loan, consequently the greater would be the loss which the community would have to bear. If, in order to escape from this loss, and to provide a remedy against the difficulty of distributing the land among the various applicants, it should be decided, instead of letting the land at what is termed a fair price, to offer it to be competed for in the open market, the rents that would then be paid would be rack-rents; and in what better position would the cultivators be, if instead of paying a rack-rent to a private individual they paid at least as high a rent to the State? Instead of the position of the cultivator being improved, he would, in numerous instances, be far worse off than he was before. A private owner can take account of many circumstances which it would be scarcely possible for the State to regard. It not unfrequently happens, for instance, under the present system, that the claims of an old tenant for consideration are not ignored, and there are many landowners who would not think of displacing an old tenant, although it
might very likely happen that if the land were put into the market a somewhat higher rent might be obtained. It cannot, we think, be too strongly insisted upon that, in order to provide a security against favouritism and patronage, the State would have to administer its property according to strictly defined rules. If the State owned the land, rent would have to be levied with just the same rigour as an ordinary tax, and thus, so far as the cultivators are concerned, the result of nationalisation would be that they would hold the land under a system of the most rigid rack-renting.

It is sometimes contended that if the land were nationalised the disadvantages, to which reference has just been made, would be counterbalanced by the introduction of an improved system of land tenure. Thus, it is said, if the cultivator rented directly from the State, he would be protected against capricious eviction, and would be secured adequate compensation for any improvement that might be effected in the land through his capital and skill. Nothing is farther from my intention than in any way to underrate the importance of the cultivator enjoying these advantages; but it has been shown by the Irish Land Act of 1881, and by the Tenants' Compensation Bill for England and Scotland passed in 1883, that it is possible to confer these advantages on the cultivators without bringing into operation all the evils which, as I believe, would result from nationalisation. The idea which forms the foundation of all these schemes of nationalisation is, that with the advance in the wealth and population of the country the value of land constantly increases, and that the portion of the additional value which does not result from an application of capital and labour, but is the consequence of the general progress of the nation, is a property belonging rather to the nation than to the individual, and might therefore be fairly appropriated by the State. Practical effect was sought to be given to this idea in the proposal made by Mr. J. S. Mill not long before his death, that the State should appropriate what he termed the unearned increment in the value of land. But although this proposal with regard to the "unearned increment" of the land, sanctioned by his high authority, is deserving of most careful consideration, it seems to me that it can be defended on grounds neither of justice nor expediency. If the State appropriated this unearned increment, would it not be bound to give compensation if the land became depreciated through no fault of its owner, but in consequence of a change in the general circumstances of the country? Although there is perhaps no reason to suppose that the recent depression in agriculture will be permanent, yet it cannot be denied that in many districts of England there has been a marked decline in the selling value of agricultural land within the last few years. If, therefore, the State in prosperous times appropriates an
increase in value, and if in adverse times the falling off in value has to be borne by the owner, land would at once have a disability attached to it which belongs to no other property. If we purchase a house, a manufactory, or a ship, we take the purchase with its risks of loss and chances of gain; and why with regard to land, and to land alone, should a purchaser have all the risks of loss and none of the chances of gain? If thirty years ago 100,000l. had been invested in agricultural land, and if at the same time another 100,000l. had been invested in such first-class securities as railway, banking, insurance, water or gas shares, it can scarcely be doubted that if the latter investment had been made with ordinary judgment there would be, at the present time, a very much larger unearned increment of value upon the shares than upon the land. The increase in the value of the shares would have taken place quite independently of any effort or skill on the part of the owner, and therefore it may be asked, why should this unearned increment remain as private property, if the unearned increment in the value of land is to be appropriated by the State?

I cannot help thinking that such proposals as those that have just been considered, either to nationalise the land or to appropriate the unearned increment, would take us with regard to land reform exactly in the opposite direction to that in which we ought to move. If we associate with the ownership of land any disability or disadvantage which does not belong to other kinds of property, a direct discouragement is offered to the investment of capital in the improvement of the soil: whereas what above all things should be striven after is, to promote the free flow of capital to agriculture. At the present time so great is the accumulation of capital in this country that it flows in a broad and continuous stream towards almost every quarter of the world. This takes place at a time when the productiveness of millions of acres of land in this country might be increased by improved cultivation. As the field for the employment of labour on the land extended, wages would be increased, a stimulus would be given to the general industry of the country, and the extra food which would be yielded would bring additional comfort to every humble home.

It therefore appears to me that the chief end to be sought in the reform of land tenure is to free the land from all restrictions which limit the amount of land which is brought into the market. The existing laws of primogeniture, settlement, and entail, combined with a costly system of conveyancing, impede the transfer of land, and thus lessen the opportunities of associating the ownership with the cultivation of the soil. Such an association would, in my opinion, not only offer the best security for efficient agriculture, but would in various other ways be highly advantageous to the entire community. Some idea may be formed of the advantage which may result from uniting the ownership
with the cultivation of the soil, if it is considered how little chance there would be of manufacturing industry in our country successfully encountering the close competition with which it has now to contend, if in England manufactory generally had to be rented, whereas in other countries they were owned by the manufacturers. It can be at once seen at what a disadvantage English manufacturers would be placed, if every time they wished to introduce new machinery or to carry out other improvements, they had to calculate whether or not a portion of the resulting profits would not be taken away from them in the form of increased rent. Legislation may give the tenant an important security for his improvements, but it will assuredly be found that in all industry no legislation can give the same security as that which is obtained when a man feels that he is applying his capital and labour to increase the value of his own property.

The next scheme of State socialism to which it will be desirable to direct attention is the construction of railways, canals, and other public works from funds supplied by the Government. Although a demand has sometimes been put forward that public works should be undertaken at the public expense, yet the system has hitherto in this country only been carried out to a very limited extent. Under certain conditions Government loans are advanced to municipalities and other public bodies. The Public Works Loan Commissioners, through whom these loans are made, only make an advance upon adequate security, such as the rates. In India, the Government regularly spends large sums of money on public works; but the motive which prompts this expenditure is not to find work for the unemployed, but it is supposed that the mass of the Indian people not having obtained the same social advancement as those by whom they are governed, it is requisite to construct for them railways, canals, roads, and other works which would not be carried out through the private enterprise of the people themselves. Although considerations such as these may justify the Government in extending public works in India, yet experience has shown that even in India the greatest care and watchfulness are required to prevent very serious evils arising. It has often happened that the construction of public works in India has involved the Government of that country in very grave financial difficulties. When the return upon the works is not sufficient to pay the interest on the loans raised for their construction, the deficit has to be made good by an increase in general taxation; and in a country such as India, where the mass of people are extremely poor and where the resources of taxation are very limited, it is almost impossible to exaggerate the harm that may be done if it becomes necessary to resort to increased taxation.

In France the construction of public works by the Government has been undertaken from motives altogether different from those which
prevail in India. The primary object in France is to give additional employment to the labouring classes. It cannot be for a moment supposed that any remunerative public work would not be supplied through private enterprise and private capital. In no country, probably, is there a more general diffusion and greater accumulation of wealth than in France, and the enormous sums which are forthcoming whenever a new loan has to be raised, show that it is scarcely possible to place any assignable limits to the amount of capital which the French people are willing to supply whenever they consider that an opportunity is offered of a safe and profitable investment. If therefore any particular public work is not constructed in France through private enterprise, it can be fairly concluded that in the judgment of the French people it does not afford a reasonable prospect of profit. As all experience shows that an industrial work carried out by a Government is not likely to lead to greater economy than if it is constructed through private agency, a work which is not carried out by private enterprise because it is unremunerative, will in all probability be still more unremunerative if it is undertaken by the Government. We are thus again brought face to face with the same difficulty which had to be met when considering the schemes for the nationalisation of the land, and we have to ask on whom would fall the loss which would result? To such an inquiry only one answer can be given: the State, as I have often had occasion to remark, far from having any great store of wealth from which draughts can be freely made without any one being the poorer, has to obtain every shilling it expends from taxation. It cannot moreover be too constantly borne in mind that all taxation takes from the pockets of the people a great deal more than it yields to the State. It is probably a moderate estimate to assume, when account is taken of the expenses of collection and of the hindrance to trade involved in taxation, that if the carrying out of a public works policy led to a deficit of 5,000,000l., the real loss to the community would not be less than 6,000,000l.

There is another consideration which demands most serious attention. The expenditure by the State of large sums upon public works disturbs the natural flow of labour. Great masses of workmen are aggregated in particular districts, and when expenditure begins to slacken they are naturally eager for fresh employment, and the Government, in order to appease political discontent, may not improbably be forced to commit itself to still further outlay. As an instructive warning of the straits to which a Government may be forced if it interferes with the natural development of trade, it may be mentioned that in the spring of 1883 there was much distress amongst the workmen of Paris; many of them had been attracted from the country districts by tempting offers of employment which were made during the time when public works on a large scale were carried out in Paris. The demand for work became so
persistent that it was seriously proposed to order new furniture for all the Government offices in Paris, not because it was wanted, but in order that employment might be found for the distressed cabinet makers. It would be scarcely more unreasonable to engage some one to break all the lamp-posts with the view of giving work to those who would replace them.

Considerations similar to those to which reference has just been made apply to all the schemes that are from time to time brought forward for carrying out various industrial undertakings by State funds instead of by private enterprise. Thus it has often been advocated in the programme of modern Socialists that cooperative institutions should be aided by capital advanced by the State. Whilst placing, as shown in the last chapter, the highest value upon the extension of cooperation, I believe that no more fatal injury could be inflicted upon the movement than that the founders of cooperative institutions should be accustomed to rely, not upon their own efforts, but upon State help. It is particularly worthy of remark that of the many French cooperative institutions which received assistance from the State at the time of the revolution of 1848, not one obtained any permanent success. It is not difficult to explain their failure. Every trade is certain sometimes to have to contend with the reverses of bad times; the surest way of triumphing over these difficulties is to exercise patience, care, and perseverance; and nothing is so likely to lead to failure as if encouragement is given to a relaxation of effort by the feeling that if fresh funds are required recourse can be had to the coffers of the State. If the credit of any commercial undertaking is good, there is no difficulty in obtaining an advance of capital from bankers and others, whose special business it is to secure a profitable investment for the large sums placed at their disposal. If the State makes loans in cases where they cannot be obtained from ordinary commercial sources, it is clear that, in the judgment of those best qualified to form an opinion, the State is running a risk of loss which may necessitate increased taxation.

Although in England very little support has been given to proposals to assist cooperative institutions by State loans, yet within the last few years other schemes, which may produce consequences very similar to those just described, have received much public favour. In Ireland three-fourths of the purchase money is advanced by the State to enable small farmers to purchase the land they cultivate, and it is evident that an effort will be made to extend the system to England and to Scotland. If the plan is simply considered in its financial aspects, it is at once evident that public funds are used in a manner that may lead to a loss which will have to be borne by the general body of tax-payers. For if the public money which is advanced could be regarded as a safe investment, there would, as previously remarked, be
no necessity to have recourse to State assistance. If, moreover, the aid of the State can be evoked to enable small farmers to become the owners of the land they cultivate, it can hardly be doubted that gradually the system of State assistance will have to be extended. The workmen in the towns would not unnaturally think that they should share the advantages of State help; and they might urge that they should receive some assistance to enable them to become the owners of the houses in which they live. Such demands would be most powerfully stimulated if it became necessary to impose additional taxation in consequence of losses that might accrue on advances made by the State; because a feeling would inevitably arise that if the community were fined for the sake of providing advantages for a special class, these advantages should be shared by all who had to bear the burden. It is to be feared, however, that the financial loss may be by no means the most serious evil resulting from a large extension of the plan of creating small properties in land by means of Government loans. It is at any rate deserving of most careful consideration whether similar results will not follow the scheme of creating peasant properties by State help to those which have been produced by the attempt in a similar manner to foster cooperative institutions. If some hundreds of thousands of small farmers were debtors to the State, it might not improbably happen that, in a period of agricultural depression, they would not encounter their difficulties by increased energy and enterprise, but would be encouraged to seek a remedy in the tortuous courses of political agitation. The State would be represented as a hard taskmaster, mercilessly exacting the uttermost farthing from the suffering and the impoverished; and political support might be given to those who would most deeply pledge themselves to secure a partial remission of the debts that had been incurred.

It seems probable that the scheme of State Socialism which in England, during the next few years, is likely to assume most importance is the erection of improved dwellings for the poor by funds supplied either from imperial or local taxation. It is almost impossible to overstate the evils which result from the overcrowding of a large portion of the population in wretched and unhealthy dwellings. As stated by Mr. Bright in his rectorial address at Glasgow (March, 1883), it appears that even in that wealthy city no less than forty-one out of every hundred families live in a single room, and that beyond these forty-one, thirty-seven families out of every hundred live in two rooms.¹ In view of such a state of things no effort should be spared to bring into operation every agency which is calculated to improve the dwellings

¹ The deplorable state of things disclosed by these figures is probably in large measure due to the fact previously stated (see note p. 43) that the Scotch, compared with the English, have hitherto made scarcely any effort to provide themselves with better houses through the agency of building societies.
of the poor. Admitting that there can be no difference of opinion as to the desirability of the object to be attained, the question is at once suggested whether this object is likely to be promoted by erecting dwellings at the public expense. There is a wide distinction to be drawn between the interference of the State on sanitary grounds, and its interference with the object of supplying houses on more favourable terms than those on which they can be provided by private agency. There are strong grounds for concluding that it is expedient for the State to interpose both with the object of preventing unhealthy houses being built, and in prohibiting houses continuing in so bad a sanitary condition that they not only are dangerous to their inmates, but may become centres of disease to the neighbourhood. It can, however, be easily shown that immediately the State steps beyond these limits of interference, and attempts to control the rents that are charged, by building houses with public funds, endless difficulties are at once suggested. If the rent asked for houses built by the State or by a municipality is not sufficient to pay the interest on the money expended in building them, the deficiency must be made good either by an increase in imperial or local taxation. Additional imperial taxation must in part ultimately be paid by the poor, and without discussing here the intricate question of the incidence of local rates, it is sufficient to say that rates are in a large part paid by the occupiers of houses. If, therefore, it became necessary, as the result of a municipality entering into building operations, to increase rates, the inevitable result must be that those who were fortunate enough to be selected as tenants by the municipality would be virtually shifting a portion of the rent which they would otherwise have to pay, from themselves upon the rest of the inhabitants. Not only would this be manifestly unjust, but the very evil which it was sought to cure would in many instances be aggravated. A workman can only afford to spend a certain portion of his wages upon house-rent; suppose the amount spent by one who is earning 30s. a week is, for rent and rates combined, 6s., the rent being 4s. 6d. and the rates 1s. 6d. If his rates are increased by 6d. a week, the amount then remaining to him to spend in rent is reduced from 4s. 6d. to 4s. a week, and the accommodation which he will ultimately obtain will be proportionately diminished.

There is yet another difficulty to be considered. What process of selection is to be adopted by the municipal authorities in deciding who should be the favoured individuals to enjoy the advantage of living partly at the public expense in houses with rents artificially reduced? It is obvious that poverty cannot be made the controlling principle of selection; because, if this were done, a direct and powerful inducement would be held out to improvidence. Nothing could be more disastrous than to make the industrious poor feel that they were taxed in order to provide those who were impoverished by intemperance or improvi-
dence with better and cheaper houses than they could themselves obtain. If no principle of selection were adopted, and if the houses built by the State or by the municipality were let at the highest rent they would fetch, is there any reason to suppose that a State or a municipality would, in such a trade as house building, be able successfully to compete with private enterprise? This being the case, the result would be that although those who lived in the houses built with public funds would be paying competition rents, yet in all probability these rents would not be sufficient to return the interest on the outlay and the expenses of management, and the deficit would have to be made good either by adding to taxation or by an increase in rates.

Probably, however, the most mischievous consequence that would result from the State or a municipality undertaking to supply houses, is the effect it would have in discouraging the efforts which the working classes are now making to supply themselves with houses. There is no fact connected with the social condition of the people more hopeful than the remarkable development of building societies in recent years. It is estimated, as previously stated, that at the present time these societies have no less than 750,000 members, a large proportion of whom, by the setting aside of small savings, have either become, or are in process of becoming, the owners of the houses in which they dwell. There is, I believe, no truer way of drying up this great stream of self-help and self-reliance than to teach the working classes that they should look, not so much to their own efforts, but to the State or the municipality to provide them with the house accommodation they may need.

The next scheme of State socialism to which it is desirable to direct attention is the proposal, which has been sanctioned by the high authority of Prince Bismarck, to create a fund, partly obtained from a special tax levied upon employers, for the purpose of providing insurance against accidents and an allowance during sickness for workmen. It has been sometimes suggested that the scheme is a natural outgrowth of that system of militarism which has assumed its highest development in Germany, and that so severe a strain has been imposed upon the industrial classes by compulsory military service that it is necessary to resort to exceptional measures to relieve it. It would, however, be foreign to my present purpose to consider the scheme in other than its economic aspects. With the object of clearly explaining the economic results which may be produced, it will be

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1 It not unfrequently happens that persons join building societies, not for the sake of purchasing a house to live in, but simply as an investment. It must, however, on the other hand, be borne in mind, that the figures above quoted include only the members of registered building societies. As a large number of these societies are not registered, it is probably not incorrect to assume that as many as 750,000 persons have acquired, or are in process of acquiring possession of the houses in which they live, through the agency of building societies.
desirable to assume that the scheme is carried out in the simplest possible manner, and that the money required to give effect to the proposal is in part obtained by a special tax, say of 10 per cent., levied upon the profits of the employers. It will be necessary, in the first place, to consider what will be the effect of this tax, not only upon the employers, but also upon the rest of the community. Three questions are at once suggested:—

(1) Will the tax be really paid by the employers?

(2) Will the employers be able to compensate themselves by a rise in the price of commodities, and thus shift the burden upon the general body of consumers?

(3) Will the employers be able, in consequence of the tax, to reduce wages, and thus cause the tax to be really paid by the workmen?

From the answers to be given to these three questions, it will be clearly shown that the tax will ultimately have to be borne wholly or in large part by the workmen. Suppose that the tax, in the first instance, is paid by the employer, and that his profits are consequently proportionately decreased. This diminution in profits will render it less desirable to embark capital in the industry of the country; because if capital were employed in some other way, such as the purchase of Government loans, or if it were exported for investment abroad, the payment of the tax would be avoided. This lessening of the inducement to apply capital to home industry could have no other result than to diminish the demand for labour; wages would consequently decline, and the tax, though paid by the employers, would really, in large part, be contributed by the labourers.

It can be easily shown that very serious results might ensue if the employers attempted to compensate themselves for the loss inflicted by the tax by a rise in the price of commodities. In every country there is in the great majority of industries a keen and closely contested competition between the home and the foreign producer; if the price of home products is artificially raised, the inevitable result will be at once to place home trade at a disadvantage; business would become less active, profits and wages will both decline, and it may very possibly happen that the loss alike to employers and employed will be considerably greater than the amount of the tax. Even if there were not the competition just supposed, and if it were possible to maintain a rise in prices sufficient to compensate the employer for the tax, the labourers, being by far the most numerous class in the community, would, by having to pay an extra price for commodities, be just as certainly taxed as if the larger part of the tax were in the first instance levied from them. The same result would of course take place if, as a consequence of imposing the tax upon the employer, he, in order to place himself on an equality with his foreign competitors, reduced wages.
The conclusion is consequently inevitable that no course can be suggested which will prevent the tax, either wholly or in large part, being paid by the labourers; and therefore the effect of the scheme will be the same as if the labourers were directly taxed with the object of forming an insurance and annuity fund for their benefit. Amongst many objections that may be urged to such a plan of compulsory thrift, it may be mentioned that it would be impossible for the Government to obtain money for an insurance fund either from those who are unemployed or from those who only earn wages just sufficient to provide themselves with the necessaries of life. The certain result of the Government making such an attempt would be to arouse a bitter feeling of resentment. Many forms of providence, such as insurance and making provision for old age and sickness, which are now rapidly spreading, would become unpopular; and it would probably be found that not only would a Government hopelessly fail to introduce a system of compulsory thrift, but that the reaction that would result from the attempt would lead to there being far less thrift amongst the labouring classes than if it had never been sought to force it upon the people.

Although a Government may by unwise interference materially retard social and economic movements which are calculated greatly to improve the condition of the people, yet a Government may exert a very beneficial influence in making available various agencies that will render the practice of providence more easy. Unmixed good has, for instance, resulted from the introduction of savings banks, which are now so rapidly spreading in our own and other countries; and it may be confidently anticipated that the people are more likely to make a prudent provision for the future if they feel that they can enjoy the security of the State, and that years of thrift will not be lost to them by intrusting their savings to insolvent societies. It is, however, of the first importance that any scheme which is supported by the State should be conducted on sound commercial principles, and should be entirely self-supporting. Thus the savings banks which are administered through the Post-office, far from throwing any charge upon the general tax-payers of the country, yield a profit which is sufficient to secure the State against any risk of loss. If this principle were once departed from, nothing but mischief would result. If, for example, in order to promote thrift, the State allowed a higher rate of interest on savings bank deposits than it could afford to pay, the general community would be taxed for the benefit of a special class, and rival political parties prompted by a desire to gain popularity might, having once departed from the path of sound finance, bid against each other by offering a still higher rate of interest, and thus an increasing burden would be thrown upon the community.

In thus directing attention to the mischief which is likely to result
from bringing into operation various schemes of State socialism, it ought not to be concluded that an institution must necessarily be condemned because it may have associated with it some of the characteristics of socialism. Thus, as will be shown in the next chapter, our poor law system is undoubtedly based upon socialism, because it confers upon every destitute person a legal right to be maintained at the public expense. It would not, however, be safe to conclude that the poor law ought to be abolished because of the socialism which attaches to the system. Such a question ought to be determined by a careful balancing of advantages and disadvantages; and when this is done the conclusion will probably be that the abolition of the poor law, from the stimulus which would be given to all the evils associated with indiscriminate charity, would produce consequences which would be far more serious than any mischief which results from a poor law system when carefully and properly administered. Experience, however, has abundantly shown that a Government, in entering so far upon the path of socialism as to guarantee maintenance to all destitute applicants, incurs a responsibility so grave that if it is not safeguarded with the utmost caution it may bring the most serious dangers upon the community. Before the introduction of the new poor law in 1834, for instance, pauperism was so much encouraged by the carelessness and laxity of administration which had previously prevailed, that English industry seemed likely to be permanently crippled by the burdens imposed upon it. If great watchfulness is not exercised in checking out-door relief, similar evils may again occur; poverty and suffering naturally evoke so much sympathy that a demand for a more liberal administration of poor relief may easily be created.

Proposals are also frequently brought forward to widen the application of the principle involved in poor law relief. Thus there are many who urge that as some of the poor find it difficult to pay for the education of their children, free education should be given at the public expense to all who choose to avail themselves of it. Amongst the pleas that are urged in favour of this proposal, it is said that as the money which free education would require would be contributed by the taxpayers and ratepayers of the country, parents would still pay for the education of their children, although in an indirect way. Precisely the same argument would justify such an extension of the present poor law system as would cause maintenance at the public expense not to be confined as it now is to the destitute; the right of enjoying it might also be conferred upon all who chose to avail themselves of it. It is also sometimes argued that a system of compulsory education has been introduced because it is in the interest of the State that the community should be properly educated, and that therefore, as the arrangement is carried out in the interests of the State, it is only fair that the State should bear the expense. But if this principle is
accepted the responsibilities of the State might be indefinitely increased. It is to the national advantage that the people should be well fed, well clothed, and well housed; therefore it might be proposed that the feeding, clothing, and housing of the people should be undertaken by the State. It is, moreover, to be remarked that the chief justification for the interference between parent and child, involved in compulsory education, is to be sought in the fact that parents who incur the responsibility of bringing children into the world ought to provide them with education, and that if this duty is neglected the State interposes as the protector of the child. It no doubt may be said that a very large part of the expense of popular education is now defrayed by grants obtained either from imperial or local taxation, and that as consequently so great an advance has been made towards free education, no harm could result from its complete introduction. In my opinion, however, great care ought to be taken to preserve some recognition of the individual responsibility which every parent owes to his children in reference to education, and instead of entirely sweeping away this responsibility, the people should be rather encouraged to regard the present system only as a temporary arrangement, and that as they advance, the portion of the charge for the education of their children which can now be shifted upon others should, instead of being increased, be gradually diminished.

In bringing these remarks on State socialism to a conclusion, it may be remarked that for some years to come many of the schemes which have been here considered may in various forms engage a large share of public attention. In endeavouring to explain some of the consequences which their adoption would involve, I should greatly regret to do any injustice to the motives of those by whom they are advocated. Mischievous as I believe many of these schemes would prove to be, the great majority of those by whom they are advocated are undoubtedly prompted by no other desire than to promote social, moral, and material advancement. The conclusion, above all others, which it is desired here to enforce, is that any scheme, however well intentioned it may be, will indefinitely increase every evil it seeks to alleviate, if it lessens individual responsibility by encouraging the people to rely less upon themselves and more upon the State.

CHAPTER V.

THE POOR LAW AND ITS INFLUENCE ON PAUPERISM.

In attempting to describe the influence which the English Poor Law has exercised upon Pauperism, it will be desirable in the first place to give a brief review of the circumstances which have led to the
establishment of the existing system of Poor Law relief. In order to make the subject as clear as possible it is necessary to distinguish between the two modes in which relief to the poor is granted. In the first place, relief may assume the form of almsgiving or charity; or secondly, the funds distributed amongst the poor may be administered by the State and be obtained through the ordinary channels of either imperial or local taxation. In this latter case a country is said to have a Poor Law. In England there was not any real Poor Law until the reign of Elizabeth. And until as recently as 1838 the relief of the poor in Ireland was not organised by the State; it was rather left to the uncertain chances of voluntary charity.

The causes which led to the gradual establishment of a Poor Law in England may be readily traced. As long as the relief of the poor was left to individual, and consequently unorganised efforts, it is obvious that many mischievous results would be sure to ensue. Indiscriminate almsgiving always in the end demoralises those whom it is intended to benefit, and intensifies the evil which it seeks to alleviate. Those evidently obtain the largest share of private charity who can excite in others the strongest sympathy for their sufferings. Mendicancy thus becomes a profession in which the greatest success is often secured by the least deserving. Mendicancy and vagrancy grew to such serious proportions in this country, that it was attempted to regulate them in numerous Acts of Parliament. Throughout the various statutes which were passed for this purpose one leading idea, based on principles which were incontestably sound, can generally be traced. Parliament showed the utmost care to indicate the broad fundamental distinction which exists between voluntary and involuntary poverty; various local authorities were enjoined to treat with sympathy and liberality all whose poverty was involuntary; a severe measure of justice was however meted out to voluntary mendicancy. An able-bodied man who preferred to beg rather than to work excited intense indignation in the legislature of those days. Such a one was in sundry Acts of Parliament of Richard II. and in succeeding reigns termed a "sturdy vagabond" and "a valiant beggar." In one of these statutes it was decreed that if such a one were detected applying for relief when work was to be had, he was for the first offence to be whipped; for the second offence one of his ears was to be cropped; and if he offended a third time he was to be hanged as an enemy to the commonwealth. The purpose of these Acts was defeated by their extreme severity; such penalties were too harsh to be generally inflicted. Mendicancy and vagrancy went on increasing in spite of the efforts of the legislature to check them; the evil at length became so threatening to the well-being of the country that the necessity of adopting a different policy became generally recognised. In consequence of the suppression at the time of the Reformation of the monasteries and
religious houses which had been centres of almsgiving and general relief, the attention of the legislature was then particularly directed to the condition of the poor; and in the reign of Henry VIII. two statutes were passed in which may be detected the germs of the celebrated Act of Elizabeth, from which our Poor Law system originated. These Acts of Henry VIII. not only rendered each locality responsible for the support of its own poor, but also attempted the extremely useful work of regulating the giving of alms. The impotent poor were to be sent to the place where they were born, and the local authorities were, under the pain of heavy penalties, enjoined to treat them with kindness and liberality. With regard to the able-bodied or voluntary paupers a very different policy was to be adopted; work was to be provided for them, and if they did not accept it they were severely punished. But the most important provisions in these Acts were those which regulated almsgiving. All who desired to give relief to the poor were ordered to place their contributions in a common fund, which was distributed by the Bishop and clergy. If any one omitted to do this, and dispensed charity privately he rendered himself liable to a penalty equal to ten times the amount which he had given away.

The intentions of those who framed these Acts were excellent; they evidently desired to create a distinct line of demarcation between voluntary and involuntary pauperism, and they not unreasonably hoped by discouraging indiscriminate almsgiving to diminish mendicancy and vagrancy. But from the severe enactments which were subsequently passed against mendicancy it is evident that the wise intentions of these legislators were to a great extent defeated. The reason of their failure can be readily understood. The distributors of the common fund had no power to impose a rate, and thus obtain from individuals contributions in proportion to their means. This defect in the law probably impressed itself upon Elizabeth and her advisers, and as a natural consequence, a remedy was suggested which was embodied in the celebrated Act passed in the 43rd year of her reign. The main provisions of this Act may be briefly described. It gave for the first time to every one a legal right to claim relief. In order to obtain the fund which the provision of this relief required, local authorities were empowered to impose a rate upon all such real property as land and houses; the able-bodied were by its provisions compelled to work as a condition of obtaining relief; the cost of maintaining able-bodied paupers was thrown upon any of their natural relations who could afford to bear the charge. The Act also provided for the annual appointment in each parish of overseers, who were responsible for the collection of rates, and the administration of relief. There is so little difference in all important principles between these provisions and those which were embodied in the New Poor Law of
1843, that it may at first sight seem difficult to understand why this latter Act was ever required. There probably never would have been any necessity for passing it had not the Poor Law of Elizabeth been most mischievously tampered with.

It is obvious from the description just given of its leading provisions that one of the chief objects of its framers was to deal rigorously with voluntary pauperism. For 150 years this policy was continued with the happiest results. Mendicancy and vagrancy greatly diminished, and the restrictions imposed upon able-bodied paupers were regarded by them as so onerous that few, except the impotent poor, applied for relief. Between the passing of the Act in 1601 and the time referred to several amending statutes were passed; none of these however weakened, some of them materially strengthened, the original purpose of the Act. Thus in 1723, the ninth year of the reign of George I., a parish, or union of parishes, was empowered to build a workhouse; and the offer of residence in it, if not accepted, was a bar against relief. This enabled local authorities to diminish or even altogether to abolish out-door relief. There is reason to believe that if the power thus conferred on local authorities had been more extensively taken advantage of, a vast proportion of the pauperism which has afflicted this country would never have existed. But unfortunately an entirely different policy was soon adopted by Parliament, and sanctioned by public opinion. It seems not improbable that this change of policy is to a great extent to be attributed to the remarkable influence exercised by the Elizabethan Poor Law in diminishing pauperism. Frequent reference is made by writers of the period to the fact that about the middle of the last century there was less pauperism in England than in any other country. It appeared at that time not unlikely that pauperism would in the course of a few years be almost exterminated. Unfortunately, however, instead of persevering in a policy which had produced such happy results, the opinion began to prevail that as there was comparatively so little pauperism there would be no danger in administering parochial relief in what was supposed to be a more liberal and kind-hearted spirit. The stringent provisions of the Elizabethan Poor Law were gradually relinquished; out-door relief, instead of being discouraged, was directly fostered by various Acts of Parliament; a lax administration of the law became general, and the result was that pauperism assumed such alarming proportions about the year 1832 as almost to threaten the country with national bankruptcy and permanent ruin.

It is evident that the change of policy just indicated was gradually glided into without the slightest appreciation of the consequences involved. It unfortunately happened that the leniency and liberality in the administration of the Poor Law which, as previously remarked, were introduced about the middle of the last century, were chiefly
shown in granting out-door relief on more easy terms to able-bodied paupers. By an Act passed in 1767, the 7th of George III., guardians were appointed to protect the poor against the parsimony of overseers and other parish officers. Fifteen years later, by what is known as Gilbert’s Act, most of the valuable safeguards in the old Poor Law were entirely swept away. The workhouse was no longer to be used as a test of voluntary pauperism, for by this Act the able-bodied were not obliged to enter it; the guardians were ordered to find work for all able-bodied applicants near their own homes, and to make up out of the rates any deficiency in wages. The same fatal policy was continued and was brought to a climax in 1815, when, by a statute known as East’s Act, the workhouse test, imposed by the 9th of George I., was now altogether removed. After the passing of this Act, no one, not even an able-bodied labourer, was called upon to enter the workhouse, and justices were empowered to make money grants to people at their own homes.

The extent to which the industrial classes were demoralised by these relaxations of the Poor Law soon became only too evident. The most pernicious influence was exerted, not only upon the poor, but also upon their employers; every agency which could most powerfully promote pauperism had been brought into operation; men were virtually told that no amount of recklessness, self-indulgence, or improvidence would in the slightest degree affect their claim to be maintained at other people’s expense. If they married when they had no reasonable chance of being able to maintain a family, they were treated as if they had performed a meritorious act, for the more children they had the greater was the amount of relief they obtained. All the most evident teachings of common sense were completely set at nought; labour was bribed to remain in localities where it was not wanted; and it was prevented passing to those districts where there was a demand for it. Thus if wages in any parish were below what it was thought would provide a reasonable maintenance, the local authorities were empowered to grant an allowance in aid of wages. These evils were aggravated by various enactments known under the general name of the Laws of Settlement, which were passed with a view of hindering labourers from leaving the localities in which they were born. The allowance system and the Law of Settlement, though acting in very different ways, combined to impede the natural flow of labour. However great a surplus of labour there might be in any locality the employed had no inducement to leave it, as long as their wages were made up to the average amount by grants from the rates. The employer not caring about or understanding ulterior consequences, was apparently interested in keeping a supply of surplus labour about him; it produced a low rate of wages, and he was virtually able to put his hand into the pockets of the neighbouring ratepayers to make up the deficiency to those
whom he employed. The Law of Settlement placed such impediments in the way of a labourer passing from one district to another that to a great extent men were constrained to seek employment only in the place of their birth. Few enactments have ever produced more widespread mischief. Adam Smith, in the Wealth of Nations, says that in his time there was scarcely an artisan of forty-five years of age who had not at one period or another suffered some grievous wrong from the Law of Settlement.

By the joint operation of all the baneful influences just described a most alarming demoralisation was produced. The extent to which it affected not only the employed, but also the employers, was brought to light by the searching investigations of the Royal Commission which was appointed in 1832 to enquire into the Poor Laws. Amongst the Commissioners were some leading public men, and all their arrangements seem to have been devised with the object of making their examination of the subject as accurate and scrutinising as possible. Assistant Commissioners were appointed not only personally to visit, and take evidence in different parts of England, but they were sent to foreign countries in order that they might enquire into the various modes of administering relief to the poor. The evils of our Poor Law system were so fully unfolded that the necessity of some radical reform became generally recognised. After having to contend with much opposition from those who supposed themselves to be interested in the abuses of the old system, an Act was passed in 1834 which has continued without much alteration up to the present time. This Act is generally known as the New Poor Law; and before describing its more important provisions it will be useful to recount some facts which were brought to light by the Royal Commission in 1832. All the general objections which have been urged against the relaxation of the checks upon voluntary pauperism were strikingly corroborated by specific facts. In some districts out-door relief was granted to the able-bodied upon so liberal a scale that pauperism became a very remunerative employment. One of the Assistant Commissioners who visited Eastbourne found that paupers who worked were paid at the rate of 16s. a week, whereas the average wages in the district were only 12s. a week. The inferiority of the independent workman’s pecuniary position was so notorious that this Commissioner actually heard two women complain that their husbands would not better their lot by becoming paupers. In North Devonshire and in many other parts of England so large an allowance was granted for each additional child that was born, that the more numerous a man’s family was, the better his circumstances became, and in this way an artificial stimulus was given to population. The habits of improvidence which were thus fostered produced evils which could not be at once removed. A father cannot be improvident without teaching a lesson of improvidence to
his children. Moreover when there is a surplus population the labourer can only secure minimum remuneration for his labour, or in other words he simply receives subsistence wages. It can therefore cause no surprise, that in many localities where the abuses of the old Poor Law were most rife, we find that the supply of labour is still so much in excess of the demand that agricultural labourers until quite recently often received not more than 9s. or 10s. a week, and now only obtain 12s. a week. Other influences of a still more demoralising kind were brought into operation under the old Poor Law to stimulate an increase of population. A woman obtained from the parish a larger allowance for an illegitimate child than for a legitimate child. The fathers of illegitimate children were also encouraged in a life of immorality by being free from all pecuniary liability to afford them maintenance. Can it excite surprise that from such a system we should have handed down to us an inheritance of vice and poverty?

The subject presents equally melancholy aspects from whatever point it is viewed. Pauperism often came to be regarded as a paying profession, which was followed by successive generations of the same family. Thus the Commissioners tell us of three generations of the same family simultaneously obtaining relief, and the amount they drew from the parish exceeded 100% per annum. As a natural consequence of the parish authorities being enjoined to find work at remunerative wages for all their poor, the feeling soon became general that pauperism was no disgrace, and that the allowance which was obtained from the parish was just as much the rightful property of those who received it as the wages of ordinary industry. Indolence was thus directly encouraged, and a spirit of lawlessness and discontent resulted. Although 1832 was a year of plenty, when bread and other provisions were cheap, yet at this time many of the rural districts were in a very disturbed state; riots and incendiary fires were of common occurrence, and the Commissioners proved that these outbursts of popular discontent were most frequent in those localities where the Poor Law had been administered with the greatest laxity. The cost of pauperism grew constantly greater; rates so rapidly increased that it became evident they would soon absorb the whole fund from which they were provided. In some districts the rates absorbed more than remained of the produce of the soil after all the expenses of cultivation had been paid. The Commissioners tell us that many farms were given up, that several of the clergy relinquished their glebes, and that much fertile land was thrown out of tillage. They mention one parish, Cholesbury, Berkshire, in which the whole land was offered to the assembled paupers, but they refused it, saying they would rather continue on the old system. Such a case may appear incredible, could it not be corroborated by much similar evidence. The Commissioners ascertained that a gentleman who cultivated his own estate of about 500 acres, at
Shelford, near Cambridge, annually paid in poor rates 250l.; the land to rent was worth about 1l. per acre; the rates consequently absorbed half the letting value of the farm. But great as was the charge thus imposed, it by no means represented the entire burden of pauperism. At Shelford, as in many other localities, it was the practice to allot the able-bodied paupers to different farmers; each farmer was consequently obliged to employ a number of paupers in proportion to the extent of his holding, whether he required their labour or not. The gentleman to whom reference has just been made, proved that so much of the labour thus imposed upon him was of no use whatever, that it caused him an annual loss of at least 100l. a year. The whole annual cost of pauperism on this farm of 500 acres was therefore 350l. If rates had gone on increasing for a few years as they were at the time the New Poor Law was introduced, it is evident that this annual charge of 350l. would soon have grown into more than 500l.; this would have represented a higher rent than the land was able to bear, and consequently there would have been no other alternative but to have thrown it out of cultivation. When it is remembered that this was by no means an exceptional case, but might, on the contrary, be regarded as typical of the condition of a large part of the country, it at once becomes manifest that England was at that time threatened with ruin.

It has just been seen that a most onerous tax was inflicted upon employers by the plan of allotting to them a certain amount of pauper labour; this was, however, by no means the greatest evil of the system. Evidence was repeatedly given that farmers and others were so much burdened with this pauper labour, that in order to make room for it they were often obliged to dismiss valued workmen. A farmer near Royston told the Commissioners that he tried hard to retain two excellent workmen who had been long in his employment, but at length he was obliged to dismiss them in consequence of so many pauper labourers being forced upon him. He also said, referring to the two paupers who took the place of the workmen he so reluctantly dismissed, that one of them turned out to be a dangerous thief, and the other an habitual drunkard. Even when they were not paid high wages, the labour of paupers was most costly; it was reluctantly given; it was unskilled, and they had to be worked in gangs in order that they might be the more effectually watched. Pauper labour had in fact many of the economic defects of slave labour. This painful recital of the ignorance, folly, and injustice of the old Poor Law and the demoralisation and degradation that resulted, has been by no means exhausted, but enough has been said to explain the nature of the more prominent abuses which needed to be reformed at the time when the New Poor Law was passed. An explanation of the leading provisions

1 This short historical sketch of the Poor Law is taken from a course of lectures I delivered at Cambridge some years since, which were published under the title of
of this Act, and an inquiry into its effects, will show in what respects it has failed and in what it has succeeded. This explanation will enable the reader to appreciate the reforms which are still required.

I have thought it desirable thus to describe in considerable detail the evils connected with the Old Poor Law, because it may at any time happen that a desire to free the New Poor Law from what many still regard as its harsher features may bring into active operation many of the mischievous agencies associated with the old system. I have also thought it desirable to adopt this course, because a knowledge of the state of things which formerly prevailed will produce a better understanding of the nature of the changes introduced by the New Poor Law. It has already been remarked that there is little difference in any fundamental principle between the Elizabethan Poor Law of 1601 and the New Poor Law of 1834. The gradual relaxation of all the salutary restrictions upon voluntary pauperism contained in the former Act, as well as many grave abuses of administration, rendered new legislation absolutely necessary. By the new Act, the workhouse test was again revived, the plan of granting allowances in aid of wages was abolished, the appointment of paid overseers was provided for, and an official audit of accounts was secured. Illegitimacy was to some degree checked by making the father responsible for the support of the child, instead of rewarding the mother, and freeing the father from pecuniary liability, as was the case under the old system. The Laws of Settlement were rendered somewhat less burdensome to the labourer; formerly it was easy to obtain a settlement in a parish either by occupation or by residence; it was now made much more difficult to do so; consequently there was less reason to prevent new comers locating themselves in a parish, and the migration of labour was somewhat less seriously impeded. By far the most important improvement, however, effected by the New Poor Law may be attributed to the more rigorous restrictions imposed upon able-bodied paupers. The allowance system, with its manifold abuses, which was now abolished, had directly encouraged voluntary pauperism. The workhouse test provided a most salutary check, and the greatest possible good would have resulted if it had been made obligatory upon local authorities to apply this test to all able-bodied paupers.

The Act of 1834 was followed in 1838 by a Poor Law Act for Ireland, and two or three years later by one for Scotland. The provisions against out-door relief enforced by this Act in Ireland were more severe than those in England, for no out-door relief at all was

Pauperism, its Causes and Remedies. This book is now out of print. Many of the facts here mentioned and much other valuable information are to be found in an able article on the Poor Law by Mr. George Coode in the 8th edition of the Encyclopaedia Britannica.
allowed to the able-bodied. Although the Scotch Poor Law allows no out-door relief to be given to the able-bodied, yet the Scotch Poor Law, both in many of its provisions as well as in its administration, has not imposed the same check upon pauperism as has been enforced in Ireland. The result has been, as will be presently shown, that although from the character of the Irish people and the general circumstances of the country it might be naturally anticipated that there would be more pauperism in Ireland than in England and Scotland, yet the reverse is the case. The Poor Law system has remained in its main features unchanged since the introduction of the New Poor Law in 1834. The only important alteration of principle that has been adopted is that by the Union Chargeability Act, passed in 1865, the Union and not the Parish is made the area of rating. The principle of increasing the area of rating was still further extended so far as London is concerned by the Metropolitan Poor Act of 1870. By this Act a difference was for the first time made between the areas of chargeability for out-door and in-door poor respectively:—the cost of maintaining the out-door poor being borne by the Union, whereas the cost of maintenance of in-door poor became a metropolitan charge. The Act has had a most important effect in discouraging out-door relief, and the recent remarkable diminution in out-door pauperism in London is probably in a very considerable degree due to its operation. During the years 1875–6, which were characterised by considerable depression of trade, metropolitan pauperism declined from 96,071 to 79,816. The returns published for the first week in June 1882 show that at that time the number of persons in receipt of relief in London was 87,222, of whom 48,904 were in-door, and 38,318 were out-door paupers. This slight increase since 1875 is more than counter-balanced by the great increase of population in London, which between the census of 1871 and that of 1881 amounted to 22 per cent. The excellence of administration varies greatly in the different Unions of London. The Parish of Whitechapel is one of the best. There, on the 1st January, 1881, with a population of 71,350 there were only 440 out-door paupers, while the in-door paupers numbered 1,497.

One of the causes which has promoted the undue extension of out-door relief is its supposed cheapness when compared with in-door relief. Although it is probable that out-door relief, through the encouragement it offers to pauperism, is far more costly than in-door relief, yet it cannot be denied that the immediate cost of maintaining an out-door pauper is often not half as great as it would be if he were compelled to enter a workhouse. The inducement which is thus offered to guardians to prefer out-door to in-door relief will obviously cease to operate if, as is the case in London, the whole charge for out-door pauperism is borne by each Union, whereas the inhabitants of a large district outside the
Union have to contribute their quota to the support of the in-door poor. It cannot be doubted that a great effect would be produced in diminishing pauperism through the discouragement of out-door relief if the principle of the Metropolitan Poor Act were extended to the entire country. It might, for instance, be arranged that whereas the charge for out-door relief should be borne by each Union, the cost of the in-door poor should be borne by the county rate.

The remarkable diminution of pauperism in the Metropolis, to which reference has just been made, is, however, no doubt in part due to improved administration; because out-door pauperism has greatly declined in many other localities besides London; and, as previously remarked, the system of making the areas of chargeability for in-door and out-door pauperism different, has hitherto been only brought into operation in London. It would appear that the extent to which out-door relief is permitted exerts more influence than any other circumstance in determining the amount of pauperism. Thus, as has been already stated, greater restrictions are imposed upon the granting of out-door relief in Ireland than in England. Although the general condition of Ireland would naturally lead to the conclusion that there would be far more pauperism in Ireland than in either England or Scotland, yet exactly the reverse is the case; for taking the average of the last ten years, it will be found that one in every 57 of the population of Ireland is in receipt of parochial relief, while in England and Scotland the figures are respectively one in 33, and one in 36.

Within the last ten years there can be no doubt that the Poor Law has generally been administered in Great Britain in reference to the granting of out-door relief with greater strictness than it was previously, and the result is shown in a very gratifying diminution in pauperism. Although the period between 1850 and 1870 was one of remarkable industrial prosperity, yet throughout the time there was a steady increase in pauperism. About 1873 this tide of prosperity was checked, and during many succeeding years there was a very serious depression in agriculture and many other branches of industry. It is possible that the difficulties and losses which had to be encountered during this period induced a general recognition of the importance of a more careful administration of the Poor Law; but whether this be the explanation or not, it cannot be doubted, as previously stated, that during this period out-door relief has been generally given much more sparingly than formerly. It is consequently found that, although population has steadily advanced, the number of persons in Great Britain in receipt of relief on the 1st January, 1882, was 895,401, as against 1,200,000 on the 1st January, 1871, thus showing a decrease of 304,599. During the same period the state of pauperism in Ireland presented an exact contrast to that which it presented in Great Britain; the population of Ireland has diminished, the strictness of administration with regard
to out-door relief which formerly characterised the Irish Poor Law has been departed from, and the number of paupers has increased from 74,000 to 112,000.

Considerable discretion is left to the Guardians as to the extent to which out-door relief should be given, and the result is shown in the striking disparity in the amount of pauperism in different localities. Speaking generally there is far more out-door relief in the rural districts of England than in the towns, and the amount of pauperism in the rural districts is generally far in excess of that which prevails in the towns. Taking the latest returns (1st January 1883) it may be mentioned as an illustration of this, that in Linton, a rural union in Cambridgeshire, out of a population of 13,014, there were 144 persons in receipt of in-door relief, and not less than 900 in receipt of out-door relief. Consequently more than one out of every thirteen was a pauper. In Preston with a population of 129,155 there were only 880 in-door paupers and 729 out-door paupers, and consequently only about one out of eighty of the population was on the pauper roll. In the union of Atcham, which includes the town of Shrewsbury, the number of persons in receipt of relief on the 1st January 1883, out of a population of 48,640, was only 602, or about one in eighty of the whole population. Of these 602, as many as 413 were in-door paupers and only 189 were out-door paupers. Of these 189 only four, two men and two women, were able-bodied adults; the rest were either infirm, children, or lunatics. The reform of the Poor Law administration in this union is almost entirely due to the unwearied labours of the late Sir Baldwyn Leighton. The lessons so well inculcated by him of the necessity of extreme care in allowing out-door relief, cause this union to be one of the best administered in England.\(^1\) This remarkable difference in the amount of pauperism is no doubt in part to be attributed to the greater poverty of an agricultural population, but an examination of pauperism in places whose population is similarly circumstanced shows with striking distinctness the extent to which pauperism is encouraged by lax administration of out-door relief. Thus it will be difficult to find two towns which are more alike in the general condition of their population than Oxford and Cambridge. Each is the seat of an University, and each is the centre of a large agricultural district. In the Poor Law Union of Oxford with a population of 21,900 there are 323 in-door paupers and 220 out-door paupers: which together represent 2.48 per cent. of the population. In the Cambridge Union, with a population of 35,372 there are 203 in-door paupers, and 1,556 out-door paupers, which together represent 4.97 per cent. of the population. Comparing these two Unions it appears that in Cambridge, where the pauperism in proportion to the

\(^1\) These statistics of pauperism in the different Unions are obtained from a return which is periodically issued by the Local Government Board.
population is far greater than in Oxford, out-door relief is so freely
given that the out-door paupers exceed the in-door paupers by more
than 600 per cent., whereas in the Oxford Union the in-door paupers
exceed the out-door paupers by about 40 per cent.

No greater misfortune could happen to the country than if we again
relapsed into a lax administration of the Poor Law, and out-door
relief were generally freely given. Poverty would be indefinitely
increased, and on all sides agencies would be brought into operation to
depress the condition of the labourer. The growing burdens involved
in increasing pauperism would impose a serious tax on industry, and
the improvidence which, as we have seen, was fostered in the days of
the old Poor Law would be actively revived, with the inevitable result
of an overstocked labour market and a rapid decline in wages.

Proposals are not unfrequently brought forward which would un-
doubtedly lead to such results as those which have been just described.
Thus it has been sometimes suggested that there should be a national
poor rate, and that pauperism, instead of being a local charge, should
be either wholly or in part defrayed from the Consolidated Fund. If
such an arrangement were carried out, it cannot be doubted that all
the guarantees for careful and economical management would be
seriously weakened. If local authorities were allowed to draw upon
the imperial exchequer there would be a scramble for public money,
and pauperism would be so much stimulated that in a short time it
would be impossible for the industry of the country to struggle
against the burdens which would have to be borne. In the interest
of the poor themselves, the administration of the Poor Law cannot be
too carefully watched. Economists of high authority, such as Malthus
and Chalmers, were so much impressed with the evils resulting
from the old Poor Law, that they strongly argued in favour of the
entire abolition of the system. They apparently thought that no
country could safely incur the responsibility of conferring upon every
one a legal claim to be maintained. I believe, however, experience shows that when the Poor Law is properly administered relief
may be restricted to those cases where it is really required, and
pauperism is far less encouraged than it would be if the poor had no
other resource than indiscriminate and unorganised charity.

Amongst the advantages associated with a Poor Law, much impor-
tance is to be attributed to the influence which the existence of a
definite protection against starvation exerts in preventing the feeling of
desperation and despair amongst the poorest classes; and these
feelings being to a considerable extent checked, socialistic schemes and
theories have never obtained any very great hold in this country upon
the masses of the people. It is a fact of much significance that, in a
visit paid to London in the spring of 1883 by Mdlle. Louise Michel,
the leader of the most extreme section of French socialists, nothing
impressed her more favourably in England than our Poor Law system, and after a visit to the Lambeth workhouse she declared that if the French poor possessed similar institutions which would give them a legal protection against extreme destitution, many of the most serious of the evils for which they demanded redress would be removed.

Besides careful administration of the Poor Law, reference has in previous chapters been made to many other agencies that may be brought into operation to diminish pauperism. Thus much stress has been laid upon the influence that has already been exerted by national education. Great importance has also been attributed to improvements in land tenure and to the extended application of the principles of cooperation and copartnership. It is also of great moment that no opportunity should be lost of bringing within the reach of the people every available facility for the promotion of thrift. It is a gratifying fact that there has been lately a marked decline in intemperance, accompanied by a corresponding growth of providence amongst the poor. As illustrative of the spread of saving habits amongst the poor, it may be mentioned that no less than one in ten of the entire population of England and Wales is a depositor in the Post Office Savings Banks. It may be confidently anticipated that with the increase of providence amongst the poor, many new forms of saving will gradually be developed. By an Act passed in 1882 it will be possible to devote the smallest sum, even as little as 1d. a week, to the purchase of a deferred annuity or to life insurance; and it cannot, I think, be doubted that when the people feel that they have within their reach a perfectly safe means of making provision for the future, it will much less frequently happen that parochial relief is the only resource in old age and for those who are left widows and orphans.1

Before concluding this chapter it will be desirable to direct attention to the very serious encouragement that is given to pauperism by the

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1 The Act referred to is the Government Annuities Act, 1882, and is about (April, 1884) to be brought into operation. Its main object is to use the agency of the Savings Banks to facilitate the granting of Annuities and policies of Life Insurance. Any depositor in a Savings Bank may, by simply giving a written instruction, have any portion of his deposit, or of the interest on his deposit, devoted to the purchase of an Annuity or a policy of Life Insurance. The tables show that a penny thus set aside each week by a boy of fifteen will secure an Annuity, or old age pay, of about 2l. 10s. a year when he reaches the age of sixty. The amount obtained by a girl of the same age who saved one penny a week would be somewhat less. It is found by experience that in order to place the granting of Annuities on a sound financial basis, it is necessary to charge a somewhat higher rate to females than to males. A penny each week saved by a youth of the same age would secure a policy of Life Insurance of about 12l. There are at the present time 7,434 Post Office Savings Banks scattered throughout the United Kingdom. There are over three million depositors in these Banks, and their aggregate deposits are 44,500,000Z. There are 421 old Savings Banks, or, as they are sometimes termed, Trustee Savings Banks. The number of their depositors is 1,552,900, and their aggregate deposits are 44,600,000Z.
many difficulties that are thrown in the way of women being able to earn their own maintenance. If the pauper statistics of any locality are examined it will be found that a large proportion of the able-bodied who are in receipt of parochial relief are women. Thus reference has been made to the great amount of pauperism in Cambridge. Out of the 311 able-bodied adults who are in receipt of out-door relief no less than 230 are women. The difficulties which women have to encounter in earning their own livelihood are often considerably increased by various laws, passed with the mistaken idea of promoting their interests, which either forbid women to be employed in certain kinds of industry, or else place such restrictions upon their labour as to considerably reduce their chance of employment. The Factory Acts, as is well known, limit the hours of labour of women, young persons, and children in certain industries. This restriction, so far as it applies to children and to young persons, is perfectly justifiable, because children are not in a position to protect themselves, if the cupidity of parents and employers combines to subject them to the manifold evils of over-work. Interference with the hours of labour of adults cannot however be justified on these grounds, and all attempts to extend the application of the Factory Acts, so far as they concern adult women, to those employed as assistants in shops or in domestic industries should be most steadfastly resisted. Reduction of hours and due allowance for rest and for meals may, I believe, be obtained by adults through voluntary means without calling in the aid of the State. Whenever it is proposed to place legal or other restrictions upon the industry of women, it should be remembered that every avenue of employment which is closed directly causes a greater number of women to be crowded into those employments which are still left open; and wages, low enough already, are still further depressed. Those who take upon themselves to decide what work is fit or unfit for women are too apt to forget that any industry is better than the wretchedness inevitably associated with a life of dependent pauperism, and that there may be worse evils in a woman’s lot than anything connected with honest industry. It has been repeatedly shown that women need not suffer any injury from work which is supposed to be degrading in its influence. No one, for instance, can deny that in many parts of England the women who are employed in agriculture are in a most unsatisfactory condition; their wages are extremely small; they are poorly and unsuitably clothed, and often, driven into the fields by the pressure of poverty, they work when they ought to be attending to their home duties. Many who observe these evils are anxious that Parliament should prohibit the employment of women in agriculture; but if the labour is differently carried on, it is proved that women suffer no evils, but are benefited by working in the fields. Mr. Henley, one of the Assistant Commissioners who, in 1867, inquired into the condition of
people employed in agriculture, has given a most interesting account of the rural population of Northumberland. When his description of these Northumberland labourers is compared with the distressing accounts which are given of the peasantry in other parts of England, it is difficult to believe that the Dorsetshire and Northumberland labourers are inhabitants of the same country. The latter earn good wages; they live well but frugally; fuel is cheap; and their houses are clean and commodious. At particular seasons of the year the women of the family work in the fields; but home duties are never neglected. The women being well and suitably clothed, their out-door labour is beneficial to them, for they generally appear in the most robust health. Their close contiguity to Scotland seems to have given these peasants a certain enthusiasm for education. Good schools are abundant, and the children are generally kept at them until they are twelve or thirteen years of age. Facts such as these should make us hesitate before we sanction any measures which would compel women to be even more dependent than they now are upon parochial relief.

THE END,
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