THE

CLAIMS OF LABOUR

A Course of Lectures

DELIVERED IN SCOTLAND IN THE SUMMER OF 1886, ON VARIOUS ASPECTS OF THE

LABOUR PROBLEM

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PREFACE.

THE present volume has arisen out of the Industrial Remuneration Conference held in the Prince's Hall, Piccadilly, in January of last year. The Report of that Conference has been published by Messrs Cassell & Co.; and in the preface there will be found an explanation of the purpose with which the scheme was initiated, and the manner in which it was carried out. It will be enough to repeat here that the general question proposed in the inquiry was, *Is the present system whereby the products of industry are distributed between the various persons and classes of the community satisfactory? or, if not, are there any means by which that system could be improved?*

The anonymous donor of the fund from which the expenses of the Conference were defrayed, finding that a considerable balance of the thousand pounds set aside by him was returned by the original trustees, asked me to undertake the task of disposing of this sum in whatever way should seem best fitted to carry on the inquiry.

On consideration it was decided to attempt something like a *résumé* of the facts and opinions brought out in the Conference, by asking several of those who had taken a prominent part in its proceedings to set forth their doctrines in a more extended form; and, inasmuch as the project had its birth in Scotland, it seemed good that these statements should in the first instance be delivered to audiences in some of the largest centres of Scottish industry. Care was taken that in the selection of subjects, and of lecturers, no single aspect or tendency should have undue prominence, and at the same time that no important section of opinion should be unrepresented. The lectures were given in Edinburgh, in Glasgow, and in Dundee, during the months of May, June, and July of this year, and the amount of interest which they aroused seems to promise that in a collected form they will be welcomed by a wider public as a valuable aid to the understanding of the present position of industrial problems.

Each lecture is here printed as it was delivered, subject only to the corrections of the author; and it will of course be understood, from the nature of the scheme, that the various writers are in no sense responsible for any opinions or statements in the volume outside of their own lectures.

JAMES OLIPHANT.

50 PALMERSTON PLACE,
EDINBURGH, *September 1886.*

Trade Unions as a Means of Improving the Conditions of Labour.

THE special branch of the industrial problem which I have been asked to treat, is by no means so difficult a one as it used to be. To a large extent Trade Unions have now lived down many of the prejudices which used to exist against them, and have become recognised and in every sense legalised institutions. They have long passed from the region of theory, and have become acknowledged facts, with a history behind them, and a record of work to show in justification of their existence. I should like to treat my subject as exhaustively as possible, but limitations of time and space must perforce be considered, and I will endeavour to condense my material even at the risk of losing something in the process. What I mean to attempt is, in the first place to refer briefly to the history of Trade Unionism, and the causes which led to its adoption; secondly, to set forth its objects, and glance at some of the results achieved; and, finally, to indicate very shortly how I think the Unions may make further progress in the future, as still active means of improving the condition of labour.

The historical portion of my lecture must be brief and rapid. The Trade Union of to-day is often

spoken of as the lineal descendant of the ancient craft guilds. There is, however, no direct or indirect connection between the ancient and modern forms of trade combination. Beyond the fact that they each had for their objects the establishment of certain trade regulations, and the provision of certain similar benefits, they had nothing in common. The ancient guilds were simply mutual trade protection associations, in which masters and men jointly combined for the general benefit of all concerned in their particular trade. The modern Trade Union is organised for distinctly different purposes. It considers in the first place only the interests of the workers, and, looking at the whole trade, provides for its regulation and protection from the workman's point of view. It is a protective agency, but in its general trade policy it is both defensive and aggressive. It is defensive when its rights or privileges are attacked. It is aggressive when it demands better conditions of labour for its members. Looked at in this way, it would almost appear that the trade guild of the Middle Ages was in one very important respect a superior institution to the Trade Union of to-day, inasmuch as it was a joint association of employers and workmen formed to watch over and protect the interests of all. I may recur to this point again, as it appears to me that in some industries there has of late years been a slight tendency to drift back into the old guild system, and it is just possible that in this respect we may yet have much to learn from the wisdom of our forefathers. In those old guilds masters and men associated upon an almost equal footing. Their relation to each other partook largely of the patriarchal character. The

apprentice was at the same time the pupil of the workshop, and the member or resident of the employer's household. "Then," to parody the words of Macaulay,

> "None was for a party,
> But each was for the trade."

Primitive and possibly happy as such an arrangement may have been, it yet contained within itself the elements of disintegration. Human nature is above all things selfish and greedy of gain. Even amid the comparative social equality of such a time the employer reaped all the advantage given him by his dual position as master and guardian. By degrees, as he became richer and more powerful, the whole machinery of the guilds was worked more and more in his own interest, and the old system was gradually broken up. The two orders drifted further and further apart, an intermediate or trading class sprang up between them, and in the centuries that have passed since the corruption and perversion of the guilds the workmen have had to struggle as best they could through the social anarchy to which they were reduced. From Tudor times, right up to the end of the first quarter of the present century, the industrial history of our country is one terrible record of class tyranny, social injustice, and legislative repression. So late as the time of Edward VI., when the Protestant Reformation was becoming an accomplished fact, it was enacted that any man or woman being idle for three days must offer themselves to work for "meat and drink," or be branded with the initial letter of the word *vagabond* upon their face with a hot iron. If while thus employed for "meat and drink" he or

she left work "out of convenient time," they were liable to the above penalty, and also to be adjudged as the slave for two years of the person who brought them before the justice. If such a wretch, as any of these must have been, ran away, and was hunted down, the hot iron was again brought into requisition, and the unfortunate was branded as a slave for life. A second attempt to escape was adjudged felony, and the culprit was condemned to suffer "the pains of death as other felons." These were the "good old times"! Right up to the beginning of this century the hours of labour and rates of wages were regulated by Acts of Parliament, which did not err on the side of leniency to the toilers. Workmen who engaged themselves to go abroad to work for a foreign master were liable to penal servitude. At the very time when our law courts were deciding that the negro slave who stepped on English soil became free, there were actually in this country, almost within the shadow of Edinburgh Castle, men and women who laboured as slaves in the mines, and were the serfs of the lord of the soil. From this slavery they were only emancipated by a special Act of Parliament, passed in the early years of this free and enlightened nineteenth century. It was not until within five years of the eighteenth century that a workman could legally travel out of his own parish in search of work. So late as 1822 two workmen from the country who had been seeking work in London, and slept in the cattle sheds of Smithfield, were taken before the magistrates, and were told that in future all persons coming to London on the mere chance of finding work would be sent to prison.

At this time there was no combination worth the name. A few Unions had sprung into existence in spite of the laws which rendered combinations illegal. The Bookbinders' Society of London celebrated their centenary two years ago. In its early years it was an illegal association, although having mainly only the objects of a friendly society. Its members were periodically subjected to prosecution, imprisonment, and other forms of social martyrdom which the capitalists of that day knew how to inflict on their victims. The condition of the people was wretched in the extreme. Long wars, heavy taxation, starvation wages, and dear food, had rendered the position of the masses of the people well-nigh intolerable. As Mr Green points out in his "Short History," "the war had enriched the landowner, the capitalist, the manufacturer, and the farmer, but it impoverished the poor." The introduction of machinery, ultimately an immeasurable blessing to the nation, caused at first great suffering by the displacement of old-fashioned labour, and added to the causes of social misery and discontent. A poverty-stricken people means too often an abject and servile nation, but in our case it was happily not so. The indomitable pluck and perseverance of our working people have never been seen to better advantage than in the slow but sure improvement which they have made in their own position by peaceful means, even when all the forces of unjust laws and high social position were arrayed against them. Other trades began to follow the example of the bookbinders, and long before the Combination Laws were repealed, secret and illegal trade societies were common among artisans. The credit of obtaining the

repeal of these iniquitous laws is due to Mr Joseph Hume. Previous to 1824 members of such societies could be sent to prison as felons, and it was no uncommon thing for the books of the order to be buried to avoid detection. After 1824 progress was easy. Organisations sprang up on all sides, though as yet they had no legal status nor any security for their funds. In ten years from this time, and indeed less than that, few provincial towns of any importance were without their Unions of skilled artisans. They were then but sectional societies, however, and lacked the concentration of force which characterises the Unions of to-day. Naturally, from his position and skill, the artisan had always been better paid than those employed in the mines or in the spinning and weaving industries. His start in the art of combination increased this advantage. In 1830 the social position of the skilled workman was infinitely better than that of those engaged in the mills and mines, and his standard of living was higher. As yet the workers of the great mining and textile industries had done nothing in the shape of organisation. The skilled workmen of the engineering, building, and other trades were receiving wages ranging from 36s. per week in London to 20s. per week in the north of England, with certain special privileges in addition for overtime, while miners and mill hands were in a state of comparative bondage. Sir J. P. Kay-Shuttleworth, speaking in Manchester in 1832, described the mill hands as rising at five in the morning, to work from six A.M. to eight P.M. Their breakfast was of coffee and bad bread. Their dinner was a general mess, shared from a common dish or tub, of potatoes and lard, or

possibly, as a treat, with butter or fat bacon. This was simply the position from which the artisan had forced himself by means of combination with his fellows. Since then the miners and the mill workers have formed their Unions, and are little, if at all, behind the skilled trades of to-day.

As Unionism extended it reached the lower-paid towns, and each centre of industry began to realise the benefits of combination in the increased wages of the trades which organised themselves. The northern towns especially exhibited a marked improvement. Previously the rates of wages in remote districts had been remarkably low, but even with imperfect and partial organisation a sensible change soon became visible. One great trade may fairly be taken as typical of all the others in all that related to social progress. It will, therefore, be best just here to confine our attention to one special industry, and to observe what took place therein. From one special example we will thus be able to trace, more or less closely, the general effect of the combination movement.

I will take the trade to which I myself belong, not only because I am best acquainted with its history and workings, but because my position in the trade gives me an opportunity of speaking with confidence in respect to it. Before 1823 the engineering trade had no organisation. In that year its first sectional society was established at Bradford. Gradually branches were established in other towns, but were only sectional, and there was nothing like a centralisation of power, equalisation of funds, or unity of action on trade questions. Each distinct branch of trade

had its own Union. Thus the millwrights stood alone, and the smiths, the fitters, turners, and pattern-makers each fought for their own hands. As a natural consequence, when any movement took place for an improvement in the conditions of labour, it was only possible to secure united and disciplined action by the formation of joint-committees representative of all the sections. Not until 1851 did these sectional societies see that if union was good for the individual it must be equally good for the sections, and in that year the amalgamation of nearly all the lesser societies took place. The method of organisation which prevailed among the smaller bodies was applied expansively to the greater body, and as it is, generally speaking, common to all the large Unions, it may be here briefly described. First, the individual workmen were grouped into branches in their several localities. Every member and every branch were governed by the same code of rules, made the same payments, and were entitled to the same benefits. The funds of the whole of the branches were equalised each year throughout the society at the average value per member, and those branches with less than that value per head in their possession had the difference made up to them by the branches with more. Branches running through the whole of their funds before the end of the year would have their necessities supplied by other branches. All the funds of the organisation were therefore available for the purposes of its rules at any special place. A central executive sat as a court of appeal, to see uniformity carried out in the working of the rules, and to direct the general financial and other workings of the society. Each branch had its committee to

arrange matters of branch interest only. In every locality where there were more branches than one a district committee was formed, consisting of representatives from each branch. To these district committees was committed the important work of watching over the general interests of the trade. They had power to regulate the rates of wages, hours of work, and general conditions of labour. They took the lead in demanding improvement of the terms of labour and in resisting any encroachment by individual or associated employers.

Where there was but one branch, the branch committee acted as district committee. All the proceedings of these committees had to be reported to the executive council, and were subject to the approval of that body. On this basis most of the national Unions are formed, and there can be no doubt that this mode of local and centralised organisation is admirably adapted for the purpose in view. The whole system of government is representative. All officers are appointed by election, and, with committee-men, may be removed if they fail to give satisfaction to their constituents.

Before any man can join the organisation he must produce proof that he is of good ability as a workman, of steady habits, fair moral character, and in tolerable health. As a matter of course some candidates evade these conditions, and are occasionally defective in some of these particulars. Every pains, however, is taken to select only eligible men. In all Unions paying sick, unemployed, and superannuation benefits, it will be at once seen that these are very necessary precautions. In some societies of this kind

the benefits in want of employment, sickness, and old age range as high as 10s. per week, with an accident benefit of £100 in cases of total disablement. Ability as a workman must be testified to by fellow-workmen of the candidate who are already in the society, and false recommendations are heavily punished. In addition to this the candidate must already be in receipt of the ordinary rate of wages paid in his shop or district. The generally prevailing notion about Trade Unions is that they enforce a uniform rate of wages for all, and thus reduce all ability to the same dead level of remuneration. All that we do is to fix for each district a minimum rate of wages below which our members must not work. This rate alters from time to time as trade may rise or fall. It also varies in different localities, and represents the value of the average workman. Above this figure employers can go as high as they please. It is impossible reasonably to take exception to this minimum rate, for it is really the rate fixed by the employer himself. If a man is not in the society, and is therefore without help from without to force up his money, he is fairly in the hands of the employer, who pays him what he thinks is right. If he is in receipt of the society's minimum rate, which is necessary for admission, his value is really assessed by the employer, and his capacity as a workman is thus vouched for by the party best able to judge. From this it will also be seen that the Unions really practise a rough system of selection, so that membership of a Union is really to a very large extent a certificate of competency as a workman. Besides, the rules of a Union require that a man shall conduct himself properly while at work,

and if he be thrown out of employment by reason of misbehaviour he is disentitled to his benefit.

It is quite true that as soon as the workman joins the Union of his trade he must conform to all its regulations, and thus give up a certain amount of his personal liberty on all matters connected with his trade. In his branch, however, he has the fullest liberty of speech on all matters, and has the right of appeal to the executive. This apparent surrender of personal freedom is one of the strongest objections urged against Trade Unions. Upon examination it will be found that it has but little force. The exact counterpart of the position of the unionist in this respect may be found in many other phases of social contract too numerous and obvious to be particularised. The Union and those who join it simply enter into a mutual contract for the achievement of certain special purposes. A number of individuals aggregate with each other, and give up certain personal rights they would otherwise possess in order that the whole trade may be elevated by their union and self-denial. The Union offers to the individual certain tangible benefits and protection, in consideration of certain payments and the surrender of the right to do as he pleases without reference to any one else, on some few matters connected with the disposal of his labour. He is not hoodwinked when he enters the society, and only in a few trades is he subject to the slightest compulsion. A fortnight before admission he has a copy of the society's rules handed over to him for perusal. After this fortnight's interval he is asked if he approves of the rules, of his own free will and consent comes to join the Union,

and is willing at all times to sacrifice his own inclinations to the united opinions of his fellow-members. He is told that if union be important to any section of the community it is especially so to the workman. His only property, his labour, is in perpetual danger from the competitive struggles of society. The merest circumstance in the commercial world may influence the condition of thousands; and when thrown out of work or oppressed by his master, the Union is his only hope of security. His labour is being continually depreciated in value by those who wish to trade on it, and by causes over which the mere individual can have no control. It is only, in fact, by association with his fellows that he can make himself in the slightest degree felt in the settlement and arrangement of those problems which most vitally concern our social life. Each man should understand that in the prosperity of his trade his own well-being is inextricably bound up. The man who stands aloof from his fellows, and flatters himself that his is the true independence, is but the fool of a fallacious notion which sooner or later brings him to the stoneyard or the charitable relief committee. An infinity of evil has been worked to the labour cause by the selfishness which prompts each to regard his own interest as apart from and independent of every other man's. The elevation of the individual is not to be obtained singly, but by the growing prosperity of the mass. Efforts made without concert are powerless, but power springs from the combined action of thousands. Wisely directed union is the most effective method of improving the condition of labour. From union grows a healthy tone of opinion, leavening the whole

mass of the trade and preventing men proving false to those among whom they toil. Through methodical organisation customs arise, which, being made for the many by themselves, tend to regulate and keep the trade in a healthy state. By means of union, and in consequence of the necessity for intercourse which it creates, a medium of communication is opened up between those who have common wants and interests. In a word, Unions are formed that by the strength of combination results may be achieved which individual effort will be for ever powerless to obtain. For this men join together, and the individual gives up somewhat of his individualism for the common good of all.

One illustration is sufficient to show the full force of this position. The bundle of sticks is doubtless apposite but is somewhat antiquated. I take reductions of the hours of labour as being one of the most effective methods of improving the position of labour, but in this direction it is evident that individual effort can do nothing. The unit may occasionally force up his own wages, but it is impossible for him to get his own day's work down to eight or even nine hours while his fellows work ten. Therefore it is only, and can be only, by the force of concentrated effort that the hours of toil have been or can be reduced. In the case of the women and children the legislature has had to do this work, but the organised trades have done it for themselves.

These then were doubtless the ideas and principles underlying the action and motives of the early unionists, and it remains to be seen from a few examples in what manner and to what extent they have used their power and opportunities. With their

victories they doubtless have had many defeats, but some of their broad general results may be seen in the improvement of the people, which has gone on *pari passu* with the extension of Trade Union principles.

To obtain reliable figures as to rates of wages paid generally at the beginning of the century is impossible. From about 1830, however, we have sufficient information to show how labour in the skilled trades has been rewarded. In the brief space of a lecture such as this I cannot deal with more than one trade. One important trade will really be typical of the whole, and it is therefore unnecessary to multiply facts and figures.

Fifty to sixty years ago I find that metropolitan workmen, as now, were paid considerably in advance of their brethren in the provinces. The artisans of London were, for obvious reasons, well organised in comparatively few years after the repeal of the laws against combination, but in 1830 there does not seem to have been anything like a fixed standard, and the wages of engineers, joiners, masons, &c., ranged from 24s. to 34s. per week. Even so late as 1846 I find that smiths, a highly skilled branch of trade, were admitted into the society of their trade in London from the Great Eastern Railway works at as low a figure as 24s., while 36s. per week seems to have been the very highest money paid. These rates were for a week of sixty hours. At the present time the Society of Engineers makes 38s. per week of fifty-four hours its minimum rate. The range between this minimum and the maximum it is impossible to quote with certainty, but 42s., 45s., and even 50s. per week are not uncommon figures to special men. In the provinces

fifty years ago rates were much lower, and ranged from the 36s. of London down to 15s. in Aberdeen and Dundee, the rate gradually falling with the miles travelled northwards. In Northumberland 18s. to 20s. was then a common wage, but in some parts of Yorkshire and Lancashire, which were better organised, wages were 4s. to 6s. higher. In 1840, in Lancashire, skilled mechanics worked sixty hours per week for from 24s. to 25s. Charge men were paid 26s. per week. In the higher class engine shops fifty-seven and a half and fifty-eight and a half hours was the week's work, and the wages from 28s. to 30s. Overtime was only paid for at an extra rate in special cases. The higher rates in these special cases and shops are again distinctly traceable to better organisation and concerted action. The millwrights, who were then the most powerful and best paid section, and had the strongest Union, were not only higher paid, but had also extra privileges and allowances not enjoyed by the other branches of trade. The Manchester minimum rates at the beginning of the present year were 32s. in machine shops and 34s. in engine shops for a week of fifty-four hours, and with extra rates for overtime ranging from time and a quarter to double time. In Newcastle-on-Tyne in 1871—a period of very good trade—wages had only risen to a minimum rate of 24s. for society men; but in the neighbouring town of Sunderland, where nearly every man in the trade was in the society, wages were then 4s. higher. In that year the great nine hours' movement was organised by the societies in those towns, and by 1875 the wages of Newcastle society men had risen to an average of 32s. 10d. per week of fifty-four hours—a rise in position almost

without parallel in our industrial history, and brought about entirely by means of the combination of the trade taking advantage of the favourable circumstances then prevailing. In Edinburgh, forty to fifty years ago, a good millwright was paid 23s. per week of sixty hours, fitters and turners were paid 18s. to 20s., and smiths a little lower. For night work refreshment was allowed, but no extra pay. Just now the rate of Edinburgh is lower than for some years back, and probably does not average for society men more than 27s. or 28s. For non-society men it is a well-ascertained fact that the rate is nearly 2s. per week lower. This is for a week of fifty-four hours, and with extra rates for night work. A few years ago, when trade was good in the city, 30s. was commonly paid for fifty-one hours, which for several years was the standard week's work of Scotland. In Glasgow, fifty years ago, the ordinary rate would not exceed 22s. for sixty hours. Since 1871 the minimum rate has risen as high as 32s. for fifty-four hours, but is now lower on account of depressed trade. In Dundee and Aberdeen a greater rise still has taken place. Fifty years ago wages in Dundee were not more than 15s. per week, and even so late as 1851 were no higher than 20s. per week of sixty hours. Within the last ten years the rate has been as high as 32s. for fifty-four hours, and even 31s. for fifty-one hours. The net result of all this is that in the north of England and in Scotland the wage rate per hour of skilled labour has risen from 4d. to 6½d.; while in respect to overtime and special allowances the improvement is equally marked. To the work of the trade organisations of the country I ascribe nearly the whole of the credit due for this remarkable

improvement in the material condition of labour. As a natural consequence, the value of all kinds of labour, even when not organised, has increased proportionately. I do not say that the Unions could have done this if circumstances had not been favourable, but what I do assert with absolute confidence is, that but for the watchfulness and the force of the Unions not one tithe of this improvement would have taken place. It is quite certain that the reduction of the hours of labour in 1871 from ten per day to nine per day was achieved wholly and solely by the action of the great Unions of the kingdom which directed the movement, and found the funds for the struggle. In 1871 trade was unusually prosperous, and labour was at a premium, and therefore all the chances were in the workman's favour, but without organisation and the concentration of power upon a given place and object this great victory of labour would have been impossible.

It is sometimes speculatively contended that wages and other conditions of labour would have equally improved without the pressure of Trade Unions. But it cannot be contended for a moment that the nine hours' system would have been voluntarily conceded by the employers. On the contrary, they resisted to the uttermost, and it was only after a prolonged and desperate resistance that they gave way. It cost thousands of pounds to obtain the concession then, and it has cost the Unions thousands of pounds to maintain it since against the attacks of the employers. In 1879, the direct comparative money value to the members of the Engineers' Society of the nine hours' system was estimated at £180,000 per annum, to say nothing of the indirect advantages

which have accrued from the system by a more equitable division of the labour of the country among a larger number of men. A better illustration than this of the power of well-directed organisation could not be quoted. What the Unions really do, is to watch the state and signs of the labour market as closely as possible; and their trade returns from every district show more clearly than anything else, the fluctuations of trade from month to month. The number of their unemployed is a most reliable trade barometer, and by its means they are able to take the earliest advantage of good trade to hasten up wages to the highest possible level. On the other hand, when trade becomes depressed, employers act on the same policy of forcing the labour market, and the organisations of the men are enabled to resist and minimise the downward tendency in such a way as would be impossible to an unorganised mass. Practically, the Unions place the men as a body on a footing of perfect equality with the masters in fixing the conditions of labour, and under their influence the old days have for ever gone when any objection to the terms offered by the employer or fixed by the legislature was considered an insolent rebellion against authority.

It may be argued that too much is here claimed for the influence of Unionism on the conditions of labour. I am willing to submit my arguments to the test of existing facts. From time to time all the national Unions collect the statistics of their trades in each district. The wage rates of both society and non-society men are collected as carefully as possible, and it is invariably found that the wages of society men

exceed those of non-society men on the general average to the extent of from five to ten per cent. There are of course special cases in which this does not apply, but as a general rule there can be no doubt on this point. Some employers even go so far as to make a regular practice of paying non-society men less than their organised brethren. This test seems to me almost a conclusive one, and its value can be ascertained by inquiry in any large establishment where mixed labour is employed. It is doubtless partly due to the fact that unionists are a selected class, and must have good wages before they can be allowed to join the Union. As it may be urged that this test is not so conclusive as it at first sight appears, I will support it by a further illustration. Nothing is more certain than that in towns where union is powerful, and the bulk of the men in the trade belong to the society of their trade, wages are higher than in the towns where union is weak. The skilled workman who leaves Edinburgh or Glasgow or Dundee, to work in Manchester or Nottingham or London, does not improve in skill or vigour as he journeys southward, yet when he reaches these towns he finds he is accounted a 4s., 6s., or 10s. better man. He has simply gone from a town where a large number of men are outside the Union, to one where all, or nearly all, the men of his trade are unionists. The reasons of the difference are obvious. In the first place, the Unions will have for their members the highest rate obtainable, and their members are under a moral obligation to obtain a given minimum. If the unionists are numerous, they rise from point to point. If, on the other hand, non-unionists are in the majority, no effort

is ever made to improve the conditions under which they work, as they have no force behind to impel or support. Surely, therefore, every man should see that here is a force which will give him a hold on his position in life, such as no other means will. Yet in every trade, there are thousands who cannot or will not recognise the simple fact that union is strength.

Naturally non-society men must benefit even in spite of themselves by the work of the Unions. They take all that falls to their share without acknowledgment or gratitude. They seem to think it right that they should reap where they have not sown. To the common cause they contribute nothing; on the contrary they hang like a millstone round the neck of their more thoughtful and courageous fellows, who have to make the fight and find the means for all.

It may be said that all this advancement in the condition of labour which has been shown to have taken place during the present century could not have been made but for the invention of the steam engine and the development of machinery, aided by wise fiscal legislation, and the adoption of a free trade policy. Granted; but my contention is, that in spite of all these beneficent agencies the general condition of the masses of the people would have been infinitely worse than it is to-day but for the great work which the people have been doing for themselves. In fact, I assert that the introduction of machinery intensified the severity of trade competition, and that even the development of free trade but assisted to make the competitive struggle fiercer than before. In such a struggle it is invariably the weakest that goes to the wall, and but for the existence of their Unions

the workers would have fared badly in the unequal strife.

It may also be argued that the great rise of wages I have shown to have taken place in the provinces was not due to Trade Unions, but simply to the increased facility of travel which the railway system has brought with it, and which has practically brought all towns within easy distance of each other. But if this contention be true, what should have taken place is that wages, &c., would have tended to uniformity at a figure medium between the high and low paid extremes, but this is not so. The high wages have become higher still, and the low wages have gone up to an extent almost marvellous, and only to be accounted for by the operation of forces outside the ordinary laws of political economy.

Thus, while conceding that the general forces of human progress have been making all this advancement possible to the labourer, I have proved that he could not have been what he is to-day but for his ability to organise against the social elements operating continually against him.

It is here scarcely necessary that I should refer to the state of Continental workmen, who have not yet learned the art of trade combination as we understand it; who labour under conditions which we would stigmatise as comparative slavery, and who look but to the State or to social revolution for any amelioration of their circumstances.

Has Unionism, if all this be true, gained its advantage at the expense of society at large, or to the commercial damage of the nation? We have been told over and over again that Trade Unions were driving away the

trade of the country, and were sapping the foundations of our national industries. These were the sort of phrases very much in vogue a few years ago, but they are now going out of fashion. Workmen, like the classes above them, are beginning to pay more attention to economic facts, and to trade statistics. Government returns now lay bare many of the old mysteries of wealth creation and distribution. From these, year by year, the people have been able to glean for themselves the financial details of Britain's brilliant industrial career. From these they have seen that the export trade of the nation went up from 43 millions at the time of the repeal of the Combination Laws in 1824 to 256¼ millions in 1872, and to 241½ millions in 1882. They have seen also that the total value of property and profits assessed to income tax in the United Kingdom has risen from 430⅓ millions in 1868 to 601½ millions in 1882, the upward tendency being continuous and unbroken. Also they know of the gradual but steady increase in the amount of property upon which legacy and succession duties are paid. On this point a regiment of telling statistics might easily be marshalled before you, but these are sufficient for my purpose; they show that whatever organised labour may have wrung from the strife of interests, it has not gained more than its share. Indeed the ever-growing number of the very poor proves that labour has shared but poorly in the vast wealth created during the last forty or fifty years. This is a hard fact, which cannot be disproven by any number of proportional statistics. This work of the Unions is their highest claim to the consideration of working men. It appeals to their sense of

manliness and independence, and teaches them clearly that by union alone can their best interests as labourers be advanced.

There is no mistake so common or so unpardonable, and yet so generally believed in as a fact by outsiders, than that all Unions are for ever on the lookout for cause of quarrel and in favour of a strike policy. Few Unions do not fully recognise the fact that strikes are, at best, necessary evils, and are alike injurious to the interests of employer and employed, to be resorted to only when agreement in other ways is proven impossible. In very many trades the principles of arbitration and conciliation have been generally adopted. In every one of such cases, it is the existence of a powerful combination among the men that has led up to and made possible and practicable these peaceful means of arranging disputes. Fifteen years ago arbitration existed but in a few small trades. Since then it has made great progress, and among the great mining industries of Northumberland, Durham, and Yorkshire, and in the iron trade of the north and midlands it has saved countless strikes, vast amounts of money, and an immensity of social disturbance and suffering. Out of arbitration has arisen in these trades the conciliation board and the sliding scale, by means of which the possibility of dispute is reduced to a minimum. Without strong Unions to act for and control the men, all this could not have been done, and both capital and labour have benefited enormously by the change, which is a special triumph of organisation.

As a socio-political influence, Trade Unions have also rendered great service to their order. In this respect there is nothing selfish about their mode of

action. They cannot, if they would, raise themselves without elevating others. In party politics Trade Unions must be neutral; but in all that wide field of politics with which labour is specially concerned they have of recent years played a conspicuous part. In all measures for the extension of the franchise and freedom of election their splendid organisation has been used with telling effect, and their popular demonstrations have possessed a definiteness of purpose and a concentration of power to which the demonstrations of forty or fifty years ago could not pretend. The Trade Union Congress is the union of all the Unions for the common good, and was established to obtain from Parliament special attention to the matters in which labour was interested. It is safe to say that more Acts of Parliament have been obtained by the agency of this central labour organisation than by any other association now existing. Since 1870 no less than twenty-six important measures in the interest of labour have passed through Parliament. At the recent Parliamentary election the number of direct labour representatives was raised from two to eleven, who are all Trade Unionists, so that the power of the Unions on labour questions in the House of Commons promises to be greater than before. It is indeed the Trade Unions which have made labour representation the great fact it is to-day. An enumeration of some of the chief measures pressed on by Congress will show in what direction they have been moving. The repeal of the Combination Laws in 1824 left Trade Unions in a partially outlawed condition. They were not specifically legalised, had no legal protection for their funds, and could be

plundered with impunity. In 1871 Trade Unions were legalised, their registration provided for, and their funds protected. Up to 1875 the old law of master and servant permitted of the imprisonment of the workman for the breach of his contract of service, while the master was only liable to a civil penalty for an identical offence. The Employer and Workman Act repealed this legal inequality, and placed the master and his man upon an equality in the eye of the law. The Mines Regulation Act was obtained by the political force of the Miners' Unions, assisted by the combined Unions of the country. Mr Plimsoll in his shipping law agitation had all the Unions of the country at his back. The consolidation of factory legislation, and the employment of practical workmen as inspectors, was another triumph for them; but the Employers' Liability Act of 1880 is a most remarkable concession, wrung from a reluctant Parliament largely composed of capitalists by the combined pressure of all the Unions. It is unnecessary to quote more than these from the long list of the achievements of Congress, as they are quite sufficient to show what workmen may do for themselves by united and disciplined action.

Most Unions act not only as trade agencies, but also as friendly societies. They were mostly first established as friendly societies, so that their real object might be disguised, it being then illegal. They provide for their members benefits when on strike, when unemployed, when sick, when disabled by accident, or rendered incapable by old age. It is quite possible this aspect of Trade Unions may make them more popular than they would otherwise be. It is certain that their power in trade matters is

reduced and kept somewhat under control by the responsibility of having to provide all these other benefits. This is also a feature of Trade Unionism which gives it a strong claim on the consideration of all classes of society. The man who knows that when work fails, or sickness or old age takes away the power of labour, he will not be altogether deprived of the means of holding on to a free life, and who is certain of some provision for old age, is sure to become a more contented as well as independent being. With comparative freedom from anxiety, he can devote more time and attention to his work, and perform it better than the man who is perpetually wondering what is to become of himself and wife and family when his job is finished or his course is done. The benefits of a Trade Union will not, it is true, keep a man and family in comfort, but they at least keep the wolf from the door, and render him independent of such aids to existence as the workhouse or the Charity Organisation Society. Thus while the Trade Unions of the country have been engaged in a work of mutual brotherhood which should extort the admiration of all, they have been loaded with undeserved obloquy and reproach by prejudiced opponents, blind to all but their faults, and entirely ignorant of their general policy and modes of action.

A volume of statistics might now be compiled showing the financial disbursements of the principal Trade Unions during the last quarter of a century. During their existence in their present form, six societies to be named have paid benefits to their members as follows:—*

* For additional figures, see Appendix.

Names of Societies.	Number of Years Paying.	Paid on Special Strike Benefits.	Paid on General Benefits.
Amalgamated Society of Tailors.	18	£20,241	£147,829
Boilermakers and Iron Shipbuilders' Society . . .	19	58,455	536,757
Amalgamated Society of Carpenters and Joiners. . .	26	75,435	566,934
Steam-Engine Makers' Society .	34	2,558	158,881
Society of Ironfounders . .	38	16,951	911,129
Amalgamated Society of Engineers	35	152,062	2,339,773
Totals . . .		£325,702	£4,661,303

I have taken these six societies simply because their reports were most available to me, but this list might have been vastly extended if required. The figures show that while the popular notion is that the great Unions are simply centres of social strife, whose sole object was to encourage and foster strikes and discord, they are really great friendly and benevolent societies, caring for their members in times of depression, sickness, accident, and old age, spending in this way £4,661,303, while on the other hand their special strike expenditure has been but £325,702, which is only 6⅓ per cent. of the grand total. It is only fair to admit that in these figures a certain amount, probably one-fourth, of the special strike expenditure should be deducted from general benefits and added to strike expenditure, inasmuch as some forms of strike pay are included in general benefits. I am not using these figures with a view to tone down the combative aspect of our Trade Unionism. To fight when necessary is a part of its mission. The fact that it has gained so much at so small a comparative cost is the highest testimony to the moral force which lies behind it.

The best means to preserve peace, it is said, is to be prepared for war; and the mere existence of such bodies as these prevents employers taking undue advantage of labour in times of depression, and assists the men to rise without conflict to the topmost tide in times of prosperity. In a state of society in which population is continually increasing faster than the means of subsistence,—in which to buy as cheap as one can and sell as dearly as possible is regarded as the alpha and omega of commercial ethics,—and in which the higher considerations of morality and justice are constantly ignored,—it will be but a sorry day for British artisans when they forsake their Union, which is strength, for the disunion which is worse than weakness.

I have now reached a point where I may fitly sum up the propositions I claim to have established:—

1. The condition of the working classes can never be materially improved except by the action of that portion of the community itself working in a united and disciplined manner.

2. The condition of the workers never was improved until after the era of Trade Unions; and all their improvement, whether in wages or better conditions of working, has gone on step by step with the extension and adoption of Trade Union principles.

3. During the early part of the present century, which may be taken as a fair illustration of what the state of the working classes would be without organisation, the wealth of this country enormously increased, but its possession was shared by a very small section of the community, while the poverty of the masses was intense.

4. Employers are seldom known to raise wages or shorten hours of their own accord, and combination among the workmen was found to be the only means whereby pressure could be brought to bear upon them to effect either object.

5. Since the establishment of Trade Unions we have seen a more equal distribution of the wealth of the country, and a greater participation by the workers in the fruit of their labour.

6. By their means such alterations have been effected in the law of the land as have placed labour on an equality with capital in the eye of the law; also the enactment of laws for the protection of the health and life of the workman in the workshop, and for securing him compensation for accident if such laws are neglected.

7. To the action of Trade Unions are also due the adoption of arbitration, conciliation, and sliding scales, as a means of settling disputes by reason instead of force.

8. The shortening of the hours of labour, which has given to the working man increased opportunities for mental development and recreation; the fruits of which, though already evident in a higher standard of technical knowledge, and a longer average duration of life, can only be fairly seen after the lapse of a generation or two. And,—

9. By the disbursement of their funds for friendly purposes they have reduced and prevented pauperism, and rendered their members the most peaceful and contented portion of the toiling population.

I have here advanced no speculative arguments nor mere abstract opinions. This is simply a record of

work done, and upon that I rest the claim of the Unions to consideration, respect, and support.

Even now, with but half their number enrolled as unionists, our workmen have achieved vast moral and material victories; and if the other half, which not only stands aloof but fights on the other side, will but join the organisations of their trades, further progress will be made. Recent disturbances in this and other countries show very clearly that unorganised labour is most dangerous to social order. No stronger barrier to social revolution exists than those which have been erected by the Unions. Their providence and foresight have enabled them to combat social forces which would otherwise have been too strong for them, and thus they have been saved from the desperation and misery which regard revolt and death as a means of relief from slavery. Capitalists should remember this, should be less rancorous in their hatred and persecution of unionists, and should instead encourage their growth and development.

Finally, and briefly, in what way may Unions make progress in the future? The extension of boards of conciliation and arbitration, and of joint committees of masters and men, seem to me to be gradually leading up to a modern type of the ancient guild. The board of green cloth is becoming more and more the scene of the peaceful councils of conflicting interests which are yet felt to be identical, and in the spirit of the old guilds decisions are arrived at and acted upon which are for the good of the trade at large. The cultivation and development of the modern guild on these lines should be a task reciprocally undertaken by unions of masters and of men.

Such mutual associations might extend their operations to those questions of balance of supply and demand of the goods they produce, in such a way as to minimise the evils of over-production from which so many trades often suffer. I am afraid to hope that such councils may further enter into the spirit of the old guilds, so as to regulate the quality of work produced, in such a way that this shall be the first object, instead of mere quantity as at present. Everywhere we are met with the cry that we are losing our trade because the quality of our manufactures deteriorates. Under the existing system they will continue to do so until our trade policy becomes "better work" rather than "more work." Everything is being sacrificed to this cry of "more work," and even the character of the workers will suffer as long as this is made the first object. A modern trade guild might therefore fitly consider if the old apprenticeship system might not be revived with interest and advantage to all concerned. The division of labour is now carried out to such an extent that the good all-round workman of the old-fashioned stamp is more and more difficult to meet with. Employers frequently complain that they cannot obtain such men, oblivious of the fact that their own method of using boy labour is entirely to blame for the evil. The boy is not now trained that he may become a generally skilful workman, but that he may produce as much profit as possible to his employer. To make the boy a master of his trade is no part of the bargain. Such guilds might also take up the kindred subject of technical education, so closely allied with that of the workshop training of the young. Even apart from the employers, it would be to the

advantage of the Unions to assist the spread of technical knowledge among their members, by raising scholarships and establishing classes to develop among their members the scientific knowledge of their trades. To give to them the brains as well as the manual skill of their industry, will not only do much to keep down the number of their unemployed and increase their membership, but solidly impress upon the minds of employers that unionists are indeed the pick of British artisans. This may be deemed a somewhat Utopian idea, but in an age when the increasing severity of competition for the work of the world makes absolute co-operation between capital and labour more and more a national necessity, I hope to see the practical accomplishment of this ideal.

The rules which regulate the distribution of the funds of Trade Unions prevent them, as such, from embarking in co-operative production. Apart from the direct use of their funds in this way, however, it seems to me that Trade Unionists, especially in the lesser trades where but little capital is required, might in this direction do much for themselves. Their association with each other in their workshops, in their club-rooms, and in the actual working of their organisations, give the opportunities of entering into small industrial partnerships with each other which would be impossible to scattered and unorganised bodies of workmen. This, however, is a matter I must leave to my friend Mr Jones, whose lecture follows mine.

The chief work of the Unions for the present, however, must be missionary in its character. If they fail at all, it will be because they attempt too much.

They have enough to do to struggle for themselves, without the dead burthen of the unorganised to carry with them. These men must be gathered into the ranks, that the army may be strengthened for defence, and, where necessary, for assertion of the rights and claims of labour to a larger share in the profits produced. In the present strife of fierce competition the condition of labour would soon be intolerable without Union, and the collapse of Unionism will leave no alternative to the workers but Socialism. Every workman should understand that those who are not with us are against the common cause of all. Surely men who place any value on their independence, on their labour, and on the future of their children and class, should not remain insensible to such an appeal.

APPENDIX.

TABLE SHOWING THE AMOUNTS EXPENDED ON THEIR VARIOUS BENEFITS BY SIX OF THE PRINCIPAL TRADE UNIONS OVER A STATED NUMBER OF YEARS IN EACH CASE; ALSO THE NUMBER OF THEIR MEMBERS IN DECEMBER 1885.

VARIOUS BENEFITS.	NAMES OF SOCIETIES AND NUMBER OF YEARS IN WHICH BENEFITS PAID.					
	Amalgamated Society of Tailors in 18 years.	Boilermakers and Iron Shipbuilders' Society in 19 years.	Amalgamated Society of Carpenters and Joiners in 26 years.	Steam-Engine Makers' Society in 34 years.	Society of Ironfounders in 38 years.	Amalgamated Society of Engineers in 35 years.
	£	£	£	£	£	£
Unemployed Benefit	20,611	136,807	227,019	64,387	596,951	1,088,811
Tool "	.....	.....	17,974	.....	.....	.....
Sick "	94,001	166,938	172,251	49,554	157,950	555,562
Funeral "	33,216	37,763	31,862	14,423	47,320	173,345
Accident "	.....	15,692	19,500	7,515	30,171	44,100
Superannuation "	.....	30,586	10,597	16,137	78,735	333,643
Trade Protection	18,211	58,455	73,164	2,558	16,951	152,062
Travelling Benefit	.....	103,965	.....	5,514	.....	.....
Benevolent Grants	.....	.....	12,296	1,347	.....	60,574
Grants to Trades	2,029	.....	2,271	.....	.....	83,738
Surgeons	.....	45,006	.....	.....	.....	.....
Number of Members, December 1885	13,969	28,212	25,781	5,062	12,376	51,689

What is Meant by Co-operation.

WHEN Co-operation is mentioned, people unconnected with it, of certain grades of society, get confused between two different sets of organisations, each of which uses the term "co-operative." These are:—1st, the associations organised on what is called the Civil Service system; and 2nd, the associations organised on the working-class, or Rochdale, system. Those on the Civil Service plan are only adaptations from the other. They are modified joint-stock companies—a kind of half-way house to what, I think, is a purer organisation. They obtain, and deserve, recognition as stepbrothers from the larger and better body. Their system is framed with the object of supplying consumers more efficiently and economically than can be done by private enterprise. In this they are succeeding; but when they have succeeded, they consider their mission is accomplished. They aim at nothing higher and better; and the controlling spirits have, in some instances, yielded to their selfish instincts, and used their positions to tax the consumers for the shareholders' benefit. In this way the ten shilling shares of the Civil Service Supply Association, London, which were issued in 1864, are now worth about £180, and are likely to increase

in value. Being thus only partially Co-operative, and with very limited aims, it is unnecessary to enter into any description of their organisation and their methods of business. The second, the Rochdale system, is the one which has become most widely spread, which has the highest aims, the greatest capacity for development, and the theory and practice of which it is intended to lay before you.

About the beginning of the century there seems to have been a fair number of Societies established, principally on the coast. Their formation was apparently stimulated by the high prices of food, and by the distress consequent on the French war. Their methods of business were not exactly in accordance with present methods; but, as far as can be ascertained, they were actuated by the same spirit of equity that now animates Co-operators. Again, in 1825-40 some hundreds of Societies were started during the Owenite propaganda, mostly with the idea that the profits should be utilised in furthering the formation of communistic associations like the one at Queenwood, Hampshire. Of these Societies, and of the earlier ones, there are still thirty-seven in existence, but they are mostly of small dimensions. Scotland has the honour of possessing the oldest of these Societies. It is at Govan, and is said to have been started in 1777. The next oldest is at Hull, and was established in 1795 for the purpose of grinding corn.

When we consider the legal difficulties in the way, there is no room for wonder that in those days so few associations succeeded. Up to 1846 the membership of a Society not only carried with it the unlimited liability of every member to pay the whole of the

association's debts, but also carried with it the risk that any one member might appropriate the Society's property with impunity, for the legal doctrine was that all were partners; being partners, they were proprietors; since all were proprietors, the property belonged to each and to all; and as the property belonged to each and all, if any one took it, he was not stealing, but only taking what was his own. This legal doctrine was carried out in practice, and the only opportunity for the injured parties to obtain redress was by a roundabout civil action, which gave offenders ample time to dispose of their plunder. There was thus every temptation to dishonesty; and it is no wonder that occasionally one out of the number would yield to the tempter, and defraud his companions to benefit himself. The law was successively improved in 1846, 1850, 1852, 1854, 1856, 1862, 1867, 1871, and 1876. The Act of 1862 was of extreme importance, as it gave to the working classes the privilege of limited liability, which had been conferred on the richer classes seven years earlier by the Act of 1855.

There was, too, among the well-to-do classes, a very general, if not universal, jealousy against any combination on the part of the workers, however beneficial the object of the combination might be; and consequently Co-operators were often prevented from putting their principles into practice. An instance of the earlier intolerance is given in the history of the Hull Corn Mill, previously mentioned as being started in 1795. The *Wholesale Annual* for 1883 says that this mill originated out of a petition for assistance from the poor, which was presented to the

Corporation. "After the Society commenced business it was found to be doing so well, and taking so much trade from the private millers, that in 1810 the millers of the town decided to put the Society down. It was therefore indicted as a nuisance, which it certainly was to them, and which they undertook to prove at York on the 1st of August 1811. At the close of the trial, however, it was found that a Yorkshire jury considered poverty a greater nuisance, and deeming the Society to be an institution likely to reduce poverty, they gave a verdict in its favour."*

Co-operators had latterly been in the habit of thinking that such jealousy and intolerance as was shown by the Hull millers had been banished from the regions of commerce and industry; but from recent events it would seem that Scotland, which has the honour of owning the oldest store, will also have the honour of suffering the last persecution for Co-operation's sake, at the hands of the people who have lately been making the weak and foolish attempts at boycotting. Scotland may be congratulated on the attempt. It will do good service for the Co-operative cause. The shopkeepers are unsuccessfully trying to imitate the silversmiths of Ephesus. When Paul came to that city the silversmiths consulted together, saying, "Men and brethren, our craft is in danger, from which we obtain our wealth." Then they created a tumult, not for the common good, but to serve their own selfish and unworthy ends. People are more enlightened than they were in those days. They are more apt to reason and think. Such

* *Wholesale Annual*, 1883, pp. 126, 127.

conduct as boycotting induces them to think. They thus discover the advantages of Co-operation; they enrol themselves in the army of progress; and their judgment on the old system of private trading is, that "it has been weighed in the balance, and found wanting."

There is not the slightest reason for the hostility of shopkeepers to Co-operators. The latter seek no special privileges, and they possess none. It is true that some people think Co-operators are exempt from stamp-duty and from income-tax. But they think wrongly, and suffer from delusions. There are no such exemptions. Looking at the matter from a business point of view it is impossible to discover any reason why Co-operators should not be shopkeepers. It is not their failure, but their success, that has aroused hostility. The objection, therefore, that carpenters, bricklayers, dyers, and weavers cannot possibly succeed against trained shopkeepers falls to the ground. If the objection were tenable, it would be a reason for good-natured toleration, not for active hostility. The opposition is, in fact altogether unreasonable. A man may open a shop anywhere. Everybody admits his right to do so. He may open twenty shops in twenty different localities; or he may extend his original shop until he has annexed a street. Everybody not only admits his right to do so, but they praise him. They say, "What a splendid business man he is!" and, as a reward for looking after himself, they elect him an alderman. The man may admit half-a-dozen partners. Nobody disputes his right. People jump at the chance of joining such a clever man. Or he may turn the business into a company, and still

nobody objects, but, on the contrary, they run after shares in such a lucrative business, and eagerly pay premiums to obtain them. It is therefore, in practice, universally admitted that one man, or half-a-dozen men, or a large body of shareholders in the form of a company, may undertake the business of shopkeeping, and not a word of reproach or hostility shall be uttered against them. How, then, can the hostility to Co-operators be justified? The difference between them and the others is, that the latter work solely for their own profit, while Co-operators work out the principle of equity, and "seek their own in all men's good." We are therefore compelled to the conclusion that shopkeepers object to the purity and equity which are the motive powers with Co-operators.

The objections of shopkeepers are all the more unreasonable, since they do not object to co-operating among themselves or with others to gain their own ends. In London they have established a Co-operative Wholesale Society for the exclusive benefit of themselves, and in Manchester they are now engaged in forming a similar organisation. But whether tradesmen are consistent or inconsistent, the fact that Co-operation introduces into society a great economic improvement, which is also a great moral gain, is sufficient to win it increasing support, and ultimately will secure for it unanimous and world-wide approval.

Notwithstanding the existence of some thirty-seven older Societies, Co-operators usually date their movement from the foundation of the Rochdale Pioneers in 1844, for it is to the founders of that famous Society that the chief credit is due for the development of our organisations. When it started, the Owenite Societies

were rapidly dying off. Co-operation was looked upon as a failure, and the energies and sympathies of multitudes were drawn into the Chartist movement headed by Feargus O'Connor. The Pioneers laid down an ambitious programme, and it embodied a complete Co-operative ideal, which has not yet been realised. But while they successively established in Rochdale the Stores with numerous extensions, the Educational Department, the Friendly Society, the Corn Mill, the Cotton Factory, and the Cottage Building Department, they did not "rest and be thankful"; but, with a consideration and self-denial worthy of all praise, yet which among Co-operators is looked upon as quite a matter of course, they stinted neither time, trouble, nor expense in helping the formation of Societies in other places. Scores of these owe their origin to the information and other help thus rendered; and in this manner was laid the ground-plan for the present successful National Co-operative Union.

From the phœnix-like revival at Rochdale to the granting of limited liability, the progress of Co-operation was comparatively slow. In 1861 the then existing Societies numbered only 48,184 members, with a capital of £333,290, and an annual trade of £1,512,117.* Of these figures the Rochdale Pioneers made up one-twelfth of the members, one-tenth of the business, and one-ninth of the capital. Yet slow as the growth was, it was sufficient to attract the favourable notice of philosophers like John Stuart Mill, and of politicians like W. E. Gladstone. In 1864, in a speech in the

* *Co-operative Congress Report* for 1885, p. 147.

House of Commons, the latter said :—" I allude to the evidence afforded by the marvellous success of the Co-operative system. For my own part I am not ashamed to say, that if ten years ago anybody had prophesied to me the success of that system as illustrated in Rochdale and other towns in the north,—if I had been told that labouring men would so associate together for their mutual advantage, to the exclusion of the retail dealer, I should have regarded the prediction as absurd. There is, in my opinion, no greater social marvel than the manner in which these Societies flourish in Lancashire, combined with a consideration of the soundness of the basis on which they are built."* John Stuart Mill, in 1865, devoted considerable space in his work on Political Economy to an examination of Co-operation. This portion of his great work has become the best known and the most celebrated. His conclusion may well be taken as the beacon light for the guidance of Co-operators :—" Eventually, and in perhaps a less remote future than may be supposed, we may, through the Co-operative principle, see our way to a change in society which would combine the freedom and independence of the individual with the moral, intellectual, and economical advantages of aggregate production ; and which, without violence or spoliation, or even any sudden disturbance of existing habits and expectations, would realise, at least in the industrial department, the best aspirations of the democratic spirit, by putting an end to the division of society into the industrious and the idle, and effacing

* On Mr Baines's motion for an Extension of the Borough Franchise.

all social distinctions but those fairly earned by personal services and exertions."*

The present position of the movement will be seen from the following figures. They are for the year 1884, and refer to Distributive Societies only:†—1284 Societies, 764,028 members, £10,020,240 capital, £363,089 reserve funds, £31,053,628 annual sales, £2,735,170 annual profit, £19,637 granted for educational purposes, £6331 granted to charities, £3109 granted to the Co-operative Union. Since limited liability was secured, the number of members has been multiplied sixteen times, the annual trade has been multiplied twenty times, and the amount of capital thirty times. This shows not only a wonderful increase in numerical strength, but a more than proportionate increase in spending power and in saving capacity. The following analysis will give a fair idea of the length and breadth of the retail portion of the movement. It is to some extent an estimate, but it is based upon actual figures ascertained by me a couple of years ago:—1281 retail Societies work 2500 grocery and provision, 850 drapery, 760 boot and shoe, 370 coal, 230 butchers', 210 bakers', 205 furnishing, 150 hardware, and 85 tailors' departments.

In addition to the distributive statistics we now have to add a list of forty productive establishments. Their figures for the year 1884 are as follows:‡—Capital, £772,244; reserve funds, £19,669; land, buildings, and fixtures, £389,381; annual sales,

* *Principles of Political Economy*, People's Edition, p. 147.

† *Co-operative Congress Report*, 1885, p. 147.

‡ *Ibid.*, p. 148.

£1,764,560; annual net profit, £74,192. The production of eight Societies specially established for working corn mills are included in the above figures, but there are also about twenty Societies that work corn mills in connection with their retail departments whose annual produce is about £1,000,000. There is still to be reckoned what is now termed domestic production, such as baking, tailoring, and dressmaking. These trades are carried on by retail Societies to the amount of about £1,200,000 per annum; and this brings the total annual production by Co-operators to the amount of four millions sterling.

In 1863 a number of the then existing Societies determined to form a society which should supply their wants, instead of the wholesale merchants, in a similar manner to which their members were supplied by them instead of by shopkeepers. In 1864 this Wholesale was started at Manchester. Its success has been great and continuous. In 1869 a second Wholesale was started in Glasgow, and has met with similar great and continuous success. These two Wholesale Societies are so harmonious in their action, and are so closely linked together, that for present purposes they may be taken as one society. Their statistics for the year 1885 are as follows:—Number of Societies who are members, 954; capital, £1,016,533; sales, £6,231,397; banking department turnover, £7,791,684. Besides their headquarters at Manchester and Glasgow respectively, these Societies have eleven centres in England and Scotland for selling purposes, and five other centres for buying purposes. They have also three boot and shoe works,

a soap work, a biscuit and sweet factory, and two clothing and shirt factories. They possess five steamers running to and from the Continent, with their own depôts in Calais and Rouen. For buying produce, they have eight branches in different parts of Ireland, one in Hamburg, one in Copenhagen, and one in New York; while in London they have a joint tea and coffee department with a turnover of £500,000 per annum.

There are two Societies still to be specially, but briefly, noticed. One is the Co-operative Fire and Life Insurance Company, established in 1867. It insures against fire the property of either Societies or individuals, and has just begun industrial life assurance, with the hope of doing something to remedy the evils exposed by the recent inquiry at Liverpool into the operations of a Friendly Society. The company is very successful. It transacts business all over the United Kingdom, and is growing rapidly. The other is the *Co-operative News* Society. While private newspaper proprietors seek their own immediate profit, this Society occupies a unique position in limiting the interest on capital to five per cent. per annum, and the remaining profits are devoted to the improvement of the paper. It only admits Societies as shareholders. It was started in 1871. Its reserve fund exceeds its capital. The paper is published weekly at one penny. Its circulation is now over 30,000; and some Co-operators look forward to its being turned into a daily paper, belonging to the people, and faithfully reflecting their opinions and aspirations.

Other work carried on by the Distributive Societies

must be mentioned. Great importance has been attributed by leading statesmen to the cultivation of habits of thrift and providence; and the public has been highly pleased at the success of the late Professor Fawcett's postage stamp bank card. Co-operators have always recognised the importance of providence, and in 1884 they had in connection with their stores, in good working order, 154 penny banks, with 88,626 depositors, £60,794 of annual deposits, £45,631 of annual withdrawals, and £108,288 of total deposits.*

The provision of cottages for members has also been attended to. About half a million sterling has been advanced by Societies to their members for purchasing or building their own dwellings. This sum does not represent the total work done in this direction, for Co-operators have fully recognised the equitable character of most Building Societies, and have largely used the profits from the stores to avail themselves of their benefits.

The last item, and by far the most important, for it is the apparatus for improving the Co-operative machine, is the educational work. Up to 1862 it was illegal to use profits for educational purposes. Notwithstanding this a number of Societies, headed by the famous Pioneers, made grants of 2½ per cent. of their profits to their educational department. The existence of this law, however, stunted the growth of the higher qualities among the members of our body; and even yet they have not come up to the standard that they otherwise might reasonably have been

* *Wholesale Annual*, 1885, pp. 144, 145.

expected to attain. During the last four years progress has been much stimulated. In 1880 the amount granted for educational purposes was £13,900. It was expended on 120 newsrooms, 100 libraries, 34 courses of lectures, 10 endowed scholarships, 9 science classes, and 10 discussion rooms.* The Co-operative Wholesale Society has also, during the last four years, published an Annual, of a statistical and economic character, with a view to the extension of this class of knowledge among Co-operators. The cost is about £1000 a year. The general body, too, has within the same period endowed a scholarship of £70 a year at the Oxford University as a memento of the services rendered to them by Mr Thomas Hughes. The amount devoted to educational purposes in 1884 was 43 per cent. more than in 1880, without reckoning the Oxford Scholarship or the Wholesale Annual. For the same periods the profits only increased by 29 per cent., which at once shows the additional practical interest taken in education. Gradually Co-operators have become convinced that their principal educational efforts must necessarily be directed to special work. Children are educated, instructed, and trained in our national schools up to a certain point, and there they are left. They know nothing, or next to nothing, of the organisation of society, and of those natural or human laws which encompass them and regulate their actions. They see their relatives, friends, and neighbours doing certain work and obtaining certain results, and they know that they have to fall into a similar groove and go and do likewise. Of the reasons for any

* *Co-operative Congress Report*, 1882, p. 61.

of these arrangements they are almost totally ignorant. Co-operators look upon it as part of their mission to unravel the tangled skein, to put our social thread into good order, to make the crooked places straight, and to illume the dark corners with the light of truth. This is to be done by systematically instructing our young people in the principles and practices of Co-operation, and the Co-operative body is now perseveringly devoting a large part of its attention to discovering the best methods of doing it. Prizes have been offered for the best papers on the subject, and the writers of the successful papers will read them to the delegates at the National Congress in Whit-week. Without egotism, we may fairly compare this zeal for education with the pitiful conduct of the greatest objectors to Co-operation—the London shopkeepers —who steadily and successfully oppose all attempts to apply the Free Libraries Act to the metropolis.

Having, as briefly as possible, sketched out the present extent of Co-operation, it is now necessary to see how the various organisations are worked. Beginning with the retail Societies, the following is a summary of the leading features in their rules:—

Anybody may become members.

An entrance fee of 1s. constitutes membership.

Members may pay up their shares at the rate of threepence per week; and they can invariably do this easily with a portion of their profits.

Every member has one vote, regardless of the amount of his investment.

The share list is always open, so that shares are always at par, and never at a premium.

Most of the share capital is withdrawable; one or

two shares of £1 each being the utmost transferable capital a member is required to hold.

Capital is paid interest at not more than 5 per cent. per annum.

Every member is eligible for office.

The members hold quarterly, and in many instances monthly, meetings.

The committees control the employés.

Goods are sold at the same prices as by neighbouring respectable shopkeepers.

After providing for the wear and tear of fixed stock, making educational grants, &c., and paying interest on capital, the net profits are divided among the members in proportion to their purchases.

The employés in many instances share in the profits in proportion to their wages.

Employés generally get better pay and better treatment than in private employ. The weekly half-holiday has always been very general.

Coming to the Wholesale Societies, the organisation is as follows:—

The shares are all transferable, and bear interest at 5 per cent. per annum.

Only Co-operative Societies are admitted as members, or are allowed to make purchases.

Every shareholding Society has to take up shares in proportion to its size.

A very small initial payment constitutes membership; and this is credited to the member's share account.

When a Society wishes to cease its membership, the shares are transferred at par, through the agency of the Wholesale, without trouble or expense.

Societies have a share in the management in proportion to their size, whether in voting for officers or in sending delegates to the business meetings.

Societies have equal privileges in all matters.

Goods are sold at prices that compete successfully with private wholesale firms.

After providing for interest on capital, wear and tear of fixed stock, and reserve funds, the net profits are divided among the Societies in proportion to the amount of their purchases. When their shares are not fully paid, this dividend is credited to their share account. In all other cases it can be withdrawn.

Quarterly meetings are held, to which the Societies send delegates.

The committees control all the employés.

It is unnecessary here to enter into details of all the interior organisation. It will be sufficient for me to assert, on actual knowledge, that the greatest liberty is allowed to buyers and managers to exercise their best endeavours for the benefit of their department, notwithstanding the opinion of some economists to the contrary, and that every effort is made to keep abreast, or ahead, of the times in commercial experience and knowledge.

The profitableness of the Co-operative system can be demonstrated by a couple of illustrations. Boots are made at the Glasgow or Leicester works. They are distributed by the Wholesale to the retail stores, who in turn distribute them to their members. Experience proves that neither retail firms, wholesale firms, nor boot manufacturers will, on an average of years, work for so low a profit as 4 or 5 per cent. per annum on their capital. They make very much more than

this, and what they do receive in excess has to be extracted from the pockets of those who purchase the boots. The Co-operators only pay 4 and 5 per cent. per annum on their capital; so they thus save the excess profits of the manufacturer, the merchant, and the retailer; and the purchasers of the boots receive these savings in the form of dividend. By-and-by the trades of currying and tanning will be added, and the profits of these businesses will go to swell the ever-increasing stream. Again, the New York branch of the Wholesales buys flour and ships it to Glasgow. The Scottish Wholesale forwards it to the Co-operative bakery, and the bakery distributes it to the consumers. In this process are saved the profits of the New York shipper, the Glasgow importer, and the private baker; and once more the consumer receives these benefits in the form of a dividend on his purchases. To multiply these instances would be wearisome.

Those corn mills that are owned by more than one Society are constituted on similar equitable lines to the Wholesale Societies; and it is unnecessary to enter minutely into what differences do exist. They arise simply through adapting the Societies to special requirements.

The other Productive Societies are mostly composed partly of individual shareholders and partly of Society shareholders. Some have only individual shareholders. All shares are transferable.

Capital receives a given percentage; in some cases 5 per cent. per annum, in others 6 per cent. per annum, and in others 7½ per annum.

After providing for wear and tear of fixed stock,

and sundry matters such as reserve funds, the remaining profits are divided as follows :—In some Societies, between capitalists, customers, and workers ; in some, between capitalists and workers ; in others, between customers and workers ; and in others, among the workers. The proportions given to each class of recipient vary in almost every case.

In all the Societies the committees are elected by the shareholders. In some the workers are eligible for election ; in others they are not eligible.

Even where they have surplus capital, Societies usually allow the workers to invest their profits in shares ; and, where the trade of retail Societies is desired, these latter are also encouraged to become shareholders.

Although the practice of the Societies is divergent, there is in all of them a strong desire to deal equitably with every interest ; and the causes of divergency are, either the necessity of adapting the Society to local circumstances, or the fact that the best method of applying Co-operative principles to production has not yet been discovered.

It will have been noticed that in the retail Societies, the Wholesale Societies, and the corn mills, the organisations are based on the principle of the consumer being the person to be benefited. The theory is, that all persons are consumers, and that all have to work for one another. Therefore, if all profits are divided among the consumers, everybody will benefit equally from the results of their Co-operation. Under certain conditions this theory is right ; but under other conditions it may be altogether wrong. It is, however, conscientiously held as a complete Co-operative faith

by a large portion of the Co-operative body; and for years there has been earnest contention on the subject. But there are signs that the mist is clearing away. Where there is such a strong and universal desire to arrive at the truth, the truth is sure to be found. It is gradually beginning to be apprehended that, while there is a very wide and extensive field for the application of Co-operation from the consumers' standpoint, there is also a very wide and extensive field for its application from the standpoint of the producers. It would take an evening to examine this question, and it is impossible to go further into it now. Co-operators are determined to solve the problem. To help the solution they have offered prizes for the best papers on the subjects; and the prize papers will be read at the Whit-week Congress. For myself, while I care little for differences in methods of application, so long as the principle is admitted, and so long as there is a desire to do right, I think that it is possible to reconcile all interests, when the subject gets clearly understood; and I share the faith of John Stuart Mill, in thinking that the time for this clear understanding is very closely upon us.

I am among those who think that if we are to secure equity in the sharing of the profits, the capitalist, the worker, and the consumer must all be considered. All three are indispensable if a business is to succeed. The law of supply and demand equally regulates the price to be paid by the consumer, the interest to be given to capital, and the wages to be given to the worker. What is termed profit is the fractional margin left after roughly reckoning the payments to each.

Supposing each to have equal power to enforce his demands, and equal ability in enforcing them, the division of the profit among the three classes would follow as a matter of course; and there would then only remain for consideration the best method of dividing it. The following division seems to me, after long and careful study, to be a near approach to a perfect standard for productive associations. The purchases of a consumer release the capital locked up in the stock-in-trade. It is therefore equivalent to so much capital, and the annual amount of purchases should share the profits in the same proportion as would the like amount of capital. A working-man is like a horse in being live capital. In the case of slaves, the master owns both the man and the horse, and the market settles the capital value of each. In the case of the British working-man, the fact that he owns himself makes him none the less equivalent to a given amount of capital. This amount may be arrived at by considering his yearly wages as the interest on his capital value. Dividing the wages by the rate per cent. of interest allowed on capital, the result, or quotient, is the number of hundreds of pounds that the working-man may be said to be worth. For instance, with interest at 5 per cent., a man with £50 a year would be equal to £1000 of capital; and with interest at 6 per cent. a man at £78 a year would be equal to £1300 of capital. Having thus ascertained the value of the worker, the customer, and the capitalist, in one common denominator,—capital,—the profit could be divided among them in proportion to the amount of capital each individual represented.

When it is clearly seen that labour represents so

much capital, the stock objection that the capitalist should take the profits because he takes the risks will disappear; for with short time, illness, liability to accident, and ultimate extinction by death, the living capital of the working-man takes far more risk than the dead capital of the capitalists; while it may as well be pointed out that in all cases there is a special provision for replacing the wear and tear of the capitalist's capital by means of a charge on profits for depreciation, but there is no such provision for the wear and tear of the workman.

Having tried to inform you how far Co-operation has extended, and by what methods it has succeeded, I come now to answer the question, "What is meant by it?" Some short time ago there was held in a provincial city a conference of men of all classes on the labour question. Several working-men spoke very eloquently on the insufficient remuneration accorded to the ordinary labourer. The chairman stopped further speeches in this direction by saying that the point was unanimously admitted by the meeting. Another speaker then put this proposition—"If some receive too little of the joint produce of the nation, then others must receive too much." This proposition is one of the corner-stones of the Co-operative faith. In elucidating the subject I like to keep clear of all denunciation of men or classes. Human nature is pretty much the same everywhere. A working-man's son, if made a capitalist, will act very much like any other capitalist; and a capitalist's son, if made a working-man, will act very much like other working-men. So long as no unfair means are resorted to, to bolster up a decaying and inferior organisation, fault must be found with the

system and not with the men who, from their positions, are almost compelled to uphold it.

A very celebrated, eminent, and able man has given a vivid description of the present organisation of society, and the injustice thereby inflicted upon the great masses of the people. It is sometimes a comfort to be able to shelter oneself behind a great name; for statements, which, if made by men like me, would be treated almost as blasphemy, when made by men of mark and sanctity, are treated—as they ought to be treated when it is deserved—as gospel. This eminent man is the late Archdeacon Paley, one of the most brilliant lights of the English Church, and who, besides his theological works, is famous as the author of "Moral Philosophy." The reverend Doctor begins his chapter on property as follows:*—"If you should see a flock of pigeons in a field of corn; and if (instead of each picking where and what it liked, taking just as much as it wanted, and no more) you should see ninety-nine of them gathering all they got into a heap, reserving nothing for themselves but the chaff and the refuse, keeping this heap for one, and that the weakest, perhaps worst, pigeon of the flock, sitting round, and looking on, all the winter, whilst this one was devouring, throwing about, and wasting it; and if a pigeon more hardy or hungry than the rest, touched a grain of the hoard, all the others instantly flying upon it, and tearing it to pieces; if you should see this, you would see nothing more than what is every day practised and established among

* Paley's *Moral Philosophy*, book iii., chap. i., p. 119, vol. i., 16th edition, 1806.

men. Among men, you see the ninety-and-nine toiling and scraping together a heap of superfluities for one (and this one, too, oftentimes the feeblest and worst of the whole set, a child, a woman, a madman, or a fool), getting nothing for themselves all the while but a little of the coarsest of the provision which their own industry produces; looking quietly on, while they see the fruits of all their labour spent or spoiled; and if one of the number take or touch a particle of the hoard, the others joining against him, and hanging him for the theft."

This quotation amply proves the soundness of the proposition, that some men receive too much, while many men receive too little, of the joint produce of the country.

Paley goes on to say:—"There must be some very important advantages to account for an institution, which in the view of it above given, is so paradoxical and unnatural. The principal of these advantages are the following:—1. It increases the produce of the earth. 2. It preserves the produce of the earth to maturity. 3. It prevents contests. 4. It improves the conveniency of living." He concludes thus:—"Inequality of property, in the degree in which it exists in most countries of Europe, abstractedly considered, is an evil, but it is an evil which flows from those rules concerning the acquisition and disposal of property, by which men are incited to industry, and by which the object of their industry is rendered secure and valuable. *If there be any greater inequality unconnected with this origin it ought to be corrected.*"*

* The italics are mine, not Paley's.

Co-operators assert that Co-operation secures all the advantages enumerated by Paley, and that it eliminates the "unnatural institution" of the ninety-nine looking on, while the worst of the flock, "a madman, or a fool," is "devouring, throwing about, and wasting" the country's produce. They therefore claim that this evil "ought to be corrected."

We must now consider the causes for this state of things. From the time when Adam Smith so picturesquely expounded the wonderful advantages resulting from division of labour, nobody has questioned but everybody has admitted its value. Since his day the process of division has marvellously developed, especially in Britain, where labour is more subdivided than in any other portion of the globe. This division of labour is one of the great distinctions between barbarism and civilisation. The other great distinction between the two social states is the accumulation of capital. These truths are so obvious that they may be considered as axioms, which with intelligent men need no proof. Without division of labour every man, woman, and child would have to provide its own food, its own clothing, its own fuel, its own shelter, and its own amusements. To secure a piece of bread and butter, a person would first have to find material to make tools, use these tools to cultivate the corn, to grind the flour, to bake the bread, and to obtain the fire. A similar process would have to be gone through to obtain the butter. Everything that the individual required would have to be likewise laboriously worked out separately and in detail. To attempt this would leave every individual with very little produce, on account of the physical impossibility

of finding time to grow or manufacture a variety of articles on the small scale required by one person; and, if it were attempted, it would not only carry people behind the most primitive race of men in existence, but would place them in a lower intellectual condition than is maintained by many other species of animals. Just the same if we were deprived of all our accumulated capital, and were prevented from renewing it; if we were deprived of our railways, our ships, our cities, our tools and machines, our libraries, our homes, and our household goods, our country would once more be the abode of barbarians. To those, then, who share in the aspirations for a higher and nobler humanity than is afforded by a bare, brutish existence, to those who believe that joy and happiness are the ultimate aims of our lives, these twin elements of civilisation are recognised and welcomed as two of the greatest blessings conferred upon man.

These blessings have been wrested from their noblest purpose for the benefit of the few at the expense of the many. The necessary division of labour has placed a number of men in positions of trust and responsibility. They have obtained in various departments of life the leadership of men. This leadership is a divine deposit; it ought to be in the hands of the most capable, and ought to be used for the well-being of the whole of the human race. But those who have obtained these positions have used them to gratify their own aspirations and desires, almost entirely regardless of the necessities or claims of the multitudes through whose efforts they have obtained the means of indulgence and gratification.

Political economists have endeavoured to defend this state of things, by contending that the law of supply and demand regulates the remuneration of the capitalists and employers just as it does the remuneration of the lowest classes of labour, and that the high remuneration received by employers is caused by the great scarcity of superior organising power and administrative ability, while the wages of the working classes is regulated by the cost of maintenance in the manner they are accustomed to live. They likewise contend that the best men get the best positions. There is no denying the abstract truth of the former of these contentions; but the latter contention, that the best men get the best positions, is, with a few grains of truth, almost wholly false. It ought to be true, and Co-operation tends to make it so. Shortly before John Stuart Mill died, he commenced a work on Socialism. He never got further than the first chapter. It is a great loss to the world that the work was never finished. It would have poured a flood of light on a most difficult subject. The fragment was published after his death by Miss Helen Taylor. In it he sets forth the present condition of the working classes as follows:*—"The very idea of distributive justice, or of any proportionality between success and merit, or between success and exertion, is in the present state of society so manifestly chimerical as to be relegated to the regions of romance. . . . The most powerful of all the determining circumstances is birth. The great majority are what they were born to be. Some are born rich without work; others are

* *Fortnightly Review*, 1879, p. 226.

born to a position in which they can become rich by work; the great majority are born to hard work and poverty throughout life; numbers to indigence. Next to birth, the chief cause of success in life is accident and opportunity." Most men, from their own experience, know of establishments where, regardless of capacity, the son has succeeded to the father; and of other establishments that were sold to men who knew nothing about the trade, their qualification for the headship being solely the contents of their purses. The success of these concerns has had to depend on the honesty, energy, and brains of hired servants, while the bulk of the profits has gone to the proprietor. Again, almost everybody knows establishments where all the best positions are filled by relatives, irrespective of their capacity, and their shortcomings are made good by men in humbler positions with inferior remuneration. This condition of things is not only morally wrong, but is economically unsound. A business cannot succeed so well with inferior men at the head as it can when superior men take the lead. Failure brings misfortune to the humblest individuals in the firm's employ—however well they may have done their duty—as much as it does to the master whose incapacity has caused the disaster. Co-operators see this clearly, and they believe that Co-operation will remove the unsoundness, and bring into perfect action the principle of the best men being put into the best positions. They know that there is no scarcity of organising power, nor of administrative ability. Their experience satisfies them that there is an abundance of it, and that the apparent scarcity has been caused by a real monopoly

of superior positions by a limited class of the community, which is incompetent to supply the demands made upon it. From this they deduce the very logical inference, that the remuneration of these people has been too high in proportion to the services rendered. By putting on the market a larger supply of better quality, and by electing the best men, regardless of personal claims, they seek in a legitimate manner to lower the price for superior people, while the same process tends to increase the chances of success. No one can reasonably object to this application of the law of supply and demand. It is easy and natural in its operation; and those who think that the remuneration offered to them for their services as a leader is not sufficient can help to raise the price by refusing to follow so badly paid an occupation.

Knowing that ordinary working-men do not receive the full intrinsic value for their labour, Co-operators seek to raise them to their proper standard. This, as well as providing the larger supply of superior men, can only be done by increasing their knowledge and developing their intellectual powers. The principal points to be taught are,—that they should aim at a higher standard of living; and that, as accumulated capital is necessary for a civilised life, every man ought to strive to become the possessor of as much of it as will relieve him from dependence on the capital of others, so that no man shall be under the necessity of paying out of his weekly earnings for the hire of capital to enable him to earn a livelihood, to obtain other goods in exchange for his produce, or to obtain a home to shelter himself and family. So far as the action of the law of supply and demand is concerned,

he is thus put on a level with others in making his bargains; and the heavy make-weight of famine cannot then be thrown into the demand side of the scale, to compel him to give his supply of labour for the irreducible minimum known as the lowest cost of subsistence. When he is a married man, the worker is very often unable to save capital out of his small earnings. His dividends from the store can, however, be saved. When thus saved, he loses no comfort that he possessed before he became a Co-operator. He becomes a capitalist by accumulating money that had previously leaked away without his knowledge, and without his receiving any value in return. From the second generation—from those who have been born into our movement — greater things are expected. We expect them to begin life with more caution, with more prudence, and with more intelligence.

When economic law is thus allowed free play without restraint, without either artificial propulsion or restriction, we shall find that the remuneration of all classes will depend principally on the following conditions:—

The pleasantness or unpleasantness of the occupation.

The risk to life and limb.

The intensity and duration of the labour.

The natural or acquired capacity of the individual.

To secure to the workers the full benefit of their toil, it is however necessary to have full liberty, under equitable conditions, to enter all trades, professions, and occupations, and to have democratic organisations, with a complete and intelligent submission of each to the lawful desires of others. These democratic organi-

sations are essential to obtaining full and complete liberty. It is true there are good men, like Frederick Harrison, who think that the best aspirations of the human race can be obtained by a different and opposite process. Instead of the election of the few officers by the multitude who have to be officered, they wish the different ranks of men to be selected and appointed by the rank above them, and the head of all to be selected by his predecessor. They think that the superior men know best what is required for success, and they urge the cultivation of a high morality to prevent the men who are thus entrusted with autocratic power from abusing it. Co-operators would also like to see the day when moral self-restraint shall prevent the abuse of power, authority, or influence, whether direct or indirect. They are doing their best to produce this state of things. But they have the whole of the history of man to warn them that autocratic power is never long restrained by moral considerations, and has in the long run been used to the detriment of the people. They therefore think that it is tempting Providence to place in the hands of any man, however good and however able, power over others when it is unnecessary to do so. The best way to secure the moral exercise of power of whatever kind, whether financial, social, or political, is to diffuse it. The whole body should be the depositary of all power. They should measure it out, and depute it to individuals as may be necessary for the public good, and recall it when the deputed power has fulfilled its mission. The intelligent acquiescence and the active volition of all are needed for perfect success. This can only be obtained by each individual

understanding what is required, and why it is done. Superior men, if really superior, will be able to bring this home to the multitude; they will be able to teach them what ought to be done, and will be selected to lead or officer the forces that are organised to do it. If they cannot do this, they are not fit for officers or leaders, but should be content with subordinate positions.

By having democratic organisations for all the purposes of life, from the highest to the lowest, with full liberty on equitable terms to enter each or all of them, we reach a further and higher stage in the history of Man. He has already ascended from the slave to the serf; from the serf to the wage-earner; and now we hope to see him as the intelligent, honest co-partner, where all are justly considered, and are rewarded in proportion to their merits.

We may now sum up. Co-operators believe that great blessings flow from division of labour and the accumulation of capital. But these blessings have been largely diverted from their course. Some men receive too many of them, while most men receive too few. This undesirable state of things can be remedied by the intelligent application of ordinary economic laws, by carrying out the policy of associating together, and by working under the governing principle of equity. Wherever two or more individuals may require to act in common, whether it is in domestic life, in agriculture, in manufactures, in commerce, in local government, in national affairs, or in international transactions, this principle of Equitable Association should always be adopted.

Holding this faith strongly, nearly all Co-operators

are enrolled in a Co-operative Union, for the purpose of extending their practical Christianity. It is supported by voluntary contributions from Societies, and its income is over £3500 a year. With the exception of a paid secretary and staff at Manchester, all the work is done gratuitously, and the greater portion of the money is expended in travelling, printing, and postage. The country is divided into six sections, Scotland being one. Each section is divided into districts; and each of these divisions and sub-divisions is officered by an enthusiastic staff. By means of an Annual Congress, Quarterly Sectional Conferences, District Conferences, and Society Meetings, the intercommunication of business knowledge and of Co-operative principles is kept moving in a continuous and ever-increasing stream; and this ceaseless work is yearly drawing in large numbers of adherents.

Our principles are permeating the nation, and are producing what at one time would have been thought to be startling results. A Yorkshire manufacturer has lately proposed to combine all the firms in his trade into one great Co-operative Society, limiting the interest on capital to 5 per cent. per annum, and dividing the whole of the profits among the work-people. Such a proposition shows a great moral growth. If this moral growth continues, and I believe it will, we may expect that in the future, when employers give up business, they will recognise the claims of their employés by forming them into Co-operative Associations, and then handing over to them the businesses in which they have jointly made the fortunes of these employers. This will facilitate the growth of the Co-operative ideal. There is no reason

why it should not be done. Ideas of justice, and a desire to execute them, were never so prevalent as now. Humanitarian instincts, governed by accurate knowledge, were never so strong as now; and the principle of human brotherhood has never before been so fully recognised. Only a poet can adequately express what may come to pass, and Alfred Austin has done it for us: *—

"Straight I beheld a marble city,
Built upon wayward slopes,
Along whose paths, as if in pity,
Ran tight-drawn golden ropes.

The men, all animal in vigour,
Strode stalwart, and erect;
But on their brows, in placid rigour,
Watched sovereign Intellect.

All were well clad, but none were better,
And gems beheld I none,
Save where there hung a jewelled fetter,
Symbolic in the sun.

And oft exclaimed they one to other,
As they passed or stood,
'Let us co-operate, my brother,
For God is very good.'"

* "*Golden Age*," p. 109.

On the Conditions of Progress of the Capitalist and of the Labourer.

IN the preceding portion of this course you have heard lectures from two of the most eminently practical men, each not only having complete working familiarity with his subject, but being the fighting chief of a great social movement,—in fact the natural and accepted spokesmen of a numerous and powerful section of the community. I feel on the other hand that, coming before you, without credentials from any existing body of men or school of thought, as a student,—an observer, not an actor in the great world of industry,—I must ask something of that consideration which men show to a foreigner, whose ways of speech may seem quaint and awkward, whose ignorance of the ways of the country may often be startling, and whose criticisms are so apt to give offence.

Yet with all these drawbacks, if he has at all kept his eyes about him in his travels, the foreigner has often—perhaps even oftener than an equally intelligent native of the country—something to say which may be worth while listening to. You may gather from him not only how your daily life seems to a com-

paratively fresh eye,—"how it strikes a stranger,"—but also something of the way men are thinking and feeling in his country, even if he does not make the slightest claim to be its accredited representative.

So, while the heads of my discourse are evidently Capitalist, Labourer, and Progress, I must warn you that I have no intention of speaking flatteringly of any of the three. On the eve of a general election, however, a little plain speaking all round may be almost agreeable by contrast. And whether my notions seem too commonplace or too far-fetched, too homely or too unpractical, too sentimental or too scientific (each of these adjectives serves in turn to keep off the discussion of pressing economic problems), I must ask your patient and thoughtful attention. Even though you should both resent the criticism and reject the theory of the present paper, it may at any rate interest you as giving a rough sample of the way in which social matters are beginning to be talked over by scientific men, and in the universities, English, Scottish, or foreign alike, which, though they have not been as yet any great social force, are showing daily signs of becoming so.

The world of thought cannot be permanently divorced from the world of action ; nay, our present anarchy in the one is but the too faithful reflection of that which prevails in the other. On the one side we see how of the old orthodox economists who so recently retained undisturbed possession of the theoretic field only a stricken remnant remains, and even these bearded by the very protectionists whom they thought slain a generation ago. Most combatants

indeed hardly vouchsafe them notice, for the modern battle is between fiercer foes. Thus again, as in the Middle Ages, the Churchman has entered the fray and wields a sturdy lance for Christian socialism; against him charge Bakounine and his followers, denouncing alike God and the State; everywhere individualistic anarchy the most utter is neutralised only by socialism the most cramped. In the world of practice each school of reformers seeks to act at once, without further deliberation; even statesmen venture on the vastest experiments; while those excluded from power threaten force, if they do not even use violence.

The people, too, are coming into the battle. Peaceful English and American cities, which we hoped might well be the abodes of peace and plenty for evermore, suddenly become scenes of riot and bloodshed. Our hard-won civilisation is, in fact, at stake, and in this state of affairs, so full of perplexity, so black with threatening storm, there is ample room for the few economists who have not lost their heads with so many of the new school, nor their hearts with so many of the old one. These may make, if any can, some truce between the parties. They would fain leave the advocates on each side, Bastiat and Marx, Giffen and George, to cancel each other, and try to make a fresh start; looking at labourer and capitalist in a quiet natural history sort of way, as species in the study of which they are indeed profoundly interested, yet which are alike sufficiently foreign, to their own life and interests and aims for them to feel wholly identified with neither.

Coming then to capitalist and labourer, I may as well make it clear at the outset that, as the whole

subject is too vast for a single lecture, I propose speaking rather of the individual capitalist than of the joint-stock companies which some think destined to replace him. Nor does any discussion of socialism come within my province; be the present *régime* of capital good or bad, it exists, and shows no signs of immediate disappearance. Neither of these considerations, however, will interfere with my argument; my problem is, accepting the everyday facts, let us if possible understand them in the first place, and improve them in the second.

The great difficulty of a lecture of this kind, for a student at any rate, is to get and give anything like a just and fair idea of labourer and capitalist alike. If we turn to books, it is true we find a great many descriptions of both, but they don't agree with each other. The characters seem those of an unreal world, like the stock Irishman or the wicked uncle of the play. It is amusing, however, if not instructive, to compare them. It is natural to begin with the old orthodox books, like those of the famous Messrs Ricardo, Bastiat, M'Culloch, and Company, which, though no longer used, have so deeply leavened the works of better and abler men like even Mill, and have yet a deep hold on public opinion, and the journalism which follows it. If you study these works, I say, you will find the capitalist, like the popes and kings of old, invested with attributes and perfections little short of those of deity. His enlightened self-interest moves the world, and without him no industry is possible. Possessing all wealth, which he is perfectly entitled to consume himself, he yet graciously makes a covenant or free contract, originally commencing in infancy,

with the otherwise starving and helpless labourer for his working hours, "advancing" to the labourer (at the end of each fortnight's work) his "wages,"—"wages" being defined as "what will just maintain the labourer,"—of course retaining the entire product of industry as his legitimate share, or "natural remuneration," as it sounds more dignified to call it. For must he not be rewarded for his generous abstinence from consuming his whole wealth in a moment; compensated for his enormous risk of loss in astutely finding the best investment for it; rewarded for his unparalleled labours of superintendence, performed, of course, as much as possible by deputy? That under these circumstances this benignant autocrat should be entitled to absolute obedience, enforced by one penalty, that of instant dismissal, with its stern consequences, for all offences alike, was also only "natural" again. (*Natural* is a good word; it proves anything.) Yet the labourer, strange to say, was but a foolish and rebellious subject; he did not always appreciate his change for the better, from slavery through serfdom to the perfected freedom of choosing which capitalist he might beg employment from; and even when he got employment, he was sometimes tempted to think that wages should be more than would just maintain the workman; he dared to dream of laying sacrilegious hands on some "remuneration" too, but that, of course, only wasted wealth in foolish strikes and what not. And when a new machine was introduced, and he was suddenly discharged, he did not appreciate the blessing of abstinence. He rebelled, he would even break the machines in mere hungry madness, though the good economist came and explained that the

machine must really benefit him "ultimately" (if he did not starve meanwhile). So, as you may fancy, it was a great grief to the political economist, who quite honestly believed all this, that the workman, who could not, of course, prove him in the wrong, simply grumbled at political economy altogether, and said (as he might have done to a pugilist), if that was science he did not want any more. This lack of interest in "science," however, was easily accounted for by the backward state of his education. You see you would have to begin by teaching that sort of thing in the elementary schools, if the workman is to believe it when he grows up.

But the great argument by which the economist did largely reconcile the workman to his lot was this: he would point out that many capitalists had been workmen themselves; that it was therefore possible for any labourers whatever (and therefore presumably for all labourers), if only sufficiently able, abstemious, thrifty, lucky, and long-lived, to become capitalists, of course with plenty of labourers too. Had they not a fair field and no favour? and if a man did not get on was it not his own fault? Truly, many were called, though few were chosen.

But if now we turn to some of the more recent writings on economic subjects, we find a startling and complete contrast. In very many respects new socialism is only the old orthodox economics turned inside out; the old metaphysics, the hypothetical science, the one-sided politics, are there as much as ever. The propertied classes, however, are this time the wicked. The capitalist is merely a "vampire," battening upon wealth which he does not help to create. He toils not,

neither does he spin; even labour of superintendence —nay, too, those scarcest of human qualities, power of foresight and organisation—now counting for little or nothing. The labourers are the blameless and long-suffering elect; a glorious future of wealth and leisure—and that for an unlimited population, mark you—is, however, to be obtained at once by simply altering the present distribution of land and capital, of rent and profits. It is exactly the old story over again. You can all be capitalists. Out of a limited supply of wealth you can get an unlimited supply of well-being, —in imagination, of course.

Leaving now the stage labourers and stage capitalists of the two great rival theatres to confront each other, what do we find in real life? Truly, all sorts and conditions of men, a host of irreconcilably different types and varieties of labourers and capitalists, struggling for existence among each other. Some of each there are—let us frankly admit it at the outset—who deserve all that their severest critics say of them. Here and there you have a mere cunning master thief, knowing all the tricks of the trade; not merely buying cheap and selling dear, but buying with heavy weights and selling with light ones; watering down samples when he buys, and improving them when he sells; steeped in adulteration to the eyes, in lying and false invoicing, and in every hypocrisy to conceal it; oppressing his workmen, too, in every possible fashion, sometimes even sneaking minutes from their time and coppers from their pay; yet, after all, clever enough to get them to send him to Parliament to oppose Factory Acts, or any other bit of progress they may really be needing,—ay, and make them present him with his

portrait for his trouble. Not an accurate portrait, however.*

It is no wonder that such men bring dishonour and unpopularity upon the whole capitalist class, yet we have here, happily, an extreme type. One finds, too, and I trust not seldomer, a type of the opposite kind, an employer who takes honourable pleasure in making sterling goods, his days and nights spent in incessant planning and contriving how to keep all his hands employed through a hard time like last winter—a matter for which, mind you, many a master made real and difficult sacrifices ; constantly, too, devising some new way of improving the condition of his workers, both in the factory and out of it. And such men don't get anything like the credit they deserve either from the workers or the general public. Yet I believe they have done as much to solve the problem of progress as all the writers on economics, or lecturers either, have as yet done. It is a great pity that good men don't get more credit, the rogues more public and and special discredit. That is, perhaps, one of the functions which the university movement I was speaking of may aid the press in doing some of these days.

Instead, then, of disposing of the capitalists wholesale as mere vampires, because the worst of them still are, and oftener used to be so, I think it is only fair to remember that the capitalists themselves have made many attempts to throw light on the labour question. Need I remind you, for instance, that not only these lectures, but the recent Industrial Remuneration Conference, are an example of such an attempt on the part

* See *Pall Mall Gazette* "Extra," No. 22 (Works of G. F. Watts, R.A.), p. 16.

of a capitalist. Poorly managed too though they have been, one cannot altogether ignore the innumerable foundations for the public good which have been accumulating since George Heriot's day, and so on. But of many possible instances I will cite only a recent one (May 1886), which seems to me to deserve the widest possible publicity as a real advance in the history of labour.

You will remember that one of the most interesting and hopeful points in the first lecture of this series was that Mr Burnett, though the fighting chief of his Union, was looking forward to the progress of Trades Unions in something more than numbers and wealth and striking power—to their development into something corresponding to the guilds of the Middle Ages, in which masters and men were united by common interest in a common life. That was a great ideal, and the case I am to speak of seems a distinct step towards its realisation. It is that of Messrs William Denny & Brothers, of the Leven Shipyard, Dumbarton, and I need make no apology for quoting a portion of the newspaper account:—

"A NEW DEPARTURE IN THE HISTORY OF LABOUR.—Messrs Wm. Denny & Brothers, of the Leven Shipyard, Dumbarton, have taken a rather unique step in dealing with their workmen. Some time ago it was thought advisable to revise and extend the yard rules. Instead of altering the rules to suit their own desires, the Messrs Denny asked the assistance and co-operation of all classes of their workmen in the task of revision. For that purpose a series of conferences were held, which were attended by the members of the firm, the foremen of departments, and delegates appointed by the workers. At the final conference, Mr William Denny, addressing the delegates, said he believed such conferences were the first in the whole history of labour in which employers and employed had together discussed rules

and come to a friendly and reasonable conclusion upon them. There were three things in the conference which had pleased him greatly. The first was the manly, straightforward criticism of the men when they thought criticism was required. There was no attempt to please by hiding honest opinion, and he thought they were encouraged to be frank by knowing that the hiding of honest opinion would not be any way to the favour of the firm. The feature distinguishing the conferences was the generous consideration shown by the journeymen for those less favourably situated than themselves. The results of the conferences were, first, that they had a workable, just, and effective code of rules. He believed the code of rules agreed upon would be more efficient from the workmen having had a share in making them and having given them their approval. Apart from all items of improvement, there were three great principles established by and underlying these rules. The first was that no employer should make a profit out of the fines of his workers. But they had gone further, and had so enlarged the principle for the Leven shipyard, that in all fines the master should be fined with the men, that the masters should take their part in the punishment in so far as money could represent it, and that all the money, both the men's fines and the masters' equivalent, should be returned to the men as a body through the accident fund. These principles lifted the fines above any suspicion either of profit or personal vindictiveness. The second principle was, that as civilised nations nowadays were not ruled by laws they had had no hand in making, neither should the workmen of a great public work be ruled by laws which they had no voice in preparing and approving. The third principle was, that the fines should be varied, not according to impulse, but according to broad general principles, which could be admitted as just, and applied to all future changes in them. He sincerely hoped, for the future of the labour question, that these principles might become widely spread."

Now I don't know this gentleman, and I don't imagine he is quite perfect yet; but I must say it seems to me that we have here a real case of the right sort of progress, and that towards ideals which

are generally thought to be irreconcilable—Carlyle's Industrial Captain and Regiment, yet living with a great deal more of Liberty, Equality, and Fraternity than we see elsewhere.

But one often hears masters, kind-hearted enough, though not of such persevering stuff, say (just as ladies do about their servants), "It is no use doing anything for our men, they are so ungrateful; you may do what you like, and it won't make any difference," and so on.

Well, what has been the experience of this same firm? Having no orders for ships in the dull times last year, they were in danger of closing their ship-yard and turning everybody out of employment. To prevent this, and make work, since they could not find it, they undertook the considerable risk of building a ship on speculation. But when ships are lying idle they are cheap, and wages must be low; there is no help for that. The ordinary course of events in such a case would be that the employers would propose a reduction of wages, and the workmen, naturally enough, only submit when they could not help themselves; but here the case was reversed. It was the workmen who actually volunteered a reduction of their wages—a reduction which the firm gladly accepted indeed, towards mitigation of their loss, but which they acknowledged with words of the warmest gratitude and praise. Now, some people may say, "This is all very fine, but—" &c. &c. But all I need answer is, that when relations of this kind, of mutual fair-play and consideration, of generosity and self-sacrifice, exist between labour and capital in Dumbarton, and last year in year out, in good times and bad, then no man

short of a hopeless pessimist should think they are going to stop there. There is really nothing so peculiarly favourable in the climate of Dumbarton.

And the labourer—are there not similarly extreme types? Perfect craftsmen, ideal citizens, natural gentlemen, are not far to seek; we have all known such men again and again; yet, alas, how often the opposite? It is not for the labourer, any more than for the capitalist, to cast the first stone.

No, we really sometimes hear too much humbug about the labourer nowadays. Let us, instead of now flattering him as a political genius, or again weeping over him as a persecuted martyr (he certainly can't be both at once), try to recognise the facts.

I have been speaking of extreme types, the best and worst of labourers and capitalists; but are not the vast commonplace majority of both classes, whom I need not describe, whom we all know, tolerably well matched? I have certainly not been praising the capitalist, nor calling him perfect, but after all isn't he just a fair sample of average human nature? I don't believe in his "enlightened self-interest." I think that is often little more than a fine name for quite unenlightened greed and selfishness. I don't imagine the average English capitalist of the present generation will be looked back to with any very great regret or enthusiasm; but—don't let us suppose the average workman will be either. This is not an heroic age. And will any one seriously deny that in every age of the world—despite frequent painful personal exceptions, which being on both sides average themselves in the mass—master and man, mistress and maid, have each been just about as good as the other

deserved? Each, in fact, much what the other made him? And admitting that the modern capitalist is largely a hard man, and still more a thoughtless one, most of all perhaps an ignorant one,—that he thinks much of the rights of wealth, and little of its duties, —would it not be even worse if we replaced such capitalists by labourers, chosen by lot or suffrage, or as you will, to-morrow? It would be very easy to promise great things of such new masters, very pleasant to hope that they who had known poverty and suffering would be surest to do most for their fellow-men, but I am sorry I cannot believe it; it is not human nature. I was lately passing through a little town in Italian Switzerland, where there are three enormous castles (a feudal lord would have been contented with one), and my guide-book told me that these were built by three of the Swiss federal states when they obtained this town with its bit of surrounding territory. Now every one knows that of all people in Europe it is not we, but the Swiss, who have longest enjoyed the most complete freedom, the most perfect democracy, the most thorough political education. Well, what did they do when they got an accession of territory? Enfranchise the people? grant them liberty, equality, fraternity? Not at all: they built those three castles in one town, put in garrisons, and sold the absolute government of their brethren, taxation and all, to the highest bidder, cash down and very few questions asked. And this went on till the Powers put an end to it in 1815. That's human nature—capitalists' nature, labourers' nature, your nature, my nature, every man's nature—when temptation is strong enough.

I have just told one story to the credit of the working shipbuilder; that was the bright side, but let us look at the other.

The Industrial Remuneration Conference was naturally a place where the hardships suffered by workmen were brought up. Well, it was a melancholy fact that there was no graver charge of systematic oppression of any class of labourers than that alleged against the highly paid and skilful ship-platers with respect to the labourers who assist them.* If half the labourers' case be true, it is perfectly clear that those platers are simply capitalists, and that of a good old-fashioned type withal.

Why, what else was the capitalist to begin with? A self-made man, usually—and self-made men are not always the idyllic personages they are represented to be by the writers of works such as "Self-Help," "Getting On," or "Aye be tak-takkin', and aye birse yont." He was generally that one of a gang of workmen who happened to have a rather tougher constitution, and a rather harder head, not to say heart, than the average; who saved something here, and worked overtime there, and studied the rule of three and compound interest in his spare time; while his less individualised (but also less individualistic) fellow-workman was either having a social glass at the public-house, or sitting at the fireside with wife and bairns—ay, or planning the people's Charter. For it was not the politically trained workman who got on, more's the pity; he had not time to think so much of himself. Yet he, if any man, would have stood by his order, and the conditions of labour might have been different to-day.

* "Report Industrial Remuneration Conference," Cassell, London, 1885, p. 114.

Thus, then, there are many kinds of capitalists and many kinds of labourers; and if we wish to get an idea of the real nature of each class, we have to believe, first, all the good each can be induced to grant of the other; secondly, some of the good which each claims of itself; yet, thirdly, alas, much of the evil which each alleges against the other.

You may justly say, "There is nothing new in all this; the point we care about is the hope of progress." Well, I have been trying to lead up to this—to suggest our viewing those different types of labourer and capitalist as representing so many different stages in an economic and moral evolution. Thus I look at the bad type of capitalist as being here a survival, or there a reversion to the coarse and grasping type of a century ago; at the best one, as a forerunner of the generous and statesman-like captains of industry, of whom there is now such clear hope, and who may be general in far less than a century, if that progress in educational breadth and social feeling which has especially marked the last few years goes on. I had intended to go somewhat fully into the history of capital to prove this evolution, but Mr Burnett has in part done this for me; nor does time allow, but you can find it easily in the books.

There is, however, a most instructive historical parallel in the case of the rise and decline of feudalism. It has often been pointed out how completely the ancient baron in his castle on the crag represented the modern capitalist whose castle is in his bag.

The baron no doubt often won his rank by the noblest qualities and services; oftener, however, I

fear, he was only the biggest and burliest, cunningest or cruelest, of a troop of half-savage invaders of a peaceful land. In any case he was but the foremost among his fighting men, and excelled mainly in hard knocks, for he was always in the most active competition with his neighbours—that was the "life of trade" even more than now.

He had his uses, yet his rule was certainly a stern enough one, limited at first, as the capitalist's was, only by popular revolt, though later, much as the capitalist is now, by the steadily growing power of the commons and the lengthening sword of the king.

Why should he not take from his serfs all that they had? The orthodox political economist was there almost from the beginning, in the very natural shape of a lawyer, to tell the peasants, "no land without its lord" (that corresponded to "industry is limited by capital"); or at best to remind the baron that he should forego at the year's end such small portion of his legitimate profits as would keep his fighting men in trim; so that, even in that day, people had got the length of "advancing" as wages what would "maintain the labourer." Well, how was this state of affairs changed?

The most wonderful part of the parallel is, that wasteful of wealth and life as the system was, for ages no one thought any change possible, or even knew anything else had ever existed, or was in fact elsewhere existing. They could not for the lives of them imagine any other state of matters than their own. If here and there the village infidel suggested that Father Abraham perhaps did not wear a coat of arms, nor his children hold their lands of him by feudal

tenure, he must have been thought at once as ridiculous or as revolutionary as Mr Carlyle used to be, for thinking that every man perhaps did not have his price, or that there were other rules of conduct possible even in the nineteenth century than those of buying cheap and selling dear.

What, then, civilised the baron? A slow and gradual process—a progress of many kinds, material and moral. Earliest of all came the moral forces, headed by the abundant plain speaking of the Church; then, too, women with their magic humanising powers; art and leisure, manly sports and chivalrous education; best of all, however, the splendid enthusiasm and self-sacrifice of the Crusades, which widened his mind to a world outside his own "capital," and opened his soul to a quite other idea than that of "remuneration," of simply accumulating the paltry products of his labourers' industry. He had got something worth fighting for, worth working for, worth dying for at last.

With these and after these came of course practical checks and restraints, but the main point is that the material changes came afterwards, the ideas first.

But it is time to speak of modern Progress. How is this to come about? There was one point about which every one seemed agreed at the Industrial Conference, which is practically assumed by reformers of all schools, socialists or individualists, land reformers or protectionists, trades unionists, profit sharers, or co-operators alike, and about which most here are probably also agreed. It is this—I may as well quote from one of the most calm and temperate papers at the

Conference :—"There was only one way in which the workman could get a larger share of the fruits of his labour, and that was by all non-workmen consenting to take a smaller share of them." Now this axiom, reasonable though it seems, is by no means a correct one; we, in fact, have got back very much to a delusion from which political economy seemed to have worked itself clear a century ago—that any addition to one man's gain must be by a deduction from another's.* Many believe that if the capitalist's share could only be lessened, the labourer's share would be almost indefinitely increased; yet if we add up the total product of industry and divide it by the number of the population, the result is by no means astonishingly great, in fact it is most astonishingly small. The vast income of a great brewer or city landowner dazzles us, but it would make only a small addition to the wages of his workmen and tenants were it all divided to-morrow. I should like enthusiastic reformers of distribution to work out a few sums of this kind (at best they seldom work more than one, and then publish the result without getting a critic or even an accountant to check it). They would find the number of extra shillings to be added to wages, even assuming none to be lost in the redistribution, would be surprisingly small. I might also insist on the very simple fact, yet one constantly overlooked, that the greater the capitalist and the more striking his fortune to the imagination, the less he has really cost the community; for (unless when he owes his fortune to a monopoly or a swindle, as of course

* "Il n'existe aulcun proufit qu'au dommage d'aultruy."—MONTAIGNE.

not unfrequently happens) he has made his fortune by accepting lower profits than the twenty small capitalists he has displaced were accustomed to obtain, and so represents a real relative economy to both labourer and consumer. He is always better than the past, though, I trust, worse than the future. Again, I would remind the ardent reformer that the golden harvest of the capitalist is largely past, and advise him to think twice before he proceeds sweepingly to attack the gains of capitalists who are just now so often making only two per cent. or nothing, or even running their mills at a loss in hopes of better times, and who must, if any harder pressed, close their works altogether, or, what is worse, emigrate to found new competitive establishments elsewhere, as so many are indeed doing. On the whole, however, it may be said, even although the gain to the labourer by reducing the share of the capitalist be much smaller than at first seemed likely, it is still worth trying to make it. By all means; let the labourer have as much more as he can get. It is not so easy to do this without upsetting the milk in the struggle, yet there are many plans for getting here a little and there a little, transferred from the capitalist's share to the labourer's. There are trades unions, co-operation, land reforms, and so on, each of which has done something and promises more, though it must be noted that in the general opinion they have not been, and on their present basis do not even profess to be, of great advantage to any save the aristocracy of labour.

Here usually the treatment of the subject ends; the whole question of the claims of labour is for most men simply this: How much is to be got out of the capitalist—in what way—how soon?

Yet have patience with me; do not run away with the notion that I am after all here only to defend the capitalist, when I say that I believe this general state of opinion to be one of the most mischievous delusions which has ever impeded the progress of labour. Nothing certainly can seem more obvious, than that if our great industrial machine be turning out so many hundred ultimate products (so much real wages) per day, then the average share of the labourer can only be increased by diminishing the percentage appropriated by the capitalist. Yet let us look into the matter a little more closely: in every science what is apparent is not always true. For in this apparently simple proposition there are hidden two vast assumptions, and both of them most misleading ones. The first of these assumptions is, that there is no such thing as the population question—that the number of the labouring population is a constant one, and will not be increased in proportion to the increased percentage of new products gained from the capitalist, otherwise there would be no gain in average well-being. But there is no demonstration in the economic works of John Stuart Mill more convincing than that average well-being can only be raised by largely raising the standard of comfort; that without this the population merely increases up to the old level, and no gain, save of greater numbers in equal poverty, can take place.

Let me at this point remind you of the first question of the Industrial Remuneration Conference, which was:—"Has the increase of the products of industry within the last hundred years tended most to the benefit of capitalists and employers, or to that of the

working classes, whether artisans, labourers, or others? And in what relative proportions in any given period?" And the answer seems to me this:—Even admitting that the average condition of the labourers has risen in the last hundred years, it is yet evident that their numbers have increased far more rapidly; that is to say, the increased return of industry has really neither been absolutely consumed by the capitalist nor by the labourers, but is represented by the increased numbers of the latter class. Had their standard of individual living been higher, their descendants would have been so much less numerous—but of so much higher quality—and inheriting a larger share of wealth. In short, the labourer has to complain of his poverty to-day, because his and his father's standard of comfort did not rise fast enough, while the capitalist's did; and we must bear this clearly in mind when dealing with the third question of the Conference, which was:—"Would the more general distribution of capital or land, or the State management of capital or land, promote or impair the production of wealth, and the welfare of the community?" We must bear in mind, I say, Mill's proof, that no redistribution whatever can be of permanent advantage unless it be accompanied by a permanent rise in the standard of living; and further, that the standard of comfort can be raised only if the rise of well-being be a large and definite one. And I have just been saying that no such large, definite rise can at present be got out of the capitalist, either by persuasive means or revolutionary ones.

What, then, is to be done? Are we coming back to the cheerless doctrine of let things alone? So it might

seem; yet let us examine the second mischievous assumption I complained of: that in talking of redistribution, any progress in production and consumption, much less in capitalist or labourer, was not so much as mentioned—the social machine is assumed perfect. It does not require a great acquaintance with industry to know that when their machinery is not turning out all that could be desired, the workman and employer don't stop, even to lament the undoubted depreciation of silver, or the pressure of foreign competition, still less to quarrel, to say, "Give me more—no, give me—'twas you did it—no, 'twas you." They go over the machine; they save the fuel; they stop the leaks of heat here and steam there; they diminish the friction; that does wonders, and they try too to improve the clumsy mechanism throughout all its parts. But the social machine,—which is nobody knows how old, nobody knows how complex in its vast and innumerable ramifications,—does any one think of repairing it? Wholesale, without understanding it, yes,—that's politics; but in detail by detail, city by city, no,—that would only be practical economics, and you aren't interested in that.

But are we not always making progress? Don't you believe in progress? I almost hear you ask. There is a great deal more freedom of opinion in this country than there used to be. A man may think as he pleases, may vote as he pleases, and (as long as he is in the majority) may say what he pleases, but who ventures to speak irreverently or despondently of progress, save perhaps Mr Ruskin in his wildest vein? And when he does, do we not all shout, Railways! steamboats! telegraphs! gas! great is the progress of the Glas-

wegians! Look at the progress of wealth and population at home, and in the colonies, and in the United States! Yet, let us take the advice of the town-clerk of old, and seeing these things cannot be spoken against, let us be quiet, and do nothing rashly—"let them implead one another."

Now, the first thing to notice is, that the progress of steam and gas, however indisputable, is due to an older generation than ours. Nor shall we see such vast progress again, for that was like the discovery of America,—nay, innumerable Americas,—and brought in a new age of modern industry. Of course there are constant advances in productive details still, but the essential "progress" of our day lies in reaping the fruit of the mechanical appliances introduced in an earlier one. We have thus at once an unparalleled increase of population, with an enormously increased command of the wherewithal to feed and clothe them. No one will dispute this, so why should we not sing hymns to progress, and admire our International Exhibition with an undoubting heart?

But note now certain difficulties. Progress, we are told, is evolution; simply another name for evolution, is it not? And if so, the vague popular conception of progress must submit to be measured by the precise and scientific conception of evolution. The most eloquent of parliamentary speeches, the most convincing of leading articles, and the most ponderous of statistics, have all to be tested, little though their authors may recognise it, by the aid of a few dry scientific books, and those not even on physics or mechanics, but dealing with the little known and less cared for science of biology. Now, the essential

scientific fact about the evolution of any species—man or beast, plant or animal, it matters not—is improved average individual *quality*. Increase of quantity is not evolution ; nay, it is even apt to be the precise reverse. Your apparent progress in quantity tends indeed to be the opposite of real progress in quality, your supposed evolution is—degeneration, in fact.

Now, when discussing the labourer and capitalist, I have been speaking strongly perhaps, yet not without consciousness of being an amateur, a closet economist if you like. You know more of yourselves than I do ; and for my errors and omissions I am frankly open to correction : the presumption of error lies against me. But this matter of progress of laws of population and reproduction, of evolution and degeneration,* comes more within the range of a biologist ; and I accordingly ask you to give me, as it were, a fresh start, to grant your consideration to what I am affirming to be the scientific facts of the case, whether individualists or socialists believe them or no, and however much they may seem contrary to common experience.

It was said by a great poet a century ago, that "while philosophers are disputing about the government of men, hunger and love are performing the task." This was before the days of biology, yet it is a vivid statement, in ordinary language, of the essential facts of life. For from the scientific standpoint all

* See the writer's "Analysis of the Principles of Economics" (Proc. Roy. Soc., Edin. 1885), Williams & Norgate, 1885 ; (2) "On the Application of Biology to Economics," British Association Report, 1885 (from which the following argument is extracted).

functions are summed into these two, into the maintenance and development of the life of the individual, and that of the species—into *individuation* and *reproduction*, in short.

We cannot pause to study individuation in any detail further than to glance at the progress of all individual life, from its fundamental beginnings in the wants of the belly to its supreme manifestations in the functions of the senses and the brain, and to note accordingly that such an aphorism as that "man does not live by bread alone," or, in more recent phrase, "a livelihood is not a life," so far from being "mere sentiment," irrelevant to economics, is accurate science indispensable to it; while the converse assumption of the self-styled utilitarian economist, that only the bread and the livelihood are to be considered, and the brain and senses are to take care of themselves, is based on crass ignorance of the facts of life, and is only practical if utter degeneration be the goal of action. Let us pass then to the laws of reproduction —the population question, as it is commonly called. The old position was, of course, that increase of population did not tend to outrun subsistence; that where Providence sent mouths it sent bread to fill them; and the amazing poor laws, to which the extent and depth of our pauperism are still largely traceable, were only the natural practical outcome of such theories. The first contribution to a scientific treatment of the question was the still fundamental, though incomplete, work of Malthus, whose principles were, that population tends to outrun subsistence, but meets with checks in so doing, these checks being (1) positive, as war, famine, disease, &c., or (2) preventive and moral.

From this theory clear practical action is deducible—to avoid the positive checks adopt the preventive ones—*e.g.*, don't marry till you are forty-five, and so on. Few of the old Malthusians now remain, though the energetic Neo-Malthusian school starts its propaganda at this point. But science has meanwhile gone further. The essential work of Darwin lies in taking Malthus's conception, that population tends to outrun subsistence, and developing it into that of the struggle for existence; and translating his positive and preventive checks into natural selection and artificial selection respectively. But while the economists acquainted with Malthus alone were, of course, logically bound to lay stress on preventive checks, those knowing Darwin were equally led to discourage them. For since the struggle for existence leads to the evolution of the species by allowing only its stronger members to survive, we must let things alone. To profit to the utmost by the positive checks we must avoid the preventive ones. Here most naturalists at present remain, and the doctrine of "let alone" has no more consistent advocate than Mr Spencer. Yet perhaps the most valuable result of his own biological labours has been the demonstration of a law of population wider than those discerned by Malthus or Darwin, viz., that, other things equal, multiplication and individuation vary inversely; *i.e.*, the rate of reproduction of all living beings becomes lowered as the development is raised, and conversely. Here in our day the discussion rests, yet with what reason can we omit taking into account the law expounded by Spencer? Must not practical action be based on the most complete knowledge we have got, upon the whole biological facts as they actually stand,

rather than on the portions insisted on by Malthus and Darwin respectively? Yet if this step be made, if the economist really grasps the modern rather than the early theory of population, practical action at once assumes a new and higher aspect—a third line of action becomes clear. Neither preventive checks nor struggle for existence are the main thing. The remedy lies in higher and higher individuation—*i.e.*, if we would repress excessive multiplication, we must develop the average individual standard throughout society.* The rapid multiplication alike of the lowest classes and of the idle rich is to be attributed to their low individuation, to their less perfect nutrition (deficient

* The following Table may be of service in summing up the stages of development of the theory of population :—

Author.	Development of Theory of Population.			Practical Action Deduced.
I. Non-biological writers (predecessors and opponents of Malthus).	Increase of population does not tend to outrun subsistence.			
II. Malthus. 1798.	Increase of population tends to outrun that of subsistence.	But meets checks. A. Positive. B. Preventive.		To avoid A, adopt B.
III. Darwin. 1859.	*Ibid.*	Hence struggle for existence. A. Natural selection. B. Artificial selection.	Leading to evolution.	*Laissez-faire*, *i.e.*, on account of advantage to species from A, avoid B.
IV. Spencer. 1852-66.	*Ibid.* Rate of multiplication investigated for different species, and shown to vary inversely as individuation.	*Ibid.*	*Ibid.* Also leading to evolution of species.	*Ibid.* [*Individuate.*]

or excessive), to their poorer cerebral store, leading naturally to the reproduction of a still less developed type; for of such men it is especially true that they are but children of a larger growth. It is thus that the degeneration of our city population is to be analysed, and measures for their improvement deduced.

Here, then, we have the secret of the connection of poverty with progress. It lies primarily in the department of production, not that of distribution, let reformers of the latter say what they will; and the practical economist, who would increase the well-being rather than the mere number of the population, must attempt a vast proportional increase in the industries which elevate life over those which merely maintain it, and must make his ideal of progress for a long time lie in raising quality of production over mere quantity of it. Since (1) the rate of multiplication is heightened by abundant nutrition—in fact, varies directly as the consumption of transitory ultimate products (witness the well-known but little understood connection of the marriage rate with the price of bread); and (2) a heightened rate of multiplication tends constantly to be proportionally associated with proportionally lower individual type; it follows (3) that the stupendous increase of material resources, upon which our age has so congratulated itself, and the portentous increase of a poor population over which it commences to be alarmed, are associated as cause and effect — abundance of cheap food, with superabundance of cheaper organisms. Here lies the essential connection of poverty with progress, let the advocates of reform in minor matters say what they may. This is, in fact, the stronghold of the Malthúsian posi-

tion ; yet not even the most pessimistic exponent of this has adequately apprehended the enormous danger of industry which thinks only of increasing the means of subsistence and multiplication, without even more than proportionally multiplying the means of individuation. In other words, industry is not for maintenance alone, nor even for maintenance and increase of population ; for maintenance on these terms is impossible without degeneration in the most literal bodily sense. Population, in fact, not merely tends to outrun the means of subsistence, but to degenerate below the level of subsistence, this being what economists mean by the natural rate of wages ; so, without incessantly raising that, without steadily directing more and more of our industry from the production of these forms of wealth which merely support life to those which evolve it, from the increase of the fundamental necessities of animal life to that of the highest appliances of human culture, degeneration must go on. Without these—and speaking proportionally, we are without these—an infinite increase of coal and cotton, of cattle and corn, is but a curse to us ; and—paradoxical though it seems—taken alone, they tend only to the increased production of increased poverty. Hence, if the increase of the products of industry are to go on in the next age as in the past one, the rich Western corn-land is but the granary of a fool's paradise, and our humble Utopia of a forthcoming supply of penny dinners will be met in reality by an unsatisfiable demand for farthing ones ; in short, the development of new resources pushes back the limit of misery, only ultimately to increase it. For were man bathed in an ocean of nectar and ambrosia, he would not only come to mul-

tiply as fast as the tapeworm, but degenerate as far.* The progress which we hear so much about from Canada and the United States lies in always growing more cheap corn and cotton—to feed and clothe more cheap labourers—to grow more corn—to feed more labourers—to grow more corn still (always further off, mark you), till finally we have an indefinite population certainly, but nothing to eat. The fungus in the jam-pot progresses beautifully, you might almost think by leaps and bounds, till the whole surface is covered; then, indeed, we have plenty of fungus, but no more jam. The goal of that sort of progress, however—statisticians' progress—is reached; its ideal is realised. No wonder the utilitarian economist—so-called utilitarian, for he is the reverse of a real one—when you ask him what will happen when the coal is exhausted, or the Western corn-lands filled up, replies serenely, "It will last my day." That is, as the equally economic and really more utilitarian French king put it, "After me the deluge."

In this too long yet needful outline of the essential biological and social facts silently underlying the first and third questions of the Conference (see pp. 22 and 23), the second—"Do any remediable causes influence prejudicially (*a*) the continuity of industrial employment; (*b*) the rates of wages; (*c*) the well-being of the working classes?" is implicitly answered. The well-being of the industrial classes is not a money question, of mere rate of nominal wages (a matter which, though no one ever denies, few cease practically to imply the reverse), but is, of course, in terms of real wages; at any time the actual material wealth of our cities

* Cf. article "Parasitism," *Encyclopædia Britannica.*

is simply in their effective population plus their effective material surroundings. Here, then, the question again is of life and surroundings, of "organism and environment," of evolution or degeneration, and it is best to treat it so. The working classes, like any other, will be in well-being in proportion as they become healthy organisms, leading fuller lives in richer surroundings both of art and nature, adjusted to satisfying all their needs alike, not only the fundamental but the supreme ones; and they are in ill-being until some approximation to that state of affairs is reached. Remedies are indeed offered on all hands. Here a politician vends the latest intellectual luxury, or finds the cause of all evils in some surviving remnant of an ancient order of things, which his antagonist thereupon hastens to proclaim a bulwark of the constitution; panaceas for every symptom of our disordered social state are also proffered, but the social disease lies deeper. Reproduction has outrun individuation; the mere growth of our cities has outrun their real development. Our progress is as yet only "quantity, not quality."

Happily the remedy, if gradual and costly, is sure and simple enough. It lies in getting above this sordid conception of progress as in quantity of wealth and number of population; the true progress of quality of wealth and quality of population lies in definitely subordinating the popular and so-called "practical" conception of progress to the evolutionary one. For the evolutionist is the only true utilitarian, and the old utilitarian has much to answer for, since in recognising only the fundamental needs of the belly, but ignoring the supreme needs of the brain, he

has imperilled the very existence of both. Remedial treatment then demands a raising of the whole character and aims of our civilisation, yet this would only be the sum of that raised and ennobled standard of individual living, at which no one need think it Utopian to aim. It is no small matter to speak of reorganising cities, of reforming industries, of transforming the ideal of progress from an individual Race for Wealth into a social Crusade of Culture. Yet though the vastness of the problem needs the largest aims and the most liberal sacrifice of life and wealth, the resources are at hand, nay, the process is fairly begun: art and education (both in the widest sense) are commencing to reassert their ancient leadership of civilised industry. Only thus can we ever hope to realise the aim of practical economics, which is not illusory progress visible only in census returns and bank ledgers, but is the progressive development of the highest human and social life—not the Increase of Wealth, but the Ascent of Man.

So far, then, my lecture. Let me add, however, a postscript to anticipate your criticisms, which, I presume, will be mainly of two kinds. First, I suppose, this is "too scientific." Well, I can't help that: since the world is complex, we must just take the trouble to understand it. Or you may say it is "too indefinite," too much like good advice in a general way, as if I were merely repeating "let things alone," "moral rather than material remedies are to be looked to," "be virtuous and you'll be happy," or the like. But let neither labourer nor capitalist think

this means let things alone. We cannot let things alone. Progress on our present lines is a mere drift—nay, a race towards ruin, which the current panaceas of redistribution may indeed accelerate, but which only a radical alteration of our course can avert. More wages for the ship's crew is all very well: I sincerely desire it. But if her course be wrong, and we are sailing towards where there will be by-and-by no wages for anybody, but simply ship and cargo, master and mariners alike on the rocks, it is needful to interrupt your golden visions with dry scientific questions of sextant, chart, and compass, and to be crying "'bout ship" first, "more wages" afterwards. Let us make sure that we are sailing for the right port, and that our cargo is of real treasure; then it will be time enough to talk of larger shares.

But details? There is nothing I would like better, but it would require another lecture even to outline these. My attempt has been to change the point of view, to say to labourer and capitalist that their progress since the outset of the industrial age has essentially been along the broad and easy road of increasing mere animal comfort and abundance, leaving all else to take care of itself; that such progress is really towards poverty; and that the road to real and permanent wealth, individual and social alike, is up the harder and less inviting path of self-denying culture. My business to-night has been to show that capitalist and labourers, like baron and retainers of old, are very much alike at bottom; that for both of them too life is decidedly a poor affair, and that their progress, instead of being through mere struggling over their scanty gains (such hopes being moreover illusory, since the

population question bars the way), depends upon their clearly getting hold of a new idea—that of aiming at and working out a higher civilisation to replace their present one. For both, life is equally blank at present; the capitalist in his big ugly house is no happier than the labourer in his little ugly one; if the one has more fatigue, the other has more worry.

Nor does it really matter how much money each is getting, while each alike is getting so little for it. An ancient prince would have lived in real magnificence on less than the average income of the one, just as many a German professor lives (a better life too than any of them) on less than the average income of the other. In this dull life it is natural and inevitable that there should be widespread discontent. Both labourer and capitalist are coming more and more, like Solomon of old, to look "on the works which his hands have wrought, and all the labour that he has laboured to do, and, behold, all is vanity and vexation of spirit, and there is no profit under the sun." And the utilitarian economist in deriding at once all the higher aims of industry and economy, and all the teaching of the higher sciences as well, as "mere sentiment," has been only too truly reflecting not only the popular ignorance, but the soured and morbid sentiment of his day. It is the old story, "What profit hath he that worketh in that wherein he laboureth?" And the answer, now as then, is, "I know there is no good in them, save for a man to rejoice and do good in his life."

Do such ideals seem indefinite? Then your first practical course is to make them definite, not to despise them. The alchemist had wild hopes of

discovering the secrets of wealth, yet out of this same alchemy has grown modern chemistry, with its sources of wealth far beyond any alchemist's dreams. So it is in our own day of dawning sociology. Plain men are weary of the Utopias of one social alchemist or the charlatanism of the next, yet knowledge is advancing, and realisable ideas are coming clear in sight. Ideals! Our whole life is governed by ideals, good or bad, whether we know it or not. North, south, east, and west are only ideals of direction: you will never absolutely get there; yet you can never get anywhere, save indeed straight down into a hole, without them. You think practical men have no ideals? What else are the two preceding lectures but on ideals? They have told you how the Trades Union, so recently a small secret society of embittered men, is growing up into an ancient guild again; and how Co-operation aims not merely to cheapen groceries, but to develop the whole range of personal and social life. Or does it mean nothing, too, that the rougher arts are being reorganised in their defective principle by men like William Denny, and the finer ones in their decayed practice by craftsmen like William Morris? Surely, then, I am justified in offering you ideals too; and it is no small proof of their reality that they should be essentially the same ones. Or, in my own business, does it mean nothing, for instance, that the great English universities, once so exclusive, are definitely taking up John Knox's old ideal of universal popular culture, to which our Scottish ones, once so popular, must surely some day soon return?

How, then, are social ideals to be obtained? Read all kinds of social literature according to your faculty

and opportunities. There is no fear of being carried away by anybody's ideas, if you only read broadly enough. Even if you are too tired for anything but a novel, read Walter Besant's "All Sorts and Conditions of Men," which has stirred London as no novel ever did before (his imaginary "Palace of Delight" is already building); or read such criticisms of modern life and industry as we owe to Carlyle, Ruskin, and Morris; read, if you have nothing else, the Book of Ecclesiastes. Above all, read history, of ancient Greek cities, better of mediæval ones, best of all of ancient Flemish; for in these last you will learn how for centuries the great industrial cities of the world—as populous, mark you, as Edinburgh and Dundee—were organised on a higher plane of civilisation than we moderns almost dare to dream; and how their inhabitants, though without our industrial powers or our scientific knowledge, had yet, on the whole, unquestionably a better life of it than we have yet reached with all. There really have been good old times (though only in few places, and perhaps two or three times) in the history of the world.

Such, then, are some of the ways of making ideals definite. Note, however, only one or two more of the practical ways of reaching them. I have been criticising production, but since it is ultimately the consumer and not the capitalist who commands labour, I might speak of the duty of rational consumption, and ask the labourer who longs for better work to give another man the chance of doing some. I might speak of saving—of the real saving which lies first of all in getting the permanent surroundings of a good and healthy and civilised life, of saving in

house and furniture and in mutual insurance, not in mere saving capital by accepting a lower standard of comfort. Such saving is indeed one of the causes of low wages, for however it helps one here and there to struggle into the small capitalist class, the working class of course only gets what it consumes. I might point out, too, that the excellent ideal of shortened working hours is only to be got in this indirect way of leading production and consumption into more and more permanent channels, for our day's work is ultimately fixed, not by the capitalist, but by the consumer; each day we have just to replace what the community consumes.

Or if you have any capital, the first duty it owes to labour is that of wise investment—wise investment, I say, not weak philanthropy—and few investments are yet wise; investments in really useful and practical ways—progressive ways, evolutionary ways—are by no means the favourite ones. Don't, for instance, invest in more foreign loans, nor even in more corn or cattle raising in America. We have plenty of all these; but invest it in your own town, among the people who made it for you, and in permanent realities. Not in more smoke and nuisance, more percussion and corrosion, not in more factories, and more back streets full of workers in them—we have plenty of these, too—but in nobler dwellings, in giving the higher industries their long-delayed turn, and so producing a larger individual return for labour than is to be got by our too exclusive tending of machines. That is the kind of investment which pays, the kind of risk for which there is ample compensation.

Such are mere suggestions; samples, not com-

pleted schemes, of genuine progress. It is impossible fully to enter upon the duty of capital to labour, of labour to capital, of art and science to both, in the vast Transition which begins to lie clear before us —nay, upon which we have already fully entered. Yet both ideals, and the practical steps to them, will not fail to become distinct in proportion as we all think somewhat more of duties and somewhat less of rights ; as we plan and consider, not so much how to take a little more out of this poor commonwealth, as how to put a little more in.

The Depression of Trade, its Causes and its Remedies.

FOR about half a century past both our Government and our mercantile classes have acknowledged the importance of political economy, or the science of the production of wealth; and they have made it their guide in trade, in manufacture, in foreign commerce, and in legislation. During the same period we have had such advantages that perhaps no nation in the world's history ever enjoyed before. It is during that time that steam has been applied to railways; during that time the great gold discoveries which added so much to our wealth, and gave such an enormous impetus to our trade, took place. We especially profited by these things, because we had as it were the start of other nations in possessing enormous stores of coal and iron, in the working of which we were pre-eminent. While the railway system was being developed all over the world, it was we who, to a large extent, supplied the coal and iron, and also the skill and labour, used in making these railways. During this same period, too, our colonies have increased with phenomenal rapidity, and have supplied us with customers for the commodities which we produced, and they also afforded a magnificent

outlet for our surplus population. With such advantages as these—advantages which we shall in vain search through history to find ever occurring before—it might be thought that we should have got on very well, and have had a period of continuous prosperity, even if we had had no infallible guide to teach us how to conduct our trade and commerce. Yet after fifty years of these unexampled advantages, after fifty years of following what was professed to be an infallible guide, we yet find ourselves at the present day in the terrible quagmire of this commercial depression. All over the country trade is, and for many years now has been, dull; everywhere there are willing workers who cannot find employment. In all our great cities we have stagnation of business, poverty, and even starvation. Certainly, according to the doctrines of the political economy which we have followed, none of these things ought to have happened; we ought to have had a continuous and enduring course of success.

Now the need of a thorough inquiry into what are really the causes of this commercial depression is very great, because until we clearly perceive what has produced it, we shall be virtually in the dark as to how to find a remedy for it. I consider, then, that a true conception of the various causes which have brought about this state of things, which, according to our professed teachers, ought never to have occurred, will enable us to lay down more surely what ought to be the radical programme of the future.

Last year when the matter became the subject of extensive discussion in the press and in Parliament, we had the most extraordinary chaos of opinion as to

what was the real cause. I noted at the time at least eight different suggested causes. One great authority in Parliament stated that there was no accounting for it,—political economy did not explain it. Other great authorities agreed in this view, and the result was the formation of that Parliamentary Commission of Enquiry which is now sitting. Another suggestion was that it was all a fallacy, and that there was really no depression at all. This was put forward by an eminent member of Parliament connected with the city and connected with money-making. To this class of people no doubt there was no depression; money-making and speculation of all kinds went on as briskly as ever. Another suggestion—I am sorry to say the one adopted by the Conference of Trades Unions of England—was general over-production, an explanation which hardly needs refutation, it has been refuted so often. Other suggestions, of course, were, that it was our free trade that caused it, or that it was the protection which still existed in foreign countries. Then, again, a very general view, and to some small extent a true one, is, that the continuous succession, for three or four years at all events, of bad harvests had something to do with it; but then there was another remarkable suggestion made, that the rather good harvest we had some few years ago was the cause of the more recent depression. That was seriously put forward in a pamphlet published under the authority of the Cobden Club, for it was stated that this good harvest rendered it unnecessary to import so much corn from America, and thus led to a depression in the shipping trade, and that affected all other trades. The last of this series

of explanations was, that it was all due to the currency, —that it was due in fact to there having been an appreciation of gold and a depreciation of silver, one or both.

The Main Features of the Depression.

Now it appears to me that a little consideration of the true character, extent, and duration of the depression, will shew us that none of these causes can possibly have been the fundamental cause of it, nor even all of them together. In the first place, the depression has lasted almost continuously for twelve years. It commenced suddenly at the end of the year 1874, and has extended not only throughout this country but more or less to every great commercial country in the world. I think, taking into account this long continuance, that no such depression is on record, at all events during the present century. Now the characteristic features of this depression are, as I have said, bad trade all over the country, both wholesale and retail, and in every department of industry, with a few exceptions which I shall point out presently. What is bad trade? Bad trade simply means that there is a deficiency of purchasers. Why is there a deficiency of purchasers? Simply because people who ought to be the purchasers have not got the money to purchase with. It is simply diminished consumption,—universal diminished consumption,—and the only direct cause of universal diminished consumption is poverty. Our purchasers, both in foreign countries and at home, have been less able to buy. There is not the slightest reason to believe that they have not been willing to

buy, that they did not want the goods, but it was simply that they were not able to purchase them. This implies that whole communities are poorer than they were. The home trade suffering as well as the foreign trade shews that the great body of our own people are poorer. I do not mean to say that the entire country is not more wealthy,—I believe it is,—but nevertheless the masses, who are always the chief support of our home trade and our staple manufactures, are poorer. The same thing is clear of our customers in the different countries of the world, the greater part of those that purchase from us are also poorer. Curiously enough, just in the very height of this depression, there appeared some authoritative pamphlets by Mr Giffen, Mr Mulhall, and Professor Leoni Levi, proving exactly the reverse, demonstrating that the people were never so well off, and that they were far richer than they ever were before; and we were told to believe this when at the same time it was universally admitted that their purchasing power had diminished to such an extent as to cause this widespread diminution of trade!

This then, I say, is a statement of the immediate cause of the depression,—universal impoverishment. Now we must endeavour to ascertain what is the cause of this universal impoverishment. To illustrate more clearly the period when the depression began, and what was its nature, I have drawn out a diagram giving our imports and exports—the upper line shewing our imports, and the lower line our exports—from the year 1856 to 1884.* If you look at this you will

* This diagram with others was exhibited at the lecture, and is to be found in the lecturer's book entitled *Bad Times*.

see that our imports, with the usual minor fluctuations, have gone on increasing steadily from the beginning of the period to the end, but our exports follow a totally different course. They went on increasing pretty steadily and regularly, and then rather suddenly, and especially suddenly from 1870 to 1872. The years 1872 and 1873 marked the culminating points of our commercial prosperity. Then there commenced—what I think cannot be found in all the records of our export trade—a rapid and remarkable decline, which continued right on, without any break, down to the year 1879. From that time it began to rise again, and has risen with fluctuations up to the present time; but even now it does not attain the culminating point it reached in 1872, twelve years ago. But owing to our increase of population and progressive increase of total wealth, we ought to have had a continuous *increase* of our exports much larger than that which has actually occurred.

Another indication of the course of the depression is afforded by the number of bankruptcies which took place during that same period. I will state briefly what are the facts. In the year 1870—that is, during the period of our prosperity—the annual bankruptcies were about 5000, including bankruptcies and compositions with creditors. Shortly after the depression had commenced in 1875 they had reached 7900. In the year 1879, when the depression had reached its height, they had amounted to no less than over 13,000. From that time they diminished in number to 9000 in 1882 and 8500 in 1883, and in 1884—almost all who could become bankrupt having become so—they have decreased to about 4000. These numbers illustrate

and enforce the diagram of exports, showing that the bankruptcies began to increase just after the culmination of our commercial prosperity, so that there is no doubt whatever that the real depression commenced about the year 1873 or 1874. This is important, because many writers insist upon leaving out of the question altogether this long continuance of the depression, and they treat it as a comparatively recent thing, which has entirely come on in the last two or three years; and, in fact, one of the two prize essays which have been recently published by Messrs Pears never said a word about the depression having lasted ten or twelve years, but treated it as if it had commenced within the last three or four years.

True Causes of the Depression.

Now that we have got at what are, I think, the main facts, let us consider how we ought to set about to find what are the true causes. First, then, a cause to be worth anything must be a demonstrable cause of *poverty* in some large body of the people. Another essential point is, that it must have begun to act, or at all events must have acted with increased intensity, about the *period* when the depression commenced. Another point is, that it must have affected not ourselves alone, but several of the great manufacturing countries of the world. Now unless any alleged cause will answer to at least two out of these three tests, I do not consider that we ought to admit it to be a true cause; and you will find, I think, that none of those eight suggested causes which I summarised

at the beginning of my lecture will at all answer to these conditions. After much consideration as to what are the real causes which answer to these conditions, and which are of sufficient importance and extent to account for the whole phenomenon, I have arrived at the conclusion that they are four in number. The first is, the excessive amount of foreign loans that were made about fifteen or twenty years ago; then there is the enormous increase of war expenditure by all the countries of Europe that also occurred about the same period; another cause is, the vast increase of late years (of which I shall give you proof) of speculation as a means of living, and the consequent increase of millionaires in this country; and the last, and one of the most important of all the causes, may be summarised in one of the results of our vicious land-system, the depopulation of the rural districts and the over-population of the towns.

Foreign Loans.

Now let us take these four causes in succession, and endeavour to see what was their extent, and how they acted. First, then, as to the foreign loans, to the effects of which very little attention has been paid. From the year 1862 to 1872 there was a positive mania in this country for foreign loans. The amount of these I endeavour to illustrate in this table by shewing simply the new debts—the increase of former great national debts —created by the chief powers of Europe between 1863 and 1875:—

New Debts created 1863-1875.

France	£500,000,000
Italy	200,000,000
Russia	400,000,000
Turkey	200,000,000
Egypt	80,000,000
Tunis	7,000,000
Central and South America	73,000,000
	£1,460,000,000*

You will see that the total sum amounts to nearly £1,500,000,000 sterling. Now a very large portion of these loans were supplied by this country, and it is very important to consider what effect they had. First of all, you must remember what these loans were for, and what they were chiefly spent on. The greater part of them were spent in war or preparation for war, or to supply means for the reckless extravagance of foreign despots. Now, as I have pointed out, we at that time were the pre-eminent manufacturers in the world, and held the first place much more completely than we do now; so, as we supplied a large part of this money and had extensive commerce with all these countries, the natural result—at all events, the actual result—was, that a large part of this money was spent with us. Whether it was war material or new railways that were wanted, or jewellery or furniture or other luxuries required by the kings and despots who got the loans, a large part of it was spent with us.

* England probably lent half of this amount; and in five years only, 1870-75, we lent about £260,000,000 to foreign States, besides an enormous sum in railways and other foreign investments or speculations.

The consequence was that for a time everything seemed flourishing. Our trade went on increasing, as Mr Gladstone said, "by leaps and bounds," and culminated in that wonderful period of apparent prosperity in the two years 1872 and 1873. About that time the money was nearly all spent. What happened then? Not only was there a sudden diminution in the demand,—that was natural,—but what was worse, there was a great diminution in the normal demand which had previously existed in those countries whose kings or despots had obtained these loans,—for this reason, that up to that time the interest on the loans was paid out of capital, but when the money was all gone the interest had to be paid out of taxation; and from that moment, by the increasing taxation upon these people whose governments had obtained these enormous loans, they were all impoverished to that extent, and therefore became worse customers to us and to every other country.

Now this is a real, an important, an inevitable cause. Perhaps some of you will understand it better, however, if I illustrate it by supposing a simpler case. Let us suppose, for instance, that there is a country town in which the people are tolerably well off, and where trade is tolerably flourishing. There comes into this country town a body of money-lenders, and they offer everybody loans on easy terms. Not only do traders and farmers and others get these loans, but all kinds of spendthrifts and idlers. Of course they spend the money they borrow, and during the few years they are spending there is an enormous amount of trade done in the place. Shopkeepers think there is a kind of millennium coming, and increase their stocks

and expect to make fortunes. But after two or three years the lenders see that no more money can be safely lent and stop the supplies, and immediately come down upon those who had the money for their interest. We supposed that a very large portion of the community had these loans, and the consequence is they all suddenly become poorer by the amount of the interest they have to pay. Consequently not only do the shopkeepers lose their temporary increase of trade, but they do less trade than they did before that increase began. The last state of these men is in fact much worse than the first.

Increased War Expenditure.

We will now come to the next real cause of the depression, and that is the enormous increase of military and naval expenditure, which also began about the same time, and has been continued almost up to the present day. It is a curious thing that up to the year 1874 our whole military expenditure had been for many years stationary. It was stationary at about £24,000,000,—some years it was a little more, some years a little less. Then there commenced a sudden increase, corresponding with that of all the other nations of Europe, though not to so great an extent; and from that time—from 1874 till the present year—it has increased rapidly till it is now £29,000,000 or £30,000,000. But that is nothing to the increase which has gone on with the other nations of Europe. They also had previously a tolerably fixed amount of war expenditure. But then two great events happened, —one the Franco-German war, and the other the won-

derful and continuous progress in the applications of science to war-like inventions. Not only did iron-clad ships rapidly increase in size, weight, and cost, but very soon steel began to be used, and cannons were made larger and larger in size. Every kind of projectile was improved till they have become works of art of the most costly description. The torpedo was invented, and in fact an amount of skill and science was devoted to this one destructive art perhaps greater than has been devoted to any other art in the world. The result was that, owing to the dread of the increasing power of Germany, and the necessity of rivalling her in the application of science to destruction, the great military nations of Europe immediately commenced an enormous increase in war expenditure, and a few figures will shew how great this increase was. I am speaking now of the years 1874 to 1883. Austria increased her expenditure from £7,000,000 to £13,500,000; France, from £18,000,000 to £35,500,000, very nearly double; Germany herself, not so much, because she was in a very fine position before, from £17,000,000 to £20,000,000; Italy increased still more, from £9,000,000 a year to £19,000,000 a year; Russia, from £20,000,000 to £30,000,000 a year. The total of these shews that whereas up to 1874 these six great nations spent £96,000,000 a year on their warlike material and expenditure, in 1883 they spent £150,000,000. Here was an increase of £54,000,000 sterling, all newly added to the taxation of these countries, and, remember, the most utterly unproductive taxation that it is possible to conceive.

Evil Results of War Expenditure.

Now it is not generally considered how varied and extensive are the evil results of such expenditure. The losses involved by it may be summarised under three heads. We have, first, the large number of men employed unproductively; secondly, the increase of taxation; and, thirdly, the vast destruction and waste in war.

First, as to the unproductive men. I find that the European armies have increased since 1870 by 630,000 men,—more than half a million. The present total is more than three and a-half millions of men, and this is what they call a peace establishment. Then it is not generally considered that this number of men by no means represents the number of men who are taken away altogether from productive work, for in addition to those who do nothing but drill and prepare for the purposes of destruction, you must have another army of men who are employed in supplying these with the materials for destruction; and I believe, if we could follow out all the war material to its source, and thus arrive at the total number of the men thus employed and taken away from real production which adds to the wealth of the community, it would be found to constitute another army much larger than this huge army of 3,500,000 men. For you must remember that in one of our huge ironclads you do not merely have the men engaged in its construction, but you must go back to every ton of iron and coal used, to the men engaged in extracting the ore from the earth and in making the raw iron into its various forms, to the men engaged in making the elaborate

machinery connected with it,—the engines of war, and the wonderfully elaborate fittings so complicated that one of these great vessels is almost like a city,—and if you follow all these back to their primary beginnings in all parts of the world, you will find that there must have been an enormous army of men employed in the construction of a single ironclad. Add to that the wonderful machinery used in constructing our guns and torpedoes, the munition, clothes, food, everything that is used by these men; and if we further consider that armies waste perhaps more than they consume,—taking all this into consideration, you will find that it cannot be less, but probably is much more, than another army of 3,500,000 men engaged in the service of the actual army. So that we have a total of 7,000,000 men at the present time entirely occupied in preparing for the work of destruction. If, as is admitted, the army itself has increased by 630,000 men, I think it more than probable that the increase of this army who wait upon them has been proportionally much greater, because the appliances they require—the weapons, the ammunition, and the scientific appliances of an army in the field—are so immensely more elaborate than they were forty or fifty years ago, so that it will be necessary to add near a million of men employed in this work, and we shall have about a million and a half of men whose labour is utterly wasted, in addition to those actually engaged in the destructive, wicked, and useless purposes of war.

We have a very striking indication, and to some extent a measure, of this enormous waste of human labour, in the increase of the total fiscal expenditure

of these six great powers. Taking the different estimates of their annual expenditure for government purposes from 1870 to 1884, I find that these six great powers have increased their annual expenditure by £266,000,000 sterling. That is the increase of the six great powers of Europe, and that increase is almost wholly due to this terrible war expenditure which I have been trying to put before you. That £266,000,000 means, of course, £266,000,000 of additional taxation beyond what there was before. Surely this is a cause of the most terrible impoverishment, and sufficiently accounts for people not being so well able to buy as they were before. Then, again, we must remember that whenever this great engine is put to its destined use, there comes another loss in the actual destruction of property and life. In every country where war is carried on, as a necessary result towns and houses are battered down, vineyards and fields are rendered desolate, fruit trees are destroyed, and consequently we have an overwhelming amount of destruction of property whenever this war machine is put into motion ; and here again is a cause of poverty, and therefore one of the most direct and immediate causes of the depression of trade.

Now this machine has been put into action almost continuously, either in greater wars or lesser wars, and as we supply goods to almost every nation in the world, it does not matter where the war is, one thing is certain, that a considerable number of our customers are killed and a much larger number are impoverished. Just consider,—in 1872 we had the great Franco-German war; in 1875, the Ashantee war; in 1878, the terrible Russo-Turkish war; in

1879 and 1880, the Transvaal and Zulu wars; in 1881, the Afghan war; in 1883, the Egyptian war; in 1884-85, the Soudan war; and since then the French Tonquin war and then the Mahdi war. Now we have the Burmese war, and the Soudan war is still going on. Every one of these wars kills or impoverishes our customers; and consequently, not only by the cost of the huge armaments, but by the vast destruction of life and property they bring about, the war expenditure of Europe is the cause, to an unknown but enormous and incalculable extent, of the existing depression of our trade.

Now these two great causes,—loans to foreign nations, at first inflating and then necessarily depressing our trade by the impoverishment of the people; and the increase of war costs, which, as I have shewn you, have been always enormous, and have been of late years ever increasing,—these two may be considered to be the great external factors which have caused the depression of trade, by impoverishing our customers all over the known world. The effects of these two causes are clear as daylight; the result is an inevitable result; and the amount of the evil is so gigantic, that I think I am justified in placing them in the front as the most important and inevitable causes of the depression of trade. Yet, so far as I am aware, during the many months that the Royal Commission has sat not one word has been said about either of these causes; and I believe, when the final report of the commission is issued, that you will probably not find one word about them.

The Increase of Millionaires as a Cause of Depression of Trade.

I now come to another branch of the subject, that which deals with our home trade,—with the causes of the depression in our home trade in addition to that produced in our foreign commerce. I have given the increase of speculation and of huge fortunes made by speculation as one of the chief causes, and I will first adduce a few facts to prove that it is really the case that millionaires have been recently increasing.

The sums paid for probate duty have been published, and they shew the amount of property on which probate duty is paid, but this only covers what is called the personal estate, it does not cover the landed estate; consequently, whatever the valuation is, it represents only a portion, and sometimes only a small portion, of the whole estate. To make it simple I have divided the results into two periods,—the ten years previous to the commencement of the depression in 1874, and the ten years subsequent to it. Between 1862 and 1873 I find that 162 persons died with fortunes of over a quarter of a million. In the next ten years they had increased to 208 persons who had died with fortunes of over a quarter of a million. This is an increase of over 29 per cent. The detailed figures shew still more remarkable results, because they shew that the increase was still more rapid in very great fortunes, in fortunes over a million. In addition to that a very considerable number of great landowners have died who paid no probate duty, but whose capitalised fortunes have been from one to five millions sterling each. We have not the exact figures,

but still we know that their fortunes have been of late increasing, owing to the increase of our large towns and the enormous increase of ground rents which have arisen in them. The main result is, that a few, that is comparatively few, have become much richer than they ever were before; and it appears to me that it is a demonstrable fact that, when those who are very rich suddenly become more numerous and still richer, without any increased power of wealth-creation independent of labour, then, as a necessary result, those who are poor become poorer.

This principle was laid down very clearly by Adam Smith, strange to say, in the very first sentence of his "Wealth of Nations," but I do not know that much attention has been paid to it. The sentence is this. He says :—"The actual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it actually consumes, and which consists always either in the immediate produce of that labour or in what is purchased with that produce from other nations." This lays down a proposition perfectly clear, that there is no other source whatever of wealth in the country than the produce of the labour of its people. Hence it follows absolutely and indisputably, that if a larger proportion of that wealth goes to the few, a smaller proportion must remain with the many. As some people may not clearly see the bearing of this statement of Adam Smith, let me just illustrate it by a few particular cases. It is quite evident that all the wealth of the country is produced by labour, or by the use of labour and capital combined, and everybody who gets wealth must get a portion of this total

amount. There is no other source from which he can get it. Whether he obtains it in the form of rent or from the taxes it comes exactly to the same thing, it can only come out of the produce of labour. In the same manner, whether he gets it in payment of wages or remuneration for professional services, those who pay it can only have got it, directly or indirectly, by labour. Consequently the fact is indisputable, that the produce of our labour measures the whole available wealth produced by us in the country, and that wealth has to be distributed by various ways among the whole community. Consequently if it is clearly proved, as I think it is,—to prove it in detail would require a much more complete examination of the statistics of the country, but I think it can be proved,—that the large body of the very rich have been steadily growing richer, then it follows as a logical result that the remaining body, or at least a portion of the remaining body, must have been growing poorer.

A Proof of Increasing Poverty.

Of course this has been denied over and over again, but I have endeavoured to get some confirmation of it by examining the information given in the census returns. The full census report, as you are probably aware, gives a great amount of detail as to the occupations of the people at different times, and I have looked up the facts as to the increase of the persons employed in particular trades and manufactures for the purpose of seeing what light it would throw upon this question, and I found that it supported in a

remarkable manner the statement which I have laid down for your consideration, that is, that the great masses of the people have been growing poorer while the few have been growing richer. And it illustrates it in this manner:—Whenever we have a manufacture which depends mainly on the consumption of the masses, we find that there has been either a decrease of those employed in it, or at all events that it has been stationary; on the other hand, where we have a special business or profession or trade which is supported wholly or mainly by the wealthy, we find an increase, and sometimes an enormous increase. When I use the word increase or decrease, I always mean an increase or decrease in proportion to the total population. Thus I find, taking the increase of population into account, between the two censuses of 1871 and 1881 (the last we had) the persons engaged in the cotton manufactures of this country diminished 20 per cent. in that period; persons employed in the linen and woollen trade diminished 15 per cent.; metal workers remained stationary; and drapers diminished 7 per cent. Now these are all businesses and manufactures which certainly depend upon the consumption of the masses. Now we come to those which more especially depend upon the consumption of the wealthy. Milliners increased 4 per cent., more than the whole population increased; carpet makers increased 9 per cent.; florists and gardeners increased 10 per cent.; musicians and musical instrument makers increased 23 per cent. These remarkable facts support my contention,—and may almost be said to prove it,—that the rich have grown richer and have been able to

indulge in greater luxuries, while the poor have grown poorer and have been obliged to do with less of the bare necessaries of life.

The Increase of Speculation.

The census also gives some remarkable illustrations of what I stated some time ago as to the increase of speculation as a business. In the same ten years I find that persons registered as bankers or bankers' clerks increased 21 per cent., and accountants 6 per cent.; and then there comes a most extraordinary item, which the census authorities note and say they are utterly unable to explain, and that is that persons who call themselves insurance agents or brokers have increased 300 per cent. I can only explain it by supposing that there are an immense number of people who live in the city by speculation who find it convenient to call themselves insurance agents or brokers. I think, as far as I can judge from advertisements in the newspapers, that this mania for speculation has been going on at an increasing rate; that is, that within the last few years it has increased more rapidly, and its effects therefore have been more injurious, than ever.

I now wish to point out to you another indication,—another field as it were,—in which this speculative mania has produced the most deplorable results, and has acted, in combination with other causes, so as to increase the poverty of one class and the wealth of another class, and has thus, as I shall shew you, tended directly to produce depression of trade. Somewhat more than twenty years ago an act was passed which

was considered by the whole commercial world as one of the greatest boons ever given to it; this was the Limited Liability Act. This act was universally approved of; was supported and praised by such a great and thoughtful writer and friend of the working classes as John Stuart Mill. But I do not think he could possibly have foreseen what would come out of it. About two years ago a short parliamentary paper was published giving a kind of summary of the results of this act. It is a curious thing that this parliamentary report seems to be totally unknown, for I inquired of several friends in the city, particularly of one who is an accountant in the city, and whose business largely consists of winding up those companies, and he did not know of its existence. The report gives us some very startling facts. It covers a period of exactly twenty-one years, and is thus easily divisible into three periods of seven years each. In the first period I find that 4782 companies were formed, being at the rate of about 700 per annum. In the next period the number increased to 6900, and in the last seven years to 8643. Out of this total of about 20,000 distinct companies formed in twenty-one years only 8000 are now in existence, 12,000 having been wound up! It is also stated in this parliamentary report that the actual paid-up capital—not the nominal capital—of these 8000 companies was £475,000,000; that is about £55,000 each on an average paid up, some of course very much more, and some very much less. Now, not to take an extreme estimate, suppose we reduce this average of £55,000 down to only £10,000, and consider that each of the wound-up companies involves a loss to its shareholders of £10,000, I think everybody

who knows anything about them will think that absurdly low, and yet that would involve a loss of £120,000,000 sterling to the unfortunate shareholders.

Effect of Speculation in Depressing Trade.

Now let us think what is the effect of this continuous loss—and in many cases absolute ruin of a large number of persons numbering many hundreds of thousands—by the failure of these companies? I daresay in this meeting there is not a person but knows one, and most of you several, individuals who have been ruined by such things. A great number don't like to speak about the matter, and keep it secret, and therefore nothing is heard of it; but we have the absolute fact that thousands of individuals, mostly persons with small means, deluded by flattering prospectuses, were induced to invest their means in these companies,—persons of the middle class and small means, very often officers and widows and country clergymen, scattered over the country. These have lost, at the very least, £120,000,000, and much more likely three or four hundred millions sterling. Now just think what is the effect of the ever-increasing impoverishment of this large body of the middle classes, and we will take it in connection with the increasing mass of speculators who have become millionaires from the losses of these men. The one are counted by hundreds, and the other by tens of thousands. Some people will perhaps say, "What difference can it make to trade, if the money is there, and the money is spent?" But I want to shew you that this is a most delusive idea, and that it really

makes all the difference to trade. When you have a thousand families of the middle classes impoverished, it means that you reduce their outlay on all the staple manufactures of the country. In clothing, furniture, and everything in fact that makes life agreeable, they are obliged to economise, simply because it is more easy to economise in these than in absolute food. Therefore all over the country there is a diminution in the demand for the staple products of the country; but when this money is accumulated, and goes into the hands of a few speculators, it is spent on different things,—on ornaments, entertainments, yachts, horse-racing, foreign travel, and hundreds of other ways,—it is spent on that which all economists tell us, and perfectly truly, is the most unproductive expenditure. Consequently the loss to the manufactures and trade of the country is enormous by every million of money transferred from the industrious working or middle classes to rich speculators, and is thus a real cause of depression of trade. I think I am therefore quite justified in maintaining, that although it is I believe certain that the aggregate wealth of the country has been steadily increasing all these years, still that wealth has been becoming more unequally distributed, and that inequality is the direct cause of a large proportion of depression of trade.

Depression of Trade in America.

Now I did not mention it at first,—I passed over rather too quickly from foreign to home trade,—but I may mention now, that the reason is very clear why the depression which affected us should affect all other

great commercial countries of Europe and America. It is because all the causes which I enumerated as producing depression of trade as regards our foreign commerce would affect all those other countries just as well,—that is, they have produced a real impoverishment of the peoples who were customers both of ourselves and other manufacturing countries. Therefore the causes acted with the same effect on France, Germany, and America as they did with us, to the extent that their manufactures went abroad to other countries.

But there have been some special causes affecting America which account for the remarkable fact that, notwithstanding the advantages they possess in their enormous territory, and the great energy and enterprise of the Americans, they have still suffered from this depression perhaps as much as we have done. The reason is to be found in the fact that with them this last evil of speculation is greater and far more gigantic than even with us. Everybody has heard of the "corners" in America, by which a lot of speculators get hold of the whole trade of the country in a certain article, and get a monopoly and manipulate it for their own purposes. This has been applied to almost every industry. But the most destructive cause of depression in America is the successive railway manias which they have had. The first was from 1867 to 1875. There was a continuous railway mania during those years,—a mania for making railways in America. In that period 40,000 miles of new line were made, and in the one year 1872 no less than 7000 miles of new railway were made. That coincides with the culminating point of our prosperity,

and a large part of the iron for these lines was sent from England. The larger part of these railways was made merely for speculative purposes, and was very largely unproductive. The shareholders were often ruined, and consequently the exact effect was produced in America that was produced in our country by the limited liability mania. This railway mania, after a lull, broke out again in America a few years ago, in 1880, and in 1882 no less than 11,500 miles of new railway were made. It has been estimated by one of the most able statisticians in America, that this increase of the railway system went on four times as fast as the increase of the produce to be carried on the railways. That clearly shews that most of these railways have been failures,—so much money thrown away, and those who lost it must have been impoverished. Here then you have a very widespread and enormous cause of impoverishment, and therefore of depression of trade in America. In fact, we hardly need to go further.

Then, again, as to millionaires in America, I do not know that they are greater in number, but they exceed us in the gigantic sums they possess. While our millionaires reckon by two or three millions, the American millionaires get up to ten and twenty millions. And of course the result is still more clear, all this money must have been obtained out of the purses of the community, and to that extent the labourers who produced it are so much worse off than if the money had gone into their own pockets instead of into the pockets of the millionaires.

There is yet another source of poverty in America which we have not to so great an extent in this country,

and that is the "rings" that sometimes get possession of municipalities in America. You have heard of that wonderful "ring" in New York which got possession of the municipality, and plundered the whole community. They kept it up for years by wholesale bribery. That is a thing we do not hear much of in this country, but we may be sure that what was done so boldly in New York was imitated in other towns, and the result may perhaps be seen in the municipal debt piled up in America far beyond what it is in this country. The municipal debts of this country are held to be a great and growing evil, and help to occasion depression of trade. But in America it is worse. An estimate was given in an American paper some time ago; it may not be correct, but it gives perhaps a fair approximation. It compared American with English municipal debts. It compared the fourteen chief cities in America with fourteen large English towns, leaving out London, and it was found that the average taxation per head in America was fourteen dollars, whereas in England it was only seven dollars; and that while the municipal debt in America was forty-one dollars per head, in England it was only twenty dollars. In addition to that, it was stated that the area over which this municipal indebtedness extended was greater in America than in England; that small towns in America—the very smallest towns in the country—are often burdened with debt, and even to a much greater proportion than the large towns. It has often puzzled people why America should have suffered from this depression, but I think the few facts I have put before you give a sufficient clue to it.

Depopulation of the Rural Districts.

I now come to what I consider to be by far the most important part of our subject, because it is that with which we are in the closest relation, and which is, I believe, the most direct cause of widespread poverty, —rural depopulation. This rural depopulation has been going on for probably a very long time, but it was not seriously noticed till ten or twenty years ago. Before that many of the counties seemed to be stationary in population, but in 1861 it was noticed that a few counties had not increased, but rather diminished, during the preceding ten years, in 1871 seven or eight had decreased in population, and in 1881 fifteen counties had decreased. But besides this decrease in certain counties, the census returns give very accurate and detailed information as to where this depopulation occurs, and to some extent how it occurs.

The whole of England is divided into registration districts and registration sub-districts. These registration sub-districts are about two thousand in number, and consist of an aggregation of parishes, roughly speaking not very unequal in size, and probably not very unequal in population. In towns they are of course much smaller in area. The increase or decrease of each of these registration sub-districts is given in the census, and I took the trouble to go through the tables and take out all the cases of decrease, and I found that there has been a decrease over a very large number of these sub-districts. I have endeavoured to exhibit these in a diagram giving the total result. If you suppose this square to represent the area of England and Wales, then over the lower portion the

population is decreasing,—that is, over about half the area of England and Wales there was actually less population in 1881 than in 1871. But you must remember that the population of the country has been going on steadily increasing all that time. In the ten years the population of the whole country has increased fifteen per cent., and that is exclusive of those who have emigrated, so that the actual rate of increase of the population is somewhat more than that. Then, again, it is perfectly well known that the rate of increase—what we may call the natural increase—of dwellers in the country is somewhat higher than that of dwellers in the towns; the birth-rate is higher, and the death-rate lower.* Therefore it is a very low estimate to consider that what may be called the normal increase of people dwelling in the country is seventeen per cent. Therefore the area that is actually decreasing will not represent the whole of the area from which people have migrated into the towns; they have also emigrated from all those areas in which the population has not increased so much as it would normally have increased. That is, if in any area there is less than seventeen per cent. of increase of population since 1871, it is perfectly certain some of the people must have gone out of that area; and if we add to those which have actually decreased the areas in which the population must have emigrated in order to make the increase so little as it is, then we shall find that the small space above the upper line—perhaps one-fifth of the whole—will about represent

* See Dr Stark, in Tenth Report on Births and Deaths in Scotland, quoted by Darwin in his *Descent of Man*, p. 138.

the area of increase up to and above the normal rate. This increasing area consists almost wholly of the great towns and the residential districts around them, while all the rest of the country has been becoming more or less depopulated. The amount of the decrease of rural population is a distinct question. I find that the actual depopulation, that is the diminution of inhabitants for the ten years in these decreasing sub-districts, amounts to three hundred and eight thousand. Then I take the amount the population of these areas ought to have increased in ten years at seventeen per cent., and that added to the actual decrease gives an effective diminution of nearly a million from this decreasing area. Then adding to this the emigration from the area of small increase, I find that in the ten years the people who have migrated out of the county districts into the town districts, with their natural increase in the same period, amounts to about one million and a quarter.

The Effects of the Depopulation.

Now let us consider what are the results of this migration from the country into the towns. The greater part of those people who have migrated are not necessarily agricultural labourers. About one-third are agricultural labourers, and the remainder are what you may call villagers,—people who carried on various trades and occupations of various kinds in villages and small towns. The causes that led to the labourers migrating affected them also, and they migrated to a still larger extent, and the result is to be seen in a most striking fact which has been brought

forward among others to prove the prosperity of the country, and that is the enormous increase in the import of certain articles of food. Most of you know —at all events it is a well-known fact—that country labourers and many other rural inhabitants are fond, when they have the chance, of keeping pigs and poultry, growing potatoes and other vegetables. Now it is a most singular thing that if we compare the years 1870 and 1883 there is an enormous difference in the imports of these articles of food. It is so great that it seems almost impossible; but the figures are taken from official papers. In 1870 we imported less than a million—860,000—cwts. of bacon and pork, whereas in 1883 it had risen to 5,000,000 cwts. Of potatoes there were imported 127,000 cwts. in 1870, and 4,000,000 cwts. in 1883; of eggs in 1870, 430,000,000, and in 1883, 800,000,000. Now 1870 was in the midst of our period of prosperity; we were supposed to be all well off; wages were high, and men were all in full work. But 1883 is in our period of depression and distress, and it is actually maintained by Mr Giffen and other statisticians who put forward these figures to shew the prosperity of the country, that we consume more to this enormous amount when our trade is depressed than we did during the period when it was most prosperous! It appears to me on the contrary that these facts are due to a decreased production of food, caused in part by the enormous emigration of people out of the country into the towns; and that means a diminished production of wealth for the country, and an enormous increase of pauperism and misery in the towns where these people go.

Evidence of the Increase of Destitution.

It is very difficult to get direct evidence of this, but there is one piece of indirect evidence—though it may be almost called direct—which I adduced some years ago, but can never find answered or explained in any way consistent with that increase of prosperity of the masses which is so persistently alleged. In the reports of the Registrar-General for London—and he takes in an enormous area called Greater London—he gives the deaths in workhouses and hospitals each year. In order to arrive pretty fairly at what may be called the destitute who die in these institutions, I have taken the deaths in the workhouses and one-half of the deaths in the hospitals. In 1872 they amounted to 8674, or 12·2 per cent. of the total deaths; in 1881 to 13·132, or 16·2 per cent. of the deaths. Now I want to know, if the masses of the people of London and its suburbs were better off, or even as well off, in 1881 as in 1872,* why did 30 per cent. more of them die in destitution? If we take the proportion of deaths to those living, we find this increase of 4458 deaths of the destitute in these ten years means the addition of 107,000 to the destitute poor of London! Now all this, which shews a real and dreadful increase of poverty, necessarily means depression of trade. If there are 100,000 more destitute persons in London now than there were ten years ago, there are so many less customers for the staple products of the country.

* The year 1872 is taken because 1871 was the year of the great epidemic of smallpox, when the number who died in workhouses and hospitals was abnormally large.

Then, again, if we turn to another country—the sister country Ireland—we find that still more remarkable and still more distressing events have occurred. There the population has decreased half a million since 1870, and during the same period the emigrants have amounted to 883,000, so that though the population has gone on slightly increasing, the increase has been far more than counterbalanced by the enormous number of emigrants; and you must remember that the emigrants are mostly men in the prime of life. Those who are left behind are the women and children and the old and the weak. We cannot wonder, therefore, at the increase of poverty and pauperism in Ireland. That increase is measured very well by the cost of poor relief. In 1870 the relief cost £814,000; in 1880 it cost £1,263,000,—an increase of 50 per cent. on the cost of the poor, with a decreasing population! There, again, is a most tremendous cause of the depression of trade. You have got a much smaller population in Ireland, and a population very much poorer than it was, and that necessarily results in a depression of trade, because we supply Ireland with most of the manufactures she consumes.

Causes of Rural Depopulation.

It is, however, not sufficient to know the facts of this rural depopulation, but we must say a few words on its causes. These causes have been pretty clearly made out by little bits of evidence that have been found here and there in the reports issued by the last Agricultural Commission. We find it clearly stated

by these official reporters that a considerable body of the farmers of England have been ruined by excessive rents. For many years past they have been paying rent out of capital, hoping for better times. Notwithstanding bad harvests and bad seasons, they have kept struggling on as long as they could by means of partial remissions from their landlords, but a large number have been utterly broken down, and have been obliged to give up their farms. The farms have not found fresh tenants, because the landlords will not let them except on exorbitant terms, and with the usual onerous conditions, and consequently a large number of landlords all over the country have been turning their lands from arable into pasture. The reason they do this is that they can then obtain a return at a minimum of outlay and risk. When they have turned arable land into pasture, the annual produce is not above one-tenth of the value that it was before, but it is obtained with considerably less than one-tenth of the outlay. The consequence is that it means profit to the landlord; but it also means ruin to the country.* It is one of the causes, perhaps the chief cause, of the great exodus of population that I have been pointing out to you. It is estimated that for every hundred acres of land thus converted from arable into pasture two labourers must be discharged; and as at least a million acres of land have been so

* It is stated by Hume in his *History of England* "that in the year 1634 Sir Anthony Roper was fined £4000 for depopulation, or turning arable land into pasture land, under the provisions of a law enacted in the reign of Henry VII." Cannot this most just law, which has probably never been repealed, be put into operation now?

converted between 1873 to 1884, that means that 20,000 labourers and their families were discharged for this one cause alone. Along with them, of course, went numbers of tradesmen who depended on them for their support; and mechanics and others who were employed by the farmers and in the villages have also left, partly for the same reason, and partly because it has become more and more the custom for large farmers to get all their work done and machinery repaired in manufacturing centres rather than in the villages by the local workmen.

Now the amount of food lost to the country by this change from arable to pasture is enormous. I have taken the estimates made by two or three of the most authoritative writers. They give the average produce of arable land at £10. 5s. per acre, and they also give the average produce of pasture land at £1. 9s. per acre; consequently there was a loss of £8. 16s. on every acre converted. That means nearly £9,000,000 of loss to the country by this 1,000,000 acres that we know from official returns have been changed from arable to pasture, and the change is believed to be going on to this day far more rapidly than ever.

But there is another cause of rural depopulation. Just now the landlords are trying to persuade the country that they are very glad to let poor men have land, but hitherto it is notorious that they have always refused to let them have it on any reasonable terms. This is very well known to be the rule, and to have been a chief cause of this terrible exodus of labourers from the country to the towns. In addition to this they will give no security to the farmers for

their improvements. They treat the farmers in every respect exactly as they treat the labourers. If they do offer the labourers land—as they are doing now that there is a deal of excitement on the subject—they never give it except on what are prohibitory terms,—that is, as yearly tenants, and without any security whatever for their labour and improvements.

Now the report of the Agricultural Commission, to which I have already referred, contains some remarkable evidence as to the results obtained in those few cases where landlords really do their duty, and treat the land as a trust rather than as property only. There are two or three landlords in the country who have done so, and in every case where such landlords' estates are referred to in these reports, it is invariably stated that there is no depression in agriculture, that the farmers are well off, the labourers are well off, and all are contented. That is remarkably the case in parts of Cheshire and Suffolk on Lord Tollemache's estates. Lord Tollemache is almost the only landlord in the country who not only gives his farmers voluntarily perfect security of tenure, but he also gives every labourer as much land as he can cultivate, at a moderate rent, and on an equally secure tenure; and, what is more remarkable, he encourages outsiders of decent character—anybody, in fact, who likes—to come and settle on his estate. He offers land to build a house, and a few acres in addition on which to keep a cow, at a low rent. The result is that on his estate everybody is well off; the farmers are contented, the labourers are contented and prosperous. The farmers say they have the best of labourers to work for them, utterly disproving the common

assertion that if you let a labourer have land he will not work for the farmer. At the same time the labourers and the farmers find customers in those persons who have come to live on the land, and small communities are thus formed which are to some extent self-sufficing. When we get a community of that kind, consisting of various classes, all living together, but scattered about on the land, they all tend to support each other. Each one finds employment or assistance from the other. There is a market at hand, and we do not see that absurd system of sending all the butter and poultry to a place a hundred miles away, while a person who lives a mile from the farmer is obliged to get his poultry and butter from the town. That is what they call economy of production, but it is certainly waste in distribution.

Results of Peasant Cultivation.

The amount of loss involved by this driving the labourers from the country to the towns is also brought out very strongly by the evidence of a Tory landlord, who has repeated it several times, and I will take it therefore as correct. In Buckinghamshire Lord Carrington has land which he lets out in lots to labourers. He has about eight hundred of these allotments already in the hands of labourers and others, and he has stated publicly that of these allotments the average produce is £33 an acre *more than the produce of the same land in farms.* Therefore, as far as these allotments are concerned, there is a positive gain to the country on every acre of land to the extent of £33 a year. Some years ago, in 1868,

when produce was not nearly so valuable as it is now, there was a Government Commission on the employment of women and children in agriculture, and it obtained evidence that the average produce of such allotments all over the country was £14 an acre more than that of farms. Then, again, there is a curious piece of evidence recently given by an English clergyman (Rev. C. W. Stubbs), also living in Buckinghamshire, who has a large amount of glebe lands, which he lets out to labourers in acre or half-acre allotments, and it is a noticeable fact that the land of the district being pretty good wheat land the labourers all grow wheat upon their allotments. They have been doing so for nine years, and Mr Stubbs has kept an accurate account of the produce they get, and although it is constantly asserted that it is impossible to grow wheat on a small scale, yet these allotments produce £4. 10s. more an acre than all the surrounding farms of Buckinghamshire. And what is more, he finds that the labourers' produce per acre is higher than that of the best scientific farmers in England; so that actually the poor labourer, working by himself on his own plot of land, can produce for us more wheat per acre than the most scientific farmer with all his skill.* Take these estimates together—£33 per acre, £14 per acre, and £4. 10s. per acre, and that gives an average of net gain to the country of £17 for every acre of land cultivated by poor men in small quantities compared with the same land cultivated by farmers in large quantities. Now just think what a

* See *The Land and the Labourers* by Rev. C. W. Stubbs, 1884. Swan, Sonnenschein, & Co.

gain that would be to the country if the people, instead of being driven from the rural districts for want of land, had been encouraged to remain and cultivate the land for themselves. I have calculated the average gain at £17 an acre. But if, to avoid any exaggeration, we lower this, and say only £10 per acre, and if we suppose that out of the fifty millions of acres of cultivatible land—a considerable part of which is now going out of cultivation—only twenty millions of acres were cultivated by poor men in this minute and careful manner, and that they obtained £10 per acre of increased produce, that would give us £200,000,000 a year of extra wealth produced by poor men, and almost every penny of that £200,000,000 would be spent on the manufactures of the country.

Now that, in my opinion, indicates the method by which we are finally to get rid of this terrible depression of trade, which is still increasing and is likely to increase, because we have been hitherto falsely guided by the political economists and by the great manufacturers, the speculators, financiers, and others. We have always been led to believe that our one line of business was manufacturing, that we were to be the manufacturers of the world; and while we have been going on in this line, utterly neglecting agriculture and the land, forbidding people to use it, and driving them out of it in order to increase the men that manufacturers can employ, other nations have not been standing still, and are now competing with us in all the chief markets of the world.

There is a great deal of talk about finding fresh markets, but these would be open to all the competing countries, and would not make up for our increasing

population ever requiring fresh outlets for work; and therefore I maintain that the only real and substantial mode of getting rid of the depression of trade, is to utilise thoroughly that enormous store of wealth which exists in our neglected fields and our miserably cultivated soil.

Summary of the Argument.

I will now briefly summarise the points I have brought before you. First of all, the enormous foreign loans led to an abnormal and unnatural increase of our trade, and then to a depression which was exaggerated and increased by the impoverishment of the people who had to pay the interest on these loans, and you must remember that they had to pay for millions which they never received, that never came into their country but were absorbed by the financiers in the cities,—they had to pay and are still paying all this with interest upon it; then we have the enormous increase of speculation in our cities, favoured by every act of the legislature and by every custom of the country, and as the result we have the concentration of wealth into fewer and fewer hands, and consequently a proportionate diminution of wealth that ought to be in the hands of the people; we have also the dreadful increase of war expenditure; and lastly, the evils directly produced by the system of landlordism in this country,—a system which gives a comparatively small body of men power to determine whether the land shall be used or abused, well cultivated or producing less than half of what it ought to produce and will produce,—a system which drives the

people away from the country into the towns, and turns into paupers men who would, if they were permitted freely to use the land on fair terms, produce an enormous increase of food, the prime necessity of a nation's existence, and by their prosperity cause such a demand for our manufactures as we have never known in this country before. All this evil is caused, and all this good prevented, by the direct or indirect action of landlords under our vicious land system. I maintain, therefore, that these are the real fundamental causes of the depression of trade, because every one of them, as I have shewn, tends directly to the impoverishment of the great masses of the people, who are our best customers. Every one of them can be shewn either to have begun about the period when the depression shewed itself, or to have become greatly intensified about that period, and therefore as a whole, they have worked together to produce this enormous and long-continued and increasing depression of trade.

Remedies for the Depression of Trade.

The remedies, of course, are some of them difficult, some of them comparatively easy. If you see and understand what I have endeavoured to make you see, that anything like a system of foreign loans bolstered up by the Government of this country is radically bad and immoral, then you ought to urge upon your representatives that in no way whatever should the Government lend its power or its influence to compel the oppressed populations to pay these loans or the interest upon them. Another step will be to stop all aggressive war on any pretence

whatever. I consider in the present state of the world that there is only one class of wars that are justifiable or will be justifiable for us, and that will be a war to help a weak when oppressed by a stronger power. It is a singular thing that this is the only kind of war likely to do us good even in our trade, for it would protect for us our customers as well as bind them to us by the bonds of gratitude; but it is the kind of war that we never in any circumstances have undertaken. Then, again, if we see clearly and distinctly that whatever facilitates the growth of abnormal wealth in the few is bad for the rest of the community, we certainly should favour all those steps which would render it more difficult to accumulate such wealth. It would take too much time now to go into all the measures which I think would be advisable for that purpose. One thing, however, would be certainly advantageous, though I am afraid it will never be done, and that would be to repeal the Limited Liability Act. I believe this Limited Liability Act has been a greater curse to the country than any Act of Parliament ever passed, because it as much as says with the authority and voice of the Government to the people,—You may enjoy the benefit and all the advantages of commercial prosperity by simply subscribing your money towards these companies. How are the people at large to know which are good and which are bad? The mere fact that such an act was passed was an invitation to the people of the country. They accepted the invitation, and for each one who has benefited by doing so a score have suffered.

The last thing, and perhaps the most important of all, is to abolish the monopoly of land in this

country. I believe no half measures will do any good here. The only thing will be to declare by law that the whole of the land shall revert to the state for the benefit of the people, but that no individual so far as is possible shall suffer any loss during his lifetime or during the lifetime of any of those who have reasonable expectations from him. If that were done no landowner would have a right to complain. He would receive an income probably as great as he has now for the rest of his lifetime and for the lives of all his children, while the nation would have the use of the land and apply it for the benefit of the whole community, and thus lead to the production of an amount of wealth probably two or three times greater than is now derived from it. This increased wealth would be earned by men who are now poor or pauperised ; and as it would almost all be spent in home manufactures, it would in the most direct and speedy manner restore the prosperity of the country and abolish the Depression of Trade.

The Labour Question from the Socialist Standpoint.

I HAVE been asked to give you the Socialist view of the Labour Question. Now in some ways that is a difficult matter to deal with,—far beyond my individual capacities,—and would also be a long business; yet in another way, as a matter of principle, it is not difficult to understand or long to tell of, and does not need previous study or acquaintance with the works of specialists or philosophers. Indeed if it did, it would not be a political subject, and I hope to shew you that it is pre-eminently political in the sense in which I should use the word; that is to say, it is a matter which concerns every one, and has to do with the practical everyday relations of his life, and that not only as an individual, but as a member of a body corporate, nay, as a member of that great corporation, —humanity. Thus considered, it would be hard indeed if it could not be understood readily by a person of ordinary intelligence who can bring his mind to bear upon it without prejudice. Such a person can learn the basis of the opinion in even an hour's talk, if the matter be clearly put before him: it is my task to attempt this; and whether I fail or succeed, I can at least promise you to use no technical phrases

which would require explanation; nor will I, as far as I can help, go into any speculative matter, but will be as plain and practical as I can be.

Yet I must warn you that you may be disappointed when you find that I have no elaborate plan, no details of a new society to lay before you, that to my mind to attempt this would be putting before you a mere delusion. What I ask you to consider is in the main the clearing away of certain obstacles that stand in the way of the due and unwasteful use of labour,—a task not light indeed, nor to be accomplished without the most strenuous effort in the teeth of violent resistance, but yet not impossible for humanity as we know it, and as I firmly believe not only necessary, but as things now are, the one thing essential to be undertaken.

Now you all know that, taking mankind as a whole, it is necessary for man to labour in order to live. Certainly not all things that we enjoy are the works of man's labour; the beauty of the earth, and the action of nature on our sensations, are always here for us to enjoy, but we can only do so on the terms of our keeping ourselves alive and in good case by means of labour, and no inventions can set aside that necessity. The merest savage has to pluck the berry from the tree, or dig up the root from the ground before he can enjoy his dog-like sleep in sun or shade; and there are no savages who have not got beyond that stage, while the progressive races of mankind have for many ages got a very long way beyond it, so that we have no record of any time when they had not formed some sort of society, whose aim was to make the struggle with nature for subsistence less hard than

it otherwise would have been, to win a more abundant livelihood from her.

We cannot deal at any length with the historical development of society; our object is simply to inquire into the constitution of that final development of society under which we live. But one may ask first a few questions:—1st, Since the community generally must labour in order that the individuals composing it may subsist, and labour harder in order that they may attain further advantages, ought not a really successful community so to arrange that labour that each capable person should do a fair share of it and no more? 2nd, Should not a really successful community—established surely for the benefit of all its members—arrange that every one who did his due share of labour should have his due share of the wealth earned by that labour? 3rd, If any labour were wasted, such waste would throw an additional burden on those who produced what was necessary and pleasant to existence. Should not a successful community, therefore, so organise its labour that it should not be wasted? You must surely answer Yes to each of these three questions. I will assert, then, that a successful society—a society which fulfilled its true functions—would take care that each did his due share of labour, that each had his due share of wealth resulting from that labour, and that the labour of persons generally was not wasted. I ask you to remember those three essentials of a successful society throughout all that follows, and now to let me apply them as a test of success to the society in which we live, the latest development of so many ages of the struggle with nature, our elaborate and highly organised civilisation.

In our society does each capable person do his fair share of labour? Is his share of the wealth produced proportionate to his labour? Is the waste of labour avoided in our society?

You may perhaps hesitate in your answer to the third question; you cannot hesitate to say No to the two first. I think, however, I shall be able to show you that much labour is wasted, and that, therefore, our society fails in the three essentials necessary for a successful society. Our civilisation, therefore, though elaborate and highly organised, is a failure; that is, supposing it to be the final development of society, as some people, nay, most people, suppose it to be.

Now a few words as to the course of events which have brought us to the society of the present day. In periods almost before the dawn of continuous history the early progressive races from which we are descended were divided into clans or families, who held their wealth, such as it was, in common within the clan, while all outside the clan was hostile, and wealth not belonging to the clan was looked upon as prize of war. There was consequently continual fighting of clan with clan, and at first all enemies taken in war were slain; but after a while, as man progressed and got defter with his hands, and learned how to make more effective tools, it began to be found out that, so working, each man could do more than merely sustain himself; and then some of the prisoners of war instead of being slain on the field, were made slaves of; they had become valuable for work, like horses. Out of the wealth they produced their masters or owners gave them sustenance enough to live on and took the rest for themselves. Time passed, and the complexity of

society grew, the early barbarism passed through many stages into the ancient civilisations, of which Greece and Rome were the great representatives ; but this civilisation was still founded on slave labour; most of its wealth was created by men who could be sold in the market like cattle. But as the old civilisations began to decay, this slave labour became unprofitable ; the countries comprised in the Roman Empire were disturbed by constant war ; the governments, both central and provincial, became mere tax-gathering machines, and grew so greedy that things became unbearable. Society became a mere pretext for tax-gathering, and fell to pieces, and chattel slavery fell with it, since under all these circumstances slaves were no longer valuable.

Then came another change. A new society was formed, partly out of the tribes of barbarians who had invaded the Roman Empire, and partly out of the fragments of that empire itself; the feudal system arose, bearing with it new ideas, which I have not time to deal with here and now. Suffice it to say, that in its early days mere chattel slavery gave place to serfdom. Powerful men, privileged men, had not forgotten that men can produce more by a day's labour than will keep them alive for a day; so now they settled their labourers on certain portions of land, stocked their land with them in fact, and on these lands they had leave to live as well as they might on the condition that they should work a certain part of their time on the land which belonged to their lords. The average condition of these serfs was better than that of the chattel slaves. They could not be bought and sold personally, they were a part of the manor on which

they lived, and they had as a class a tendency to become tenants by various processes. In one way or another these serfs got gradually emancipated, and during a transitional period, lasting through the two last centuries of the Middle Ages, the fourteenth and fifteenth centuries, the labour classes were in a far better position than they had been before, and in some ways than they have been since, suffering more from spasmodic arbitrary violence than from chronic legal oppression. The transition from this period to our own days is one of the most interesting chapters of history; but it is impossible for me to touch on it here. All I can say is, that the emancipated serfs formed one of the elements that went to make up our present middle class, and that a new class of workers grew up beneath them,—men who were not owned by any one, who were bound by no legal ties to such and such a manor, who might earn what livelihood they could for themselves under certain conditions, which I will presently try to lay before you, and which are most important to be considered, for this new class of so-called free labourers has become our modern working class.

Now it will be clear to you surely, how much and how grievously both the classical period, with its chattel slavery, and the feudal system, with its serfdom, fell short of the society which we have set before us as reasonably successful. In each of them there was a class obviously freed from the necessity of labour, by means of the degradation of another class which laboured excessively and reaped but a small reward for its excessive labour. Surely there was something radically wrong in these two societies.

From the fact that labour is necessary for man's life on the earth, and that Nature yields her abundance to labour only, one would be inclined to deduce the probability that he who worked most would be the best off; but in these slave and serf societies the reverse was the case, the man of leisureless toil lived miserably, the man who did nothing useful lived abundantly. Then, again, as to our third test, was there no waste of labour? Yes, indeed, there was waste most grievous. I have said that the slave-owner or the lord of the manor did nothing useful, and yet he did something; he was bound to do something, for he was often energetic, gifted, full of character: he made war ceaselessly, consuming thereby the wealth which his slaves or his serfs created, and forcing them to work the more grievously. Here was waste enough, and lack of organisation of labour.

Well, all this people find no great difficulty in seeing, and few would like, publicly at least, to confess a regret for these conditions of labour,—although in private some men, less hypocritical or more logical than the bulk of reactionists, admit that they consider the society of cultivated men and chattel slaves the best possible for weak human nature. Yet though we can see what has been, we cannot so easily see what is; and I admit that it is especially hard for people in our civilisation, with its general freedom from the ruder forms of violence, its orderly routine life, and in short all that tremendous organisation whose very perfection of continuity prevents us from noticing it,—I say it is hard for people under the quiet order and external stability of modern society

to note that much the same thing is going on in the relations of employers to the employed, as went on under the slave society of Athens, or under the serf-sustained baronage of the thirteenth century.

For I assert that with us, as with the older societies, those who work hardest fare the worst, those who produce the least get the most; while as to the waste of labour that goes on, the waste of times past is as nothing compared with what is wasted to-day.

I must now justify this view of mine, and, if possible, get you to agree with it by pointing out to you how society at the present day is constituted.

Now, as always, there are only two things essential to the production of wealth, labour and raw material; every one can labour who is not sick or in nonage, therefore every one, except those, if he can get at raw material can produce wealth; but without that raw material, he cannot produce anything,—anything, that is, that man can live upon; and if he does not labour he must live at the expense of those that do; unless therefore every one can get at the raw material and instruments of production, the community in general will be burdened by the expense of so many useless mouths, and the sum of its wealth will be less than it ought to be. But in our civilised society of to-day the raw material and the instruments of production are monopolised by a comparatively small number of persons, who will not allow the general population to use them for production of wealth unless they pay them tribute for doing so; and since they are able to exact this tribute they themselves are able to live without producing, and consequently are a burden on the community; nor are these mono-

polists content with exacting a bare livelihood from the producers, as mere vagabonds and petty thieves do, they are able to get from the producers in all cases an abundant livelihood, including most of the enjoyments and advantages of civilisation, and in many cases a position of such power that they are practically independent of the community and almost out of reach of its laws,—although, indeed, the greater part of those laws were made for the purpose of upholding this monopoly,—and wherever necessary they do now use the physical force, which by one means or another they have under their control, for such upholding.

These monopolists, or capitalists, as one may call them broadly (for I will not at present distinguish the land capitalists from the money capitalists), are in much the same position as the slave-owners of ancient Greece and Rome, or the serf-masters of the thirteenth century; but they have this advantage over them, that though really they sustain their position by mere compulsion, just as the earlier masters did, that compulsion is not visible as the compulsion of the earlier times was; and it is very much their business to prevent it becoming visible, as may be well imagined. But as I am against monopoly and in favour of freedom, I must try to get you to see it; since seeing it is the first step towards feeling it, which in its turn is sure to lead to your refusing to bear it.

I have spoken of the tribute which the capitalists exact as the price of the use of those means of production which ought to be as free to all as the air we breathe is, since they are as necessary to our existence as it is. How do they exact the tribute? They are,

to start with, in a good position, you see, because even without any one's help they could use the labour power in their own bodies on the raw material they have, and so earn their livelihood; but they are not content with that, as I hinted above,—they are not likely to be, because their position, legalised and supported by the whole physical force of the State, enables them "to do better for themselves," as the phrase goes; they can use the labour power of the disinherited, and force them to keep them without working for production. Those disinherited, however, they must keep alive to labour, and they must allow them also opportunity for breeding,—these are necessities that pressed equally on the ancient slave-owner or the mediæval lord of the manor, or indeed on the owner of draught cattle; they must at least do for the workers as much as for a machine, supply them with fuel to enable them to work; nor need they do more if they are dealing with men who have no power of resistance. But these machines are human ones, instinct with desires and passions, and therefore they cannot help trying to better themselves; and they cannot better themselves except at the expense of the masters, because whatever they produce more than the bare necessaries of life the masters will at once take from them if they can; therefore they have always resisted the full exercise of the privilege of the masters, and have tried to raise their standard of livelihood above the mere subsistence limit. Their resistance has taken various forms, from peaceful strikes to open war, but it has always been going on, and the masters, when not driven into a corner, have often yielded to it, although unwillingly enough; but it must be said

that mostly the workers have claimed little more than mere slaves would, who might mutiny for a bigger ration. For, in fact, this wage paid by our modern master is nothing more than the ration of the slave in another form; and when the masters have paid it, they are free to use all the rest that the workers produce, just as the slave-owner takes all that the slave produces. Remember at this point, therefore, that everything more than bare subsistence which the workers make to-day, they make by carrying on constant war with their masters. I must add that their success in this war is often more apparent than real; that too often it means little more than shifting the burden of extreme poverty from one group of the workers to another; the unskilled labourers, of whom the supply is unlimited, do not gain by it, and their numbers have a tendency to increase, as the masters, driven to their shifts, use more and more elaborate machines in order to dispense with the skilled labour, and also use the auxiliary labour of women and children, to whom they do *not* pay subsistence wages, thereby keeping down the wages of the head of the family, and depriving him and them of the mutual help and comfort in the household which would otherwise be gained from them.

Thus, then, the capitalists, by means of their monopoly of the means of production, compel the worker to work for less than his due share of the wealth which he produces,—that is, for less than he produces; he must work, he will die else, and as they are in possession of the raw material, he must agree to the terms they enforce upon him. This is the "free contract" of which we hear so much, and which, to

speak plainly, is a capitalist lie; there is no way out of this "freedom" save rebellion of some kind or other; strike-rebellion, which impoverishes the workers for the time, whether they win the strike or lose it; or the rebellion of open revolt, which will be put down always, until it is organised for a complete change in the basis of society.

Now to shew you another link or two of the chain which binds the workers. There is one thing which hampers this constant struggle of the workers towards bettering their condition at the expense of their masters, and that is competition for livelihood amongst them. I have told you that unskilled labour is practically unlimited; and machines, the employment of women and children, long hours of work, and all that cheapening of production so much bepraised now, bring about this state of things, that even in ordinary years there are more hands than there is work to give them. This is the great instrument of compulsion of modern monopoly; people undersell one another in our modern slave market, so that the employers have no need to use any visible instrument of compulsion in driving them towards work; and the invisibility of this whip,—the fear of death by starvation,—has so muddled people's brains, that you may hear men otherwise intelligent, *e.g.*, answering objections to the uselessness of some occupation by saying, "But you see it gives people employment," although they would be able to see that if three of them had to dig a piece of ground, and one of them knocked off, and was "employed" in throwing chuckie stones into the water, the other two would have to do his share of the work as well as their own.

Another invisible link of the chain is this, that the workman does not really know his own master; the individual employer may be and often is on good terms with his men, and really unconscious of the war between them, although he cannot fail to know that if he pays more wages to his men than other employers in the same line of business as himself do, he will be beaten by them. But the workman's real master is not his immediate employer but his *class*, which will not allow even the best intentioned employer to treat his men otherwise than as profit-grinding machines. By his profit, made out of the unpaid labour of his men, the manufacturer must live, unless he gives up his position and learns to work like one of his own men, which indeed, as a rule, he could not do, as he has usually not been taught to do any useful work; therefore, as I have said, he must reduce his wages to the lowest point he can, since it is on the margin between his men's production and their wages that his profit depends; his class, therefore, compels him to compel his workmen to accept as little as possible. But further, the workman is a consumer as well as a producer, and in that character he has not only to pay rent to a landlord (and far heavier proportionately than rich people have to pay), and also a tribute to the middleman who lives without producing, and without doing service to the community, by passing money from one pocket to another, but he also has to pay (as consumer) the profits of the other manufacturers who superintend the production of the goods he uses. Again, as a mere member of society, a should-be citizen, he has to pay taxes, and a great deal more than he thinks;

he has to pay for wars, past, present, and future, that are never meant to benefit him, but to force markets for his masters, nay, to keep him from rebellion, from taking his own at some date; he has also to pay for the thousand and one idiocies of parliamentary government, and ridiculous monarchical and official state,—for the mountain of precedent, nonsense, and chicanery, with *its* set of officials, whose business it is under the name of law to prevent justice being done to any one. In short, in one way or another, when he has by dint of constant labour got his wages into his pocket, he has them taken away from him again by various occult methods, till it comes to this at last, that he really works an hour for one-third of an hour's pay, while the two-thirds go to those who have not produced the wealth which they consume.

Here, then, as to the first and second conditions of a reasonable society. 1st, That the labour should be duly apportioned. 2nd, That the wealth should be duly apportioned. Our society does not merely fail in them, but positively inverts them; with us, those who consume most produce least, those who produce most consume least.

There yet remains something to be said on the third condition of a fair state of society, that it should look to it that labour be not wasted. How does civilisation fare in that respect? I have told you what was the occupation of the ancient slaveholders, set free by slave-labour from the necessity of producing,—it was fighting with each other for the aggrandisement, in earlier times of their special city, in later of their own selves; similarly, the mediæval baron, set free from the necessity of producing by

the labour of the serfs, who tilled his lands for him, occupied himself with fighting for more serf-tilled land either for himself or his suzerain. In our own days we see that there is a class freed from the necessity of producing by the tribute paid by the wage earner; what does *our* free class do, how does it occupy the life-long leisure which it forces toil to yield to it?

Well, it chiefly occupies itself in war like those earlier non-producing classes, and very busy it is over it. I know indeed that there is a certain portion of the dominant class that does not pretend to do anything at all, except perhaps a little amateur reactionary legislation; yet even of that group I have heard that some of them are very busy in their estate offices trying to make the most of their special privilege, the monopoly of the land; and taking them altogether they are not a very large class. Of the rest some are busy in taxing us and repressing our liberties directly, as officers in the army and navy, magistrates, judges, barristers, and lawyers; they are the salaried officers on the part of the masters in the great class struggle. Other groups there are, as artists and literary men, doctors, schoolmasters, &c., who occupy a middle position between the producers and the non-producers; they are doing useful service, and ought to be doing it for the community at large, but practically they are only working for a class, and in their present position are little better than hangers-on of the non-producing class, from whom they receive a share of their privilege, together with a kind of contemptuous recognition of their position as gentlemen—heaven save the mark! But the great

mass of the non-producing classes are certainly not idle in the ordinary sense of the word; they could not be, for they include men of great energy and force of character, who would, as all reasonable men do, insist on some serious or exciting occupation; and I say once again their occupation is war, though it is "writ large," and called competition. They are, it is true, called organisers of labour; and sometimes they do organise it, but when they do, they expect an extra reward for so doing outside their special privilege. A great many of them, though they are engaged in the war, sit at home at ease, and let their generals, their salaried managers to wit, wage it for them. I am meaning here shareholders or sleeping-partners; but whenever they are active in business they are really engaged in organising the war with their competitors, the capitalists in the same line of business as themselves; and if they are to be successful in that war, they must not be sparing of destruction, either of their own or of other people's goods; nay, they not unseldom are prepared to further the war of sudden, as opposed to that of lingering death, and of late years they have involved pretty nearly the whole of Europe in attacks on barbarian or savage peoples, which are only distinguishable from sheer piracy by their being carried on by nations instead of individuals. But all that is only by the way; it is the ordinary and necessary outcome of their operations that there should be periodical slackness of trade following on times of inflation, from the fact that every one tries to get as much as he can of the market to himself at the expense of every one else, so that sooner or later the

market is sure to be overstocked, so that wares are sold sometimes at less than the cost of production, which means that so much labour has been wasted on them by misdirection. Nor is that all; for they are obliged to keep an army of clerks and such like people, who are not necessary either for the production of goods or their distribution, but are employed in safeguarding their masters' interests against their masters' competitors. The waste is further increased by the necessity of these organisers of the commercial war for playing on the ignorance and gullibility of the consumers by two processes, which in their perfection are specialties of the present century, and even, it may be said, of this latter half of it,—to wit, adulteration and puffery. It would be hard to say how much ingenuity and painstaking have been wasted on these incidents in the war of commerce, and I am wholly unable to get any statistics of them; but we all know that an enormous amount of labour is spent on them, which is at the very best as much wasted as if those engaged on them were employed in digging a hole and filling it up again.

But further, there is yet another source of waste involved in our present society. The grossly unequal distribution of wealth forces the rich to get rid of their surplus money by means of various forms of folly and luxury, which means further waste of labour. Do not think I am advocating asceticism. I wish us all to make the utmost of what we can obtain from nature to make us happier and more contented while we live; but apart from reasonable comfort and real refinement, there is, as I am sure no one can deny, a vast amount of sham wealth and sham service created by

our miserable system of rich and poor, which makes no human being the happier, on the one hand, while on the other it withdraws vast numbers of workers from the production of real utilities, and so casts a heavy additional burden of labour on those who are producing them. I have been speaking hitherto of a producing and a non-producing class, but I have been quite conscious all the time that though the first class produces whatever wealth is created, a very great many of them are prevented from producing wealth at all, are being set to nothing better than turning a wheel that grinds nothing—save their own lives. Nay, worse than nothing. I hold that this sham wealth is not merely a negative evil (I mean in itself), but a positive one. It seems to me that the refined society of to-day is distinguished from all others by a kind of gloomy cowardice,—a stolid but timorous incapacity of enjoyment. He who runs may read the record of the unhappy rich not less than that of the unhappy poor, in the futility of their amusements, and the degradation of their art and literature.

Well, then, the third condition of a reasonable society is violated by our present so-called society; the tremendous activity, energy, and invention of modern times is to a great extent wasted; the monopolists force the workers to waste a great part of their labour power, while they waste almost the whole of theirs. Our society, therefore, does not fulfil the true functions of society. Now the constitution of all society requires that each individual member of it should yield up a part of his liberty in return for the advantages of mutual help and defence; yet at bottom that surrender should be part of the liberty

itself; it should be voluntary in essence. But if society does not fulfil its duties towards the individual, it wrongs him; and no man voluntarily submits to wrong,—nay, no man ought to. The society, therefore, that has violated the essential conditions of its existence must be sustained by *mere* brute force; and that is the case of our modern society, no less than that of the ancient slave-holding and the mediæval serf-holding societies. As a practical deduction, I ask you to agree with me that such a society should be changed from its base up, if it be possible. And further, I must ask how, by what, and by whom, such a revolution can be accomplished? But before I set myself to deal with these questions, I will ask you to believe that, though I have tried to argue the matter on first principles, I do not approach the subject from a pedantic point of view. If I could believe that, however wrong it may be in theory, our present system works well in practice, I should be silenced. If I thought that its wrongs and anomalies were so capable of palliation that people generally were not only contented, but were capable of developing their human faculties duly under it, and that we were on the road to progress without a great change, I for one would not ask any one to meddle with it. But I do not believe that, nor do I know of any thoughtful person that does. In thoughtful persons I can see but two attitudes; on the one hand, the despair of pessimism, which I admit is common, and on the other a desire and hope of change. Indeed, in a year like the present, when one hears on all sides and from all classes of what people call depression of trade, which, as we too well know, means misery at least as great

as that which a big war bears with it, and when on all sides there is ominous grumbling of the coming storm, the workers unable to bear the extra burden laid upon them by the "bad times,"—in such a year there is, I do not say no hope, but at least no hope except in those changes, the tokens of which are all around us.

Therefore, again I ask how, or by what, or by whom, the necessary revolution can be brought about? What I have been saying hitherto has been intended to shew you that there has always been a great class struggle going on, which is still sustained by our class of monopoly and our class of disinheritance. It is true that in former times no sooner was one form of that class struggle over than another took its place; but in our days it has become much simplified, and has cleared itself by progress through its various stages of mere accidental circumstances. The struggle for political equality has come to an end, or nearly so; all men are (by a fiction it is true) declared to be equal before the law, and compulsion to labour for another's benefit has taken the simple form of the power of the possessor of money, who is all-powerful; therefore, if, as we Socialists believe, it is certain that the class struggle must one day come to an end, we are so much nearer to that end by the passing through of some of its necessary stages; history never returns on itself.

Now you must not suppose, therefore, that the revolutionary struggle of to-day, though it may be accompanied (and necessarily) by violent insurrection, is paralleled by the insurrections of past times. A rising of the slaves of the ancient period, or of the serfs of the mediæval times, could not have been

permanently successful, because the time was not ripe for such success, because the growth of the new order of things was not sufficiently developed. It is indeed a terrible thought that, although the burden of injustice and suffering was almost too heavy to be borne in such insurrectionary times, and although all popular uprisings have right on their side, they could not be successful at the time, because there was nothing to put in the place of the unjust system against which men were revolting. And yet it is true, and it explains the fact that the class antagonism is generally more felt when the oppressed class is bettering its condition than when it is at its worst. The consciousness of oppression then takes the form of hope, and leads to action, and is indeed the token of the gradual formation of a new order of things underneath the old decaying order.

Most thoughtful people are conscious of the fact that the tendency of the times is to make the labour classes the great power of the epoch, in the teeth of the other fact that labour is at least as directly under the domination of a privileged class as ever it was. Now these two facts taken together: the obvious uprising of the workers in the scale, and their being face to face with a class that lives by exploiting their labour,—these two facts seem to us Socialists to shew that one of these classes must give way, and that this giving way must mean that one of those classes must be absorbed in the other, and so the class-war be ended. If that position be accepted, it is clear that the class that must come alive out of the struggle must be the producing class,—the useful class; therefore the Socialist's view of the labour question is that

a new society is in course of development from the working classes,—the producing classes, more properly, —and that the other classes which now live on their labour will melt into that class. The result of that will be, that so far as society has any conscious organisation it will be an instrument for the arrangement of labour so as to produce wealth from natural material, and to distribute the wealth when produced without waste of labour; that is to say, it will satisfy those ideal conditions of its reason for existence which I began by putting before you.

I told you that I was not prepared to give you any details of the arrangement of a new state of society; but I am prepared to state the principles on which it would be founded, and the recognition of which would make it easy for serious men to deal with the details of arrangement. Socialism asserts that every one should have free access to the means of production of wealth,—the raw material and the stored up force produced by labour; in other words, the land, plant, and stock of the community, which are now monopolised by certain privileged persons, who force others to pay for their use. This claim is founded on the principle which lies at the bottom of Socialism, that the right to the possession of wealth is conferred by the possessor having worked towards its production, and being able to use it for the satisfaction of his personal needs. The recognition of this right will be enough to guard against mere confusion and violence. The claim to property on any other grounds must lead to what is in plain terms robbery; which will be no less robbery because it is organised by a sham society, and must no less be supported by violence because it is carried on under the sanction of the law.

Let me put this with somewhat more of detail. No man has made the land of the country, nor can he use more than a small portion of it for his personal needs; no man has made more than a small portion of its fertility, nor can use personally more than a small part of the results of the labour of countless persons, living and dead, which has gone to produce that fertility. No man can build a factory with his own hands, or make the machinery in it, nor can he use it, except in combination with others. He may call it his, but he cannot make any use of it as his alone, unless he is able to compel other people to use it for his benefit; this he does not do personally, but our sham society has so organised itself that by its means he can compel this unpaid service from others. The magistrate, the judge, the policeman, and the soldier, are the sword and pistol of this modern highwayman, and I may add that he is also furnished with what he can use as a mask under the name of morals and religion.

Now, if these means of production, the land, plant, and stock, were really used for their primary uses, and not as means for extracting unpaid labour from others, they would be used by men working in combination with each other, each of whom would receive his due share of the results of that combined labour; the only difficulty would then be what would be his due share, because it must be admitted on all hands that it is impossible to know how much each individual has contributed towards the production of a piece of co-operative labour: but the principle once granted that each man should have his due share of what he has created by his labour, the solution of the

difficulty would be attempted, nay, is now hypothetically attempted, in various ways, in two ways mainly. One view is, that the State—that is, society organised for the production and distribution of wealth—would hold all the means of the production of wealth in its hands, allowing the use of them to whomsoever it thought could use them, charging rent perhaps for their use, but which rent would be used again only for the benefit of the whole community, and therefore would return to the worker in another form. It would also take on itself the organisation of labour in detail, arranging the how, when, and where for the benefit of the public; doing all this, one must hope, with as little centralisation as possible; in short, the State, according to this view, would be the only employer of labour. No individual would be able to employ a workman to work for him at a profit, *i.e.* to work for less than the value of his labour (roughly estimated), because the State would pay him the full value of it; nor could any man let land or machinery at a profit, because the State would let it without the profit. It is clear that if this could be carried out, no one could live without working. When a man had spent the wealth he had earned personally, he would have to work for more, as there would be no tribute coming to him from the labour of past generations; on those terms he could not accumulate wealth, nor would he desire to, for he could do nothing with it except satisfy his personal needs with it, whereas at present he can turn the superfluity of his wealth into capital, *i.e.* wealth used for the extraction of profit. Thus society would be changed. Every one would have to work for his

livelihood, and everybody would be able to do so; whereas at present there are people who refuse to work for their livelihood, and forbid others to do so. Labour would not be wasted, as there would be no competing employers, gambling in the market, and using the real producer and the consumer as their milch cows. The limit of price would be the cost of production, so that buying and selling would be simply the exchange of equivalent values, and there would be no loss on either side in the transaction. Thus there would be a society in which every one would have an equal chance for well-doing, for as a matter of course arrangements would be made for the sustaining of people in their nonage, for keeping them in comfort if they were physically incapacitated from working, and also for educating every one according to his capacities. This would at the least be a society which would try to perform those functions of seeing that every one did his due share of work and no more, and had his due share of wealth and no less, and that no labour was wasted, which I have said were the real functions of a true society.

But there is another view of the solution of the difficulty as to what constitutes the due share of the wealth created by labour. Those who take it say, since it is not really possible to find out what proportion of combined labour each man contributes, why profess to try to do so? In a properly ordered community all work that is done is necessary on the one hand, and on the other there would be plenty of wealth in such a community to satisfy all reasonable needs. The community holds all wealth in common, but has the same right to holding wealth that the in-

dividual has, namely, the fact that it has created it and uses it; but as a community it can only use wealth by satisfying with it the needs of every one of its members,—it is not a true community if it does less than this,—but their needs are not necessarily determined by the kind or amount of work which each man does, though of course when they are that must be taken into account. To say the least of it, men's needs are much more equal than their mental or bodily capacities are; their ordinary needs, granting similar conditions of climate and the like, are pretty much the same, and could, as above said, be easily satisfied. As for special needs for wealth of a more special kind, reasonable men would be contented to sacrifice the thing which they needed less for that which they needed more; and for the rest, the varieties of temperament would get over the difficulties of this sort. As to the incentives to work, it must be remembered that even in our sham society most men are not disinclined to work, so only that their work is not that which they are compelled to do; and the higher and more intellectual the work is, the more men are resolved to do it even in spite of obstacles. In fact, the ideas on the subject of the reward of labour in the future are founded on its position in the present. Life is such a terrible struggle for the majority, that we are all apt to think that a specially gifted person should be endowed with more of that which we are all compelled to struggle for, money to wit, and to value his services simply by that standard. But in a state of society in which all were well-to-do, how could you reward extra services to the community? Give your good worker immunity from work? The

question carries with it the condemnation of the idea, and, moreover, that will be the last thing he will thank you for. Provide for his children? The fact that they are human beings with a capacity for work is enough; they are provided for in being members of a community which will see that they neither lack work nor wealth. Give him more wealth? Nay, what for? What can he do with more than he can use? He cannot eat three dinners a day, or sleep in four beds. Give him domination over other men? Nay, if he be more excellent than they are in any art, he must *influence* them for his good and theirs if they are worth anything; but if you make him their arbitrary master, he will govern them, but he will not influence them; he and they will be enemies, and harm each other mutually. One reward you can give him, that is, opportunity for developing his special capacity; but that you will do for everybody, and not the excellent only. Indeed, I suppose he will not, if he be excellent, lack the admiration, or perhaps it is better to say the affection, of his fellow-men, and he will be all the more likely to get that, when the relations between him and them are no longer clouded by the fatal gift of mastership.

In short, in a duly ordered community, everybody would do what he could do best, and therefore easiest and with most pleasure. He who could do the higher work, would do it as easily as the man whose capacity was less would do the lower work; there would be no more wear and tear to him in it, or if there were, it would mean simply that his needs were greater and would have to be considered accordingly.

Moreover, those who see this view of the new

society believe that decentralisation in it would have to be complete. The political unit with them is not a Nation but a Commune; the whole of reasonable society would be a great federation of such communes, federated for definite purposes of the organisation of livelihood and exchange. For a mere nation is the historical deduction from the ancient tribal family, in which there was peace between the individuals composing it and war with the rest of the world. A nation is a body of people kept together for purposes of rivalry and war with other similar bodies, and when competition shall have given place to combination the function of the nation will be gone.

I will recapitulate then the two views taken among Socialists as to the future of society. According to the first, the State—that is, the nation organised for unwasteful production and exchange of wealth—will be the sole possessor of the national plant and stock, the sole employer of labour, which she will so regulate in the general interest that no man will ever need to fear lack of employment and due earnings therefrom. Everybody will have an equal chance of livelihood, and, except as a rare disease, there would be no hoarding of money or other wealth. This view points to an attempt to give everybody the full worth of the productive work done by him, after having ensured the necessary preliminary that he shall always be free to work.

According to the other view, the centralised nation would give place to a federation of communities who would hold all wealth in common, and would use that wealth for satisfying the needs of each member, only exacting from each that he should do his best accord-

ing to his capacity towards the production of the common wealth. Of course it is to be understood that each member is absolutely free to use his share of wealth as he pleases without interference from any, so long as he really uses it, that is, does not turn it into an instrument for the oppression of others. This view intends complete equality of condition for every one, though life would be, as always, varied by the differences of capacity and disposition ; and emulation in working for the common good would supply the place of competition as an incentive.

These two views of the future of society are sometimes opposed to each other as Socialism and Communism ; but to my mind the latter is simply the necessary development of the former, which implies a transition period, during which people would be getting rid of the habits of mind bred by the long ages of tyranny and commercial competition, and be learning that it is to the interest of each that all should thrive.

When men had lost the fear of each other engendered by our system of artificial famine, they would feel that the best way of avoiding the waste of labour would be to allow every man to take what he needed from the common store, since he would have no temptation or opportunity of doing anything with a greater portion than he really needed for his personal use. Thus would be minimised the danger of the community falling into bureaucracy, the multiplication of boards and offices, and all the parapharnalia of official authority, which is after all a burden, even when it is exercised by the delegation of the whole people and in accordance with their wishes.

Thus I have laid before you, necessarily briefly, a Socialist's view of the present condition of labour and its hopes for the future. If the indictment against the present society seem to you to be of undue proportions compared with the view of that which is to come, I must again remind you that we Socialists never dream of building up by our own efforts in one generation a society altogether anew. All I have been attacking has been the exercise of arbitrary authority for the supposed benefit of a privileged class. When we have got rid of that authority and are free once more, we ourselves shall do whatever may be necessary in organising the real society which even now exists under the authority which usurps that title. That true society of loved and lover, parent and child, friend and friend, the society of well-wishers, of reasonable people conscious of the aspirations of humanity and the duties we owe to it through one another,—this society, I say, is held together and exists by its own inherent right and reason, in spite of what is usually thought to be the cement of society, arbitrary authority to wit,—that is to say, the expression of brute force under the influence of unreasoning habit. Unhappily though society exists, it is in an enslaved and miserable condition, because that same arbitrary authority says to us practically: "You may be happy if you can afford it, but unless you have a certain amount of money, you shall not be allowed the exercise of the social virtues; sentiment, affection, good manners, intelligence even, to you shall be mere words; you shall be less than men, because you are needed as machines to grind on in a system which has come upon us we scarce know how,

and which compels us as well as you." This is the real, continuously repeated proclamation of law and order to the most part of men who are under the burden of that hierarchy of compulsion which governs us under the usurped and false title of society, and which all true Socialists or supporters of real society are bound to do their best to get rid of, so as to leave us free to realise to the full that true society which means well-being and well-doing for one and all.

*Irregularity of Employment and Fluctuations of Prices.**

I HAVE been determined in the choice of a subject for this lecture by a conviction, continually increasing in strength, that uncertainty of employment is the root-evil of the present industrial *régime*. By this I do not mean to imply, that even if we had done away with uncertainty of employment we should not still have to deal with other great causes of social mischief. Over-population, ignorance, selfishness, fraud and oppression, faulty systems of distribution, and the like, are vital and powerful sources of misery, the importance of which no one wishes to deny. But when we try to grapple with these evils, we find that the natural operation of remedial forces meets with a serious obstacle. The condition of a large mass of the people is so precarious, and the state of industry so unsettled, that social reforms, which must be gradual and slow, have no time to mature; and the situation alters before the proper remedies can be considered and applied. It is on account of its indirect consequences, then, even more than as an immediate cause of evil, that uncertainty of employ-

* Different parts of this lecture were given in full at the different centres, the remainder being sketched in outline only

ment seems to me to demand the first place in the attention of the friends of social progress and of the claims of labour.

It may be objected that the subject is far too wide to be adequately treated in the time at my disposal, and that I should have done better to select some special branch of it for a more thorough handling. Such a course would certainly have been easier and more agreeable to me, and probably also to my hearers. But in a matter of this kind there is very much to be gained by the attempt to take a comprehensive view. In economic more perhaps than in any other discussions the danger is that principles are apt to be overlaid with details, so that we cannot see the wood for the trees; and special points, in themselves deserving of notice, get undue weight assigned to them. This has been particularly the case in the current controversy as to the nature and causes of the depression of trade, a matter closely connected with our present subject. Warned, then, by this example, I have preferred to-night to go to first principles, and, risking the opposite danger of superficiality, to give you as fundamental and systematic a view of the subject as time will permit, trusting that many may be stimulated to work out the details for themselves.

Before commencing, it may be convenient that I should indicate the order of topics and the general results arrived at. I propose, then, to consider briefly, first, some of the evils arising out of irregularity of employment; secondly, what light is thrown on the causes of this irregularity by an analysis of price fluctuations; lastly, what seem to be the best means for securing greater social stability, and what progress

is already being made in this direction. It is not so easy to state in a few words the practical outcome of the inquiry. The industrial disease we are investigating is too complicated to be removed by any simple remedy; but the general results to which I believe we shall be led may perhaps be briefly indicated in advance. The causes of disturbance seem to fall into two main groups. Some of them are due to the imperfection of our monetary, banking, and market mechanism, which, though greatly improved, is still only in a rudimentary stage of development. Others are directly connected with our system of production and habits of consumption. There is no reason why the first group should not be gradually removed by the progress of economic science and the accumulation of business experience. The second group presents graver difficulties. No mere mechanism, however scientific or ingenious, could enable us to control or to foretell the fancies of the consumer; and the system of production is largely prescribed to us, whether we like it or not, by the existing state of physical knowledge and the industrial arts. In both respects, however, I believe that something can be done. And I have summed up the main directions which remedial action must take in two words—publicity and organisation.

Evils Resulting from Irregularity of Employment.

First, then, let us consider some of the chief evils due directly or indirectly to irregularity of employment. To many of my hearers this may well seem

a work of superfluity; but I do not think that it is so from the point of view of the public in general. No doubt it is difficult for any one to approach the subject from the industrial side without being struck with the economic and social injuries resulting from violent industrial changes. But the trader often regards such disturbances merely as the normal occasions of profitable dealing; and I doubt whether by any class the full extent of the injuries they cause is always recognised. At all events, those who desire to grapple with the mischief, and to mitigate the price fluctuations which lie at the root of it, find themselves opposed by prejudices and interests so strong that common prudence warns them not to neglect the statement of their case.

How far and for what reasons, then, are industrial fluctuations injurious? No one, of course, either expects or desires altogether to abolish fluctuations. Rhythm appears to be one of the most fundamental laws of the universe. Progress and motion of all kinds would seem to take place by waves, pulses, and cycles, not in uniform directions. Industry can claim no exemption from this law. In industry, too, as in other domains, unquestionable advantages result from a certain amount of disturbance. Change stimulates invention and energy, and prevents stagnation.

> "The old order changeth, yielding place to new,
> Lest one good custom should corrupt the world."

The question, in short, is entirely one of degree. A fresh breeze is as beneficial in industry as in navigation; storms are destructive in either. It is not change in itself, but discontinuity, or violence of

change, which is injurious. When all admissions have been made, we must still hold with Comte, Mill, Brentano, Mr Frederic Harrison, and other social inquirers, that in the present state of society a large balance of social mischief results from more than a moderate degree of industrial disturbance.

The fact is, that where human beings are concerned, where personal relations should be formed, and where moral forces are at work, a certain permanence of conditions* seems to be essential. The altruistic and social feelings, which are the very cement of the social fabric, and enormously lessen the irksomeness of effort and the friction of industry, seem to require time for their development, and frequently cannot exert their full strength unless they are embodied in the symbol of an organisation.

These considerations apply to all classes equally, rich and poor, weak and strong. But sudden change is peculiarly injurious to the weaker classes. They are not so well able to anticipate or to secure themselves against its effects. It is a sound instinct, then, which has led these classes in all ages to seek protection in custom, established by combination. Not, of course, that mere blind custom is better than intelligently adjusted, effective, and equitable competition. But it has often been remarked that certainty in taxation is more important than equality, because certainty will lead, under natural forces, to equality; and in the same way custom, or stereotyped competition, may be

* "That fixedness," to quote William Cobbett, "which is so much the friend of rectitude in morals, and which so powerfully conduces to prosperity, private and public."—*Hist. Prot. Ref.*, i., sec. 152.

better for the weaker class, because it gives time for adjustments, than incessant fluctuation, which involves incessant new bargains, in which their weakness necessarily places them at a disadvantage.

There is an infinite power of adaptation and accommodation in human nature; but the process requires time. We form no exception to the general rule of organic life, strikingly illustrated in some recent experiments of Dr Dallinger, that gradual change in its surroundings will produce the development of an organism, where sudden change would be its destruction. Ricardo and the economists of his school, more familiar with the money market than with industry, greatly underrated the difficulty which the weaker classes find in adapting themselves to sudden changes. These writers seem to consider the effect of an industrial disturbance as very much the same as that of a pail of water thrown on a pool, over whose surface it soon spreads equally. The real conditions of industry more nearly resemble those of a viscous glacier. The glacier changes its form under severe strains, but only slowly, and at the cost of much fracture and internal disturbance. So in industry, the migrations of labour and capital often involve immense waste of skill and wealth. What were somewhat floridly described as the "bloodless victories of Free Trade" often left such a train of suffering behind them, that the epithet applied less truly to the victories than to their victims. So it has been, too, with the introduction of machinery. No doubt it is true, as Sir James Steuart observed in 1767, that "a room cannot be swept without raising dust." But careless sweeping sometimes makes more dust than it removes; and the cheapness resulting

from machine production was often bought at the cost of grave injury and injustice to the hand workers. On this matter the great Sir William Petty, writing a century before, seems to express the common-sense of mankind. "Better," he says, "to burn a thousand men's labours for a time, than to let those thousand men, by non-employment, lose their faculty of labouring."

The waste and loss involved in change of occupation is not the only consequence of the unsettled state of modern industry. In many occupations the employment of those who remain in them is very precarious and irregular. This means, of course, a large reduction in actual earnings, even though nominal wages may be maintained, or perhaps increased; we shall presently find that it is also a powerful cause of the reduction of nominal wages. The following instances may serve to shew the effect on actual earnings in a few cases. The rector of Gateshead, in a sermon recently preached before the University of Cambridge, speaks of steady industrious men, nominally earning 20s. to 22s. per week, actually receiving on the average only 8s. or 9s.* The London dock labourers, when in work, often earn £2 a week; but they are sometimes six weeks, or more, without work. They are described as living

* "The wages of artisans, as paraded in statistical reports and the columns of the press, sound fairly adequate. We hear with complacency of 18s. or 20s. per week as the remuneration of unskilled labour in towns; but few, except those in constant contact with the poor, know how very precarious such wages often are,—how for weeks and weeks a man, steady, industrious, willing to work, will often not average more than 8s. or 9s., and sometimes for long periods even nothing at all. Life is a sad and hopeless business when a man sits staring into an empty grate, weak and faint after a weary dispiriting search for work.

filthily, and as stating that they "would gladly exchange for £1 regular." Again, in an analysis of 273 cases made by my brother, Dr Arthur Foxwell, in Manchester, he found that, where the nominal wages varied from 14s. to 35s. a week in different occupations, the highest average earnings were those of the regularly employed corporation labourers, whose nominal wages were 20s. Twelve joiners, nominally receiving 26s. 9d. a week, only averaged 13s. actual earnings; and four masons, nominally receiving 35s., only averaged 10s.

It will be said that some of these are exceptional cases, that they give an exaggerated impression of the general conditions of employment, and that we should form average estimates over wider areas. It is certainly probable that such intolerable interruptions of employment are not of general occurrence. But I would observe, that no one can speak with authority on this point; for on this, perhaps the most vital matter affecting the welfare of the people, we

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No food for himself—and worse, none for his hungry children; no means of buying any, for the home comforts gathered round him in time of regular employment have been pawned one by one. Is it any wonder that, flying from his wretched home, he should hover round the one bright cheerful spot in the neighbourhood, the public-house at the corner, and gladly accept the invitation of the first companion who offers to treat him, and so allow himself to be dragged down deeper still?"—*Sermon at Great St Mary's, Cambridge, May 3, 1885, by the Rev. W. Moore Ede.*

I have ventured to quote this passage in full, because the rector of Gateshead is no mere sentimentalist, but a trained and able economist, who has had exceptional experience amongst the working classes of our great towns.

have no official statistics.* But granting that the average regularity of employment is much higher than in the cases named, what is this to the individuals who fall below the average? This matter of fluctuations, in short, is one in which the method of average results, so dear to a certain class of writers, proves most inapplicable and misleading. Social disorganisation never balances itself. You cannot say that what a man loses at one time he gains at another; still less, that what one man loses another man gains. The very facts of uncertain transitions, of doubt, and of partial distress, must always be absolute social disadvantages. It is very much like the case of a hilly line of railway. The descents do not compensate for the ascents. Every one knows that the level line is the most economical one to work.

There is another very important point to be noticed. This forced idleness—or "playing," as it is somewhat ironically called—would be bad enough, even if, on the average, it were equally distributed. But it never is so distributed. It usually falls most severely on the weak or inefficient workman. And thus is created a "fringe of unemployed," who are forced by their misery to compete for work on any terms. Trade societies, with admirable judgment, have made great efforts to prevent this kind of competition. But wherever it exists wages in general become depressed, and the conditions of employment are worsened. In both ways the whole trade is injured, and a slowly acquired position of comfort may be lost.

* For some idea of the amount of "playing," see Dudley Baxter, *National Income, 1868*, p. 41; Leone Levi, *Wages and Earnings, 1867*, p. 5.

I do not think this matter of quantity *versus* rate of employment has been sufficiently considered by some of those writers who give us such rose-coloured pictures of modern industrial progress. Progress, no doubt, there has been, and Mr Burnett was right in the sarcastic comments he made on the so-called "good old times." But in this matter of stability and certainty of position we have something to learn, I think, even from the much despised Middle Ages. The very laws whose severity and harshness Mr Burnett denounced bear witness to the horror with which Middle Age opinion regarded the man without a settled place in society, without "visible means of subsistence" or recognised sponsors and protectors. We, on the other hand, are apt to speak very lightly about the unemployed. We presume they will "find some other occupation;" or that the interruption to work will only be "temporary." Perhaps there are some who do not readily realise what it means to a respectable artisan, with only ordinary resources, to be "six months out of work." I would ask them to aid their imagination by reading that admirable chapter of the great American economist, General Walker, on the "Degradation of Labour."* The ruinous consequences there described do not merely injure the present generation. It is the children, the doctors tell us, who suffer most severely. Yet all these evils, the misery of one generation, the weakening of the next, are the ordinary and necessary incidents of our present state of industrial disorganisation. Are we to complacently approve this

* *The Wages Question*, chap. 4.

state, merely because the rate of nominal wages is fairly high?

I cannot venture to say what would be the general opinion of the working class upon the point; but my own feeling would be, that when a certain necessary limit had been reached, regularity of income was far more important than amount of income. Where employment is precarious, thrift and self-reliance are discouraged. The savings of years may be swallowed up in a few months. A fatalistic spirit is developed. Where all is uncertain, and there is not much to lose, reckless over-population is certain to set in. These effects are not confined to the poorer classes. The business world is equally demoralised by industrial fluctuations. Careful prevision cannot reckon upon receiving its due return, and speculation of the purely gambling type is thereby encouraged. But the working class suffers most. To this class thrift and prudence are absolutely vital; and it emerges from a period of disturbance with its standard of comfort seriously lowered, and with a corresponding loss of social position.

It is the fashion now-a-days to speak slightingly of the lower middle class; and no doubt there is a certain narrowness and want of imagination about many of them, which contrasts unfavourably with the larger ideas and superior public spirit of the leading artisans. But the general orderliness and thrift of this class, and even their "respectability," are by no means to be despised. To what are these qualities due? More than to anything else, I think, they are due to the superior certainty and regularity of middle-class income. This may explain, too, that much noticed fact

of the rush for clerkships, poorly remunerated as they now are. It is often supposed to be due to narrow and mistaken notions of respectability, to a preference for broadcloth rather than shirt sleeves, and so forth; but in reality it may be perfectly reasonable. The work of a clerk may be less manly, less interesting, than that of the skilled artisan; and the clerk's salary may be less than the artisan's nominal wages. But the position of the former is less precarious; and so important is security, that this may balance the disadvantages. Look round at railway servants, Government servants, or where you will, and wherever you see a class whose bearing and refinement and comfort seem to be higher than you would have expected, it is ten to one you will find they enjoy regularity of employment.

But there is stronger evidence than any we have yet noticed of the mischief caused by industrial fluctuations. In social matters of this kind, a broad view of history often gives a surer basis for a practical conclusion than *à priori* reasonings, however careful. What has English industrial history to say on this point? When that very painful chapter which deals with the period 1760-1850 comes to be written, one thing at least will be clear. This period, which marks the reign of industrial anarchy, is also the period of the growth of the proletariate. The mass of half-starved misery we call by that name was created by the uncertainties of the modern labour market. The very same industrial changes which raised the wages of those who could secure employment, made the position of the majority more precarious and their prospects more indefinite. Thus while wealth in-

creased rapidly, population and destitution advanced with almost equal strides. This is the real explanation of the observed connection of Progress and Poverty.

I venture to think it is a mistake to suppose that increased comfort is a cause of over-population where the social conditions are settled. The tendency seems to be rather the other way; and philanthropy need not hold its hand from any apprehensions on this score.* The English population never increased more rapidly than between 1801 and 1841. But these were years of great misery to the industrial classes. Mr Giffen tells us† that "periodic starvation was in fact the condition of the masses of working men throughout the kingdom fifty years ago. . . . The price of wheat had quite a special importance." But population, instead of falling off, increased 80 per cent. in the forty years. During the years of brisk trade which followed population increased at a slower rate; and it was not until the last census decade that the rate of increase approached that of the first half of the century. The cause of the misery and the rapid increase was one

* Since I wrote these words, I have noticed a striking confirmation of them. It is quoted by M. Eugène Buret, in his remarkable work, *On the Misery of the Working Classes in England and France* (1840, i., p. 36), from an Austrian official publication of some English returns. "In 1821 the population of Ireland was 6,801,827. In 1831 it had risen to 7,764,010, an increase of 14 per cent. in ten years. In Leinster, the province where there is most comfort, the population only increased 8 per cent.; whilst in Connaught, the most miserable province, the increase amounted to 21 per cent." M. Buret holds "that the numbers of the miserable increase in proportion to their misery, and that it is at the extreme limit of destitution that men come pressing forward thickest to compete for the right to suffer."

† *Essays in Finance, Second Series*, p. 379.

and the same. Mr Giffen has described it in another paper on the same subject, and his description is not overdrawn. It was "the complete, or almost complete, suspension of the ordinary wages for long intervals, . . . the liability to extreme fluctuation, . . . to an extreme of fluctuation of which the present generation has no conception" (p. 449).

Sir F. M. Eden, in his famous work on the *State of the Poor*, distinctly connects the growth of pauperism with the growth of manufactures.* Here again the connection seems clear. The new manufacturing era brought with it the break-up of the old organisations. It made the labour market vague and indefinite, and at the same time extremely variable. The disturbance thus caused was aggravated by a rapid rise of prices, due to bad banking; and later on by bad harvests and war measures, which led to unparalleled fluctuations in the price of bread. The result is seen in the terrible social misery of which we may read in the painfully graphic pages of the Blue Books of the time. From the worst features of this misery we have now happily escaped, thanks to Trade Unions, Factory Acts, and other beginnings of reorganisation; but it has left an indelible mark on our

* Speaking of the parish of Bromfield, Cumberland, he says, "Within the last twenty years the poor's rates have nearly doubled; this is the more extraordinary, as there are no manufactures in the parish" (ii., p. 49). Again, speaking of the Coventry district, he says, "In a country parish on one side the city, chiefly consisting of cottages inhabited by ribbon-weavers, the rates are as high as in Coventry; whilst in another parish, on the opposite side, they do not exceed one-third of the city rate. This is ascribed to the care that is taken to prevent manufacturers from settling in the parish" (iii., p. 743).

national history, and bequeathed to us some of the most perplexing social problems of the present day.

If I refer to the bearing of industrial fluctuations on crime and social convulsions, it is not that I intend to appeal to any motive so base as fear. I do not think society has any reason to be afraid of revolutionary movements, at least of such as proceed by violent means. Yet it must be admitted that revolutionary movements are always mischievous, if only to the revolutionists themselves; and that the uncertainty and apprehension they cause, are in themselves real social evils, real hindrances to economic prosperity. It is well to notice, then, that irregularity of employment is the main source, as it is certainly the most natural source, of social bitterness and discontent, and of the crime and violence arising out of this feeling. Flint has observed, in his *History of Crime in England*,* that in times of distress crime increases 24 per cent. on the average, and 51 per cent. in the manufacturing districts; and that crimes against property with violence increase 50 per cent. on the average, and 103 per cent. in the manufacturing districts. Mr Pike brings evidence to a similar effect.† The greater increase in the manufacturing districts is what we should expect from the greater uncertainty of employment there. The connection with revolutionary disturbance is still better marked. I need not refer to the circumstances of the Chartist rising, or of the events of 1848 in France. We have had an excellent illustration of it within the last year. The recent contraction of trade, and the consequent loss of

* *Crime in England*, 1851, p. 83.

† Cf. his *History of Crime*, 1876, ii., p. 679.

work and lowering of money wages, has led to riots over both the civilised worlds,—in Chicago and New York, no less than in London and Vienna, Belgium and France.

I do not think, then, that there can be any reasonable doubt as to the evils of variable employment, or as to the duty of endeavouring to remove their cause. It is practically admitted so far as regards the small cultivator of land. Indeed, so far has the doctrine been carried by some, that we are told eviction is a crime, and that, whether or not the landlord can get his rent (which is practically only a moderate interest on his purchase money), the small tenant must have security of tenure. Well; but if so, why is the artisan to be exposed to the accidents of competition? Perhaps we may presume that, in attempting to obtain for this class more social security, we shall at least have the sympathy and assistance of the wealthy employers who denounce landlords for evictions.

To me, at all events, it seems impossible to overrate the importance of greater industrial security. But I feel that I have very imperfectly explained to you the reasons for my conviction. Let me, then, reinforce my opinion by an appeal to authority. I will ask you to listen to two short extracts, which will shew how the matter presents itself to two observers, each of them specially qualified, though in a different way, to pronounce upon it. The first is from the famous Catholic Socialist, Bishop Ketteler; the second from Mr George Howell, a representative of our own artisan class.

Bishop Ketteler says: "It is no longer possible to

doubt that the whole material existence of almost the entire labouring population,—that is, of much the greatest part of men in modern States, and of their families,—that the daily question about the necessary bread for man, wife, and children, is exposed to all the fluctuations of the market and the price of commodities. I know nothing more deplorable than this fact. What sensations must it cause in those poor men, who, with all they hold dear, are, day after day, at the mercy of the accidents of market price! That is the slave-market of our Liberal Europe."* Mr Howell's language is very similar. "If," he says, "the science of political economy is to be of any practical value, its expounders ought to try and find some means whereby these frequent fluctuations can be avoided; instead of which they only teach men how to increase them, by declaring that wages must be dependent on the variations of 'the market,' which may change fifty times a day, in so far as the price of the commodities offered for sale is concerned. Stock and securities 'go up and down' like the notes on a gamut, and in the hands of skilful operators they play strange music, which should make good men feel sad indeed."†

I remember reading that paragraph of Mr Howell's when his book first appeared, and being deeply impressed with it. I felt that he was right, not only as to the injury caused by fluctuations, but when he charged economists as a body with having in some respects helped to increase it. Many of them, however, have done good service in this field, and one in

* See John Rae, *Contemporary Socialism*, pp. 248, 249.

† *The Conflicts of Capital and Labour*, p. 228.

particular. We owe to Jevons, the most brilliant economist of his time, a series of admirable researches into the causes of price movements.* In the analysis of price fluctuations to which I now invite your attention, I have done little more than attempt to place before you in a simple form the bearing of Jevons' researches on the problem before us.

I have expressed that problem hitherto as, *How to secure greater industrial stability;* but we may put it in this form, *How to diminish price fluctuations.* For, in a competitive society of the modern type, it may be assumed that, though not every fluctuation of price leads to interruption of employment, yet there is no cause of interruption of employment which is not indicated by a fluctuation of price. The reason is clear. We are mainly moved in industrial matters by self-interest. Trade and industry are controlled by the employer; and the employer's interest is measured and indicated by the movements of market prices.† Hence, as Malthus said, "the market prices of commodities are the immediate causes of all the great movements of society in the production of wealth."‡ If the statement was true in 1820, it is still truer now, except where the beginnings of the new organisation of industry may have introduced modifications. For industry is carried on upon a larger scale than ever, and with finer margins of

* See his *Investigations in Currency and Finance*, 1884.

† No doubt other considerations must be taken into account in practice, such as the importance of keeping a trained staff together. What I have said above is true as a first approximation.

‡ *Principles of Political Economy*, 1820, p. 342.

profit; and it is, more than ever, under the direction of large employers.

In other words, interruptions of employment are to a great extent directly caused by disturbances originating in prices. Where they are not, their causes are reflected in the movements of prices, and these movements themselves become fresh causes of disturbance. Hence a complete analysis of the movements of prices will give us a general view of the causes of industrial disturbance, and help us to distinguish those causes which arise directly from our price mechanism from those which are connected directly with our industrial organisation and our habits of consumption. We can then proceed to consider, with a better sense of their relative proportion and importance, the various kinds of remedies required. Thus those who would do away with fluctuations in employment, must first understand the causes of price movements. The analysis that follows may accordingly be regarded as a small contribution to the object Mr Howell and so many others have at heart.

Analysis of Price Fluctuations.

If we had no other way of representing prices but by tabular rows of figures, I do not think that we should have advanced very far in the analysis of price movements; and certainly I should have despaired of putting the results of that analysis before you in a simple form. It would be as difficult a task as to describe the course of a river by stating the latitude and longitude of its successive bends. The mathematicians, however, long ago discovered that numerical

quantity might be represented by position in space; and since the time of William Playfair, who wrote at the end of last century, the method has been applied to the study of statistics of all kinds. This graphic method, as it is called, has immense advantages, especially for our present purpose. Instead of toiling through a list of a hundred numbers, the eye can take in all the information conveyed by this list, not only more easily but more completely too, by simple inspection of an undulating line or curve. And when we have to compare various sets of prices the advantage is still greater. When the curves are properly constructed, we have only to superimpose them, and their points of resemblance and difference appear at a glance. All the movements of prices, then, which we shall consider to-night, I have for these reasons represented by curves, upon the accompanying charts.*

The graphic method has been so much used of late years that I think the principle of construction must be familiar to most of my audience. In the case of these price curves it is very simple. Horizontal distance, from left to right, is taken to measure the units of time, or the dates of the several prices; and vertical distance, distance above the base line, is taken to measure the units of money, or rates of the prices. Thus if we take the curve representing the price of iron, we find that in 1870 the price as thus indicated was 50s. a ton, that it touched a maximum of 145s. in 1872, fell to 40s. in 1879, and so on, with intermediate prices at intermediate dates. I have prepared three

* The charts actually used were on a very large scale, so that in the process of mechanical reduction the figures and letterpress have become almost too small to be legible.

curves of this kind, representing the prices of three important commodities—tin, iron, and cotton—for the period 1870–1886. Immediately above them you will observe another curve, which I have called the curve of General Wholesale Prices, covering the same period of time. This curve is a fragment, the last fifteen years, namely, of the much larger curve of General Wholesale Prices on a separate chart. A word of explanation is required as to the principle on which this curve of general prices has been constructed.

I have said that the three curves of tin, iron, and cotton shew us the prices at different times between 1870 and 1886 of each of these commodities,—*i.e.* of a certain unit quantity of each of these commodities, of a pound of cotton or a ton of iron. The curve of general wholesale prices also shews us the prices at different times of a certain unit quantity of commodity. But in this case the unit quantity priced is not a quantity of any particular commodity, but a sum of quantities of a certain group of commodities, which have been selected as types of wholesale commodities in general. For convenience of comparison, this sum of quantities is so arranged that, while it fairly represents the relative importance of the several selected commodities, the total cost of the whole at the average prices of the six years 1845–1850 inclusive amounts to £100. There was a reason for choosing the period 1845–1850 as the basis of comparison. It was the period immediately preceding the great discoveries of the monetary metals in Australia and California. This curve, then, enables you to trace over a whole century (from 1782 to 1886) the alterations in the money price of a sample group of wholesale commodities, and to

compare these alterations by the standard of the average prices current during the six years before the last gold discoveries. In other words, as you will readily see, it gives us a measure of the changes in the power of money to purchase wholesale commodities. As the principle of this curve may perhaps be a little strange to you, and the facts it expresses are of immense importance, it may be worth while to consider some of those facts by way of illustration.

You will see, then, that it required £224 odd to buy in 1809 the commodities which would be bought in 1845–50 with £100; that even in 1789 those same commodities would have cost £121; and that at no time from 1782 to 1849 could they have been purchased for so little as in the latter year, when they would have cost £90. Again, if we look at the later period, we find that the commodities which could have been bought for £100 in 1845–50 would have cost £151 in 1864, and £142 in 1873, and might have been bought for £92 in 1885. Taking a general view of the whole curve, we may describe the facts it expresses in this way. From 1785 to 1810, during which time there was a very excessive issue of credit by the banks,* as well as an increase in the yield of the mines, prices rose, or the value of money fell. From 1810 onwards we may say that the tendency has been for prices to fall, and the value of money therefore to rise; but that this tendency was checked by the gold

* The usual correction has been made for the difference between paper and gold prices during the Bank Suspension (1797–1821); but this does not exhaust the effect of the Bank Suspension, which undoubtedly caused gold itself to depreciate in value.

discoveries of 1850, which caused a general rise of prices, and fall in the value of money. In 1873, the year in which silver was practically demonetised, a sudden stop was put to this rise of prices. Prices resumed their downward movement; or, in other words, the value of money began to rise again. This is the state of things in which we now find ourselves.

I am not now going into all the causes and effects of the movements recorded in this curve of prices. My object is merely to enable you to read the record for yourselves, to translate the curve into ordinary language. But I wish to say just a word or two about the general facts it expresses, because they are not perhaps exactly what you could have expected to find them; and the explanation of the difficulty will shew you more clearly what it is precisely that the curve represents.

It will astonish most persons, I think, to find that wholesale prices were on the average much higher during the first than they have been during the last half of this century. I suppose the common impression is, that though prices have undoubtedly fallen during the last four or five years, yet, speaking broadly, money does not go as far as it used to, and that an income of £300 (say) would have been worth more to its possessor the longer we go back. Well, the first remark I have to make to any who may hold this view is, that this curve does not pretend to deal with everything that money will buy. It is based only on the values of certain selected and typical wholesale commodities. It has nothing to do with retail prices, with rents, wages, or salaries, or with rates and taxes. It takes the point of view, in fact,

not of the housewife, but of the employer. It is not framed so much to measure the change in the value of gold in general, as its change in value in relation to wholesale commodities. It is this latter relation which we must study in order to observe the effect of prices on trade, and through trade upon regularity of employment. The curve therefore suits our purpose very well, though it does not give an accurate measure of the purchasing power of the housewife's income.

The second point to be borne in mind as we compare the evidence of this curve with the impressions of our own experience, is that in the period to which it refers there has been an enormous multiplication of comforts and luxuries, and a consequent expansion of wants. The luxuries of one generation have become the ordinary comforts of the next; and what were once comforts have become necessaries. The standard of comfort has risen more rapidly than the rise in the value of money. Hence the value of money, by a very common illusion, seems to have fallen.

Let us now return to the three curves representing the prices of tin, iron, and cotton between 1870 and 1885, and to the fragment of the curve of general prices which refers to the same period, and which I have repeated above them. If we compare these curves, we cannot fail to notice two points: first, the similarity in general shape of the three curves; secondly, their resemblance in general shape to the corresponding part of the curve of general prices.* Whatever commodities we had chosen for comparison, the result

* The resemblance is not so close in the latter part of the tin curve; the reason for this will appear shortly.

would have been much the same. It is one of the first importance, not only in the theory, but in the practice of business. I will express it in these words: To a certain extent the prices of all commodities tend to vary in sympathy with one another, and in correspondence with a variation in general prices. In all the variations of particular prices, then, different as they may be and various as are their causes, there is a common element of variation, due to the variation of general prices. This is our first result.

But the variation in general prices itself requires analysis. It is not a simple movement, due to a single set of causes, but a complex movement, made up, as we shall find on examination, of three kinds of movements, each due to a different set of causes. To make the results of this examination clearer, I have given you the curve of general prices for a whole century, instead of for fifteen years only as in the other cases. Let us think for a moment, as the eye sweeps over this great series of changes, what it really implies. There is something very impressive—to my mind almost awe-inspiring—about this strange curve. Its vast ground-swell, the greatest rhythm known to economic science, can only be exhibited on a scale of centuries. It forms the very backbone of our commercial history. It marks redistributions of wealth such as no Acts of Parliament have ever ventured to decree. It is difficult to exaggerate, and impossible to realise, the untold misery and innumerable changes of fortune caused by its terrible fluctuations.

But we must resist the temptation to moralise, and continue our analysis. What is the first thing that strikes us as we take a general view of the curve? It

is the regular recurrence of a wave or undulation once every ten years or so. This is the commercial fluctuation so well known in the business world by the crisis in which it usually culminates. It has been distinguished as the "credit cycle," because it is the result of the expansion and contraction of commercial credit. Jevons has calculated the average period of this cycle as about 10·6 years.

One of the elements, then, composing this complex curve of prices is a wave occurring about every ten years. But it is evident that the actual undulations of the price curve are not perfectly uniform. They are irregular in shape, and the shape is not always the same. This irregularity arises from movements in the general money market, due either to speculation in the money market itself, or to the effects on the money market of movements originating in the great wholesale markets. We must add, then, to the credit cycle, irregularities arising in the general markets, as a second element of the general price curve.

But I think you will easily detect a more fundamental movement, underlying both those I have noticed,—the ground-swell, as I have called it, of the general price curve. The oscillations of the credit cycle, and of the general markets, do not take place about a horizontal level of prices, but about a base or standard of prices, which sometimes rises and sometimes falls, and whose movements retain the same direction for long periods of time. These fundamental movements of price are caused by changes in the demand or supply of the monetary metals. We may speak of them as variations in the standard of value. I have already pointed out the general character of

these variations. From 1785 to 1810 the value of money fell, and prices rose. From 1810 to 1850 the value of money rose, and prices fell. From 1850 to 1873 the value of money fell, and prices rose. Since 1873 the value of money has been rising again, and prices have fallen to the level of 1850.

This completes the analysis of the movement of general prices, which we have now separated into three distinct movements. Before we pass on, however, I would call your attention to some consequences of this analysis. First of all, there is a marked distinction between a fall of prices due to the credit cycle movement, and one due to an alteration in the standard of value. If the low prices are the result of a credit wave, they will shortly be succeeded by high prices; if they are due to an alteration in the standard, they may possibly be followed by still lower prices. This is not always understood. A Sheffield employer not long ago complained to me that business men felt puzzled at the state of trade. They were accustomed to expect a recovery of prices after three or four years of low price; but the low prices seemed now to be persistent. Our analysis makes the reason of this quite clear. The prolonged depression of prices is not due to the ten year credit wave, but to a continuous change in the value of money. The other corollary from our analysis is this:—When the value of money is falling, the general basis of prices, about which the credit wave undulates, is an ascending line. Consequently, the years of rising prices are more numerous than those of falling prices; and the extent of the rise is increased, while the fall is broken. This was the case from 1850 to 1873; trade increased by

leaps and bounds. Since 1873 the value of money has been rising. The basis of prices is a descending line. The situation is reversed.

If we now return to our three particular price curves, —the tin, iron, and cotton curves,—we cannot fail to observe, that though, as I have said, they contain a common element of fluctuation, due to the fluctuation in general prices, yet this does not altogether account for their peculiar shapes. We can distinctly trace in them the effect of the general alteration in the standard of value, as well as of the credit cycle, and perhaps, to some extent, of the minor changes in general prices, due to movements in the general markets. But their variations are more extreme than those of the curve of general prices; and, though they shew a general resemblance to one another, each clearly has a character of its own. This individuality of the special price curves is due (*a*) to the nature in each case of the dealings in the markets for the commodity, (*b*) to special conditions affecting the demand and supply of each commodity. I have said that all the great wholesale markets have a certain sympathy with each other, and consequent effect on general prices; but they also have their own peculiar operations and movements; and, generally speaking, the smaller a market is, the more easily can it be disturbed by such operations. It is clear, too, that each commodity is subject to fluctuations in its price arising from changes in its production, due to natural causes, discovery, or invention; as well as to fluctuations in price arising from changes in its consumption, such as those due to fashion, to the introduction of a substitute, or to the opening of new markets.

Thus, if we take the case of the tin curve, the rise in the price of tin in 1872, and the subsequent severe fall, were partly due, no doubt, to the corresponding movement in general prices. But they were greatly and most mischievously aggravated by a "ring" in the tin market, made in the interests of certain financiers who were speculating in Cornish mine shares, which sent up the price per ton from £82 in 1886 to £165 in 1872. Again, the price of tin after 1877 does not shew the same clear tendency as that of iron or cotton to fall in sympathy with the general fall of prices. The slight rise of general prices in 1880, due to the credit cycle movement, becomes a considerable rise in the case of tin, while the subsequent fall is postponed and lessened. This is because the production of tin is one which just now exemplifies in a marked way what the economists call the law of diminishing returns. We are told that the old workings soon become relatively unprofitable to continue, and that new ones must continually be sought for. Thus the increased quantity required by the increasing wealth and population of the world can only be supplied at an increasing cost. It is clear that, where the supply of a commodity is subject to this law, the price tends, other things remaining the same, to rise. It would be easy to multiply similar illustrations of the effects thus produced on prices by special conditions of supply and demand; but time presses, and I must leave you to furnish other examples from your own experience.

A complete analysis, then, of the causes of fluctuation in the price of any particular commodity leads us to detect six elements of change. These elements

are graphically indicated on that part of the chart headed "Constituent Elements of Price Curves," where I have grouped them under three heads. Let us now take a systematic view of them, by way of summing up the results of our analysis.

First we have the great movement in general prices, due to the alteration in the average value of money, and known to economists as the appreciation or depreciation of the standard of value. Then we have certain periodic variations in general prices, due to variations in the quantity of credit, of which the only one we need here notice is the famous ten year credit cycle. These two may be called currency variations, or *general price movements.*

Next we come to *movements originating in the markets*, and due to dealing and speculation. These also may be divided under two heads, though their graphic representation will be the same in each case. They may either concern the general money market, or be practically confined in their effects to the market for a special commodity. In the former case they belong to the group of general price movements; in the latter they belong to the third group, the group of movements special to the particular commodity. I have placed them, however, in a group by themselves, under the head of "Markets," because the operations which give rise to both these kinds of disturbances are of a similar nature, and are sometimes very intimately connected.

Lastly, there are the *special causes of price movement peculiar to each particular commodity.* These I have arranged under the two heads of "Production" and "Consumption," or, in other words, of Supply

and Demand. Under Production we have the general law of Supply,—*i.e.* whether of increasing or diminishing returns; the effects of invention and discovery, and the contingencies of fisheries and harvests. Under Consumption we have the general law of Demand,—*i.e.* its variation with the progress of society; the effects of alternative products, of new markets, of fashion, taste, or boycotting.

These, very briefly stated, are the principal causes of price fluctuation; these are the points to which I invite the attention of those who are interested in regularity of employment. I take it for granted that most of us here wish to see these price fluctuations lessened, and confined within harmless limits. Such violent disturbances of price as are depicted on the charts before you no doubt suit the game of a certain small class of speculators. But those who wish to gamble have ample facilities specially provided for them in the present highly civilised age. There is no reason why they should make a dice-box of industry. No one objects to their staking their own fortunes; but they need not play with the fortunes of their fellow-men. I pass on, then, to consider what are the remedies for price fluctuations.

Remedies for Price Fluctuations.

With this wide and difficult part of our subject I can only deal in the most general way. It is rather for men of affairs than students of causes and effects to devise practicable schemes of reform, and to judge when the situation is ripe for introducing them. But the reason of the matter is quite clear, and I may

attempt to give you a few of the more important results to which inquiry seems to lead. I propose to deal with the various causes of fluctuation in the order in which I have just stated them, and for the most part very briefly. But I shall lay particular stress upon the first of them,—the change in the value of money,—because I do not think it is so generally recognised and understood as its importance deserves. Passing more rapidly over the other general price movements, and coming to the disturbances of particular prices, I shall consider, not so much the detailed remedies themselves, as the methods of social reform by which these and other remedies are most likely to be supplied. Thus I shall be brought, in conclusion, to notice the new lines which the evolution of industry seems now to be taking, the progress which has already been made on these lines, and the chief obstacle which prevents more vigorous, intelligent, and conscious advance.

Of the causes of industrial disturbance which may be classed as defects in our mechanism of exchange, the first and most important is the remarkable fluctuation in the standard of value. The measure of value, like the measure of time, the measure of length, or the measure of weight, should be as nearly as possible invariable ; but we have seen that it varies in a very marked degree, and that at the present time the value-unit is increasing rapidly. The value of gold as measured in commodities, by which all our contracts are regulated, is steadily rising. We must now consider the causes, effects, and remedies of this state of things.

As to the causes, it seems to me, as it does to Mr

Goschen, that the whole case "lies in a nutshell."* The value of money (assuming its rapidity of circulation to remain the same) depends upon the relation between the quantity of metal available for use as money, and the amount of the transactions requiring to be liquidated by money. Hence as population and wealth and trade increase, there will be an increased demand for money; and the value of money, so far as this is concerned, will tend to rise. On the other hand, if by the introduction of credit we can economise the use of gold, the value of money will tend to fall. Both these causes, however, have been operating throughout the whole of this century; and, since 1850, in much the same degree. Yet from 1850 to 1873 the value of money fell; while from 1873 to the present time, the value of money has been rising. We must look elsewhere, then, for the cause of this change. We find it partly in the diminished supply of gold. The effect of the Australian discoveries is becoming exhausted. The production of gold, which in 1852 was about 36½ millions sterling, has fallen off steadily until in 1884 it was only 19 millions. If gold were the only monetary metal in use, this circumstance alone would account for the change. But silver also is a monetary metal. And the supply of silver has increased as much as that of gold has diminished. It increased from 9 millions sterling in 1852 to 23 millions sterling in 1884.† Hence if the two metals had been indifferently used as money during the whole of the

* *Address to the Manchester Chamber of Commerce*, 23rd June 1885, p. 21.

† The valuation of silver in gold is made at the bi-metallic ratio of 15½ to 1.

period we are considering, there would have been little change in prices. But the unfortunate and unintelligent action of the German Government after 1871, when it resolved to exchange its former silver standard for a gold standard, set in train a series of events which ended by practically demonetising silver in 1873, and causing a largely increased demand for the already shrinking supplies of gold. France, which for seventy years had been using both metals under what is called the bi-metallic system, was obliged to suspend the operation of this system, and to restrict the mintage of silver, at the same time largely strengthening its supply of gold reserve. The other countries which with France formed the Latin Union necessarily adopted the same policy; Italy going still further, and resuming cash payments upon a gold standard. This being the European situation, when the United States resumed cash payments in 1878 they found it impossible to revert to their former bi-metallic standard, and were obliged to restrict the coinage of silver dollars. The net result of these changes is thus estimated by Mr Goschen. Germany, he says, has since 1872 demanded £84,000,000 more gold; Italy, £16,000,000; and the United States, £100,000,000,—an extra demand for £200,000,000 falling upon a metal whose annual supply has diminished fifty per cent. It is no wonder that prices have declined. It has been said that Mr Goschen's estimate was excessive. But even if we take the lowest put forward seriously, that of the *Economist*, which makes the new demand caused by the action of Germany amount to £140,000,000, we have still an ample explanation of the fall of prices.

We may look at the matter from another point of view, and the result is much the same. How much gold have we been able to secure in the United Kingdom for our own use during the period since 1850? If we take the balance of imports over exports of gold (bullion and specie) as given in the Statistical Abstracts, we find that for the thirteen years 1858*–1871 inclusive, the average balance of imports is 6·8 million pounds a year; and for the thirteen years 1872–1884 inclusive, the average balance of imports is 0·7 million pounds a year,—that is to say, our net imports for all purposes in the latter period have been about one-tenth of our net imports in the former. This evidence, I think, should be enough to convince the unprejudiced that the fall of prices is due to a scarcity of gold, largely caused by the action of Germany in 1872.†

I admit, of course, that in a highly-banked modern society, where you must allow for the disturbing influence of the fluctuations of credit, the relation between money and prices is difficult to trace, and by no means obvious at first sight. Jevons has called it "the Gordian knot of economical science." But the

* The figures for imports are not registered before 1858.

† It may be noticed, as a further proof, and as an example of the power of prevision which always goes with real scientific insight, that the results which I have attributed to the German demonetisation of silver were predicted by Mr Seyd in 1868 as certain to follow any operation of the kind. "It remains to be seen," he added, "whether the universal adoption of the English system will not move away the foundation of that system." Perhaps we may hope that if the system does become universal, the consequent disturbance of prices will necessitate its being recast, and placed on a more scientific basis.

relation exists, none the less. Though the causes are disguised in their operation, and the effects modified in amount, yet variations in the supply of money have the same substantial influence on prices as under a simpler system. The reason is, that the monetary metal, though it only forms a small percentage of the total circulation, has a controlling influence on the remainder of it. On this the best authorities are agreed.* There are always some persons who, when the matter in dispute relates to the currency, refuse to put two and two together. These persons, in 1809, when bank-notes were inconvertible and greatly over-issued, so that a £5 note was only worth £4. 7s. in gold, asserted that it was not the notes which had become depreciated, but gold which had risen in value. So to-day we are told by some that the fall of prices is not due to a scarcity of gold, but to "over-production." Nearly all I have to say about the remedies for a fall of prices assumes the error of this view; but I do not intend to occupy any more of your time in arguing the point; the facts are really too strong.

There are others whose views I must not so lightly pass over. They cannot resist the evidence as to the

* "The special importance of cash in the modern industrial system, though it is not, as in a simple system, a large portion of the circulating capital of a country, is established. It is of immense regulating power. It is able to produce changes in the money market, and affect for a time, at least, the rate of discount in the short loan market. If the rate of discount, in turn, cannot but affect operations of every sort on which prices and wages depend, then the influence of 'cash' on transactions, even in the modern system, is placed beyond doubt."—R. Giffen, *Essays in Finance, Second Series, 1886*, p. 66.

Cf. Prof. J. S. Nicholson, *The Silver Question, 1886*, iv.

cause of the fall of prices; but they deny that the thing itself is of any importance. Some of them say that it makes no difference to trade whether prices rise or fall; others, that the difference is slight, and, if anything, is in favour of falling prices. Obviously, if either of these views be right, we may be well content with the present situation. No remedies of any kind are required. This is not the general opinion of the business world; and on this point I believe the general opinion is right. Let us consider the matter for a moment.

In some of the well-meaning but, as I think, misleading little books, which attempt to compress into a few pages the principles of the great complicated study of economics, you will find the question of money disposed of by a simple metaphor. Money, it is said, is only the counters of the great game of trade. Whether you have much or little money is a mere matter of convenience. It does not affect the result of the game. It is simply a question of carrying more or less of the currency metals in our pockets. If this is so, then the less money we have the better. I need hardly say that this view is an extraordinarily superficial one. There is just a grain of truth in it. If in all countries alike a permanent level of prices were established, then it would matter very little whether that level were high or low. But if one country has a higher level of prices than another, very important consequences result, generally favourable to the country with the higher prices. And, as a matter of fact, the level of prices is not permanently fixed; we have seen that it is constantly fluctuating. Now, though it may make little difference whether prices are high or low in

the abstract, it makes a very great difference whether prices are steady or variable; and still more, whether they persistently rise or fall. For practical purposes, then, variations in the quantity of money are of great importance.

If these variations are violent and sudden, they are injurious, for the same reason that all sudden and violent fluctuations are injurious. They unsettle social relations and injure the weak. But whereas other fluctuations may possibly be confined to a single trade, fluctuations in the value of money affect all trades. We have had some memorable examples of such fluctuations, especially in France in 1793, and in the American colonies before 1776. The American statesman Webster, writing in 1780 of the mischief caused in the States by what he calls "the most dreadful calamity of a fluctuating currency," says: "We have suffered *more* from this cause than from *every other* cause or calamity; it has killed *more* men, pervaded and corrupted the choicest interests of our country *more*, and done *more* injustice, than even the arms and artifices of our enemies."* Fortunately the mass of the precious metals existing in the world is so large, that no probable variation in their annual supply is likely to produce sudden disturbances of this kind. Such disturbances have usually been the result, as in the two cases mentioned, not of changes in the supply of the metals, but of arbitrary issues of paper money. It is possible, however, even without the issue of paper, for Governments greatly to disturb prices by alterations of the metallic standard; and the principle is the same in either case, so far as the effects are concerned.

* P. Webster, *Political Essays, 1790*, p. 71, &c.

But let us suppose that Governments abstain from irregular operations of this kind, and that violent disturbances of the kind Mr Webster referred to are things of the past. We are still liable to changes arising from the natural demand and supply of the monetary metals. These changes, it is true, are small and gradual in themselves; and if, on the average, they neutralised one another, little harm would be done. But they are usually cumulative; they continue in the same direction for long periods of time; and so changes which from week to week pass unobserved, amount in the course of years to serious dimensions. Now, if all sales were for cash, and all contracts liable to daily revision, these changes in the value of money would matter little. But momentary contracts would be intolerable, not to say impossible; no society could exist on such terms. The great bulk of commercial transactions rest on deferred payments of some sort or other;* and all the great operations of industry, agricultural or manufacturing, require arrangements extending over long periods of time. It is evident, then, that even gradual changes in the value of money may play havoc with our elaborate economic relations. At any rate, all such changes are thoroughly unjust. Take, for instance, the case of a man who in 1873 borrowed £142. Prices have since fallen to such an extent, that £92 will now buy what £142 would have

* Mr John Rae, in an interesting article on *The Natural History of Credit*, which deals with the recent American Consular Reports on the credit habits of the world, states, as the general result, that from seventy to ninety per cent. of the world's business is done upon credit.—*Contemporary Review, August 1886*, p. 254.

bought in 1873. Yet the unfortunate debtor must pay the full nominal sum borrowed; that is to say, his debt is practically increased more than fifty per cent.* If, instead of falling, prices had risen in a similar degree, the same injustice would have resulted. But in this case the creditor would have suffered; the debtor would find his debt lightened by fifty per cent. Can a system which permits of such arbitrary revolutions in the distribution of wealth be rational or tolerable? I confess it seems to me in the highest degree barbarous and uncivilised. The very earliest economic writings we have were protests against the wrong and mischief caused by such changes. Yet nothing has been done. The whole fabric of monetary contracts is left at the mercy of accident, hanging upon the chances of mining discovery.

What is the apology offered for this singular state of things? We are told that it involves no injustice, because when people make monetary contracts they know what they are about. If they bargain to receive £5, what they expect is about 1¼ ounces of gold, and this Government undertakes to see that they shall receive. I venture to assert that this highly theoretical view does not represent the common-sense expectation of the public. What the ordinary man who lends £5 expects, is to receive about the same amount of general purchasing power as he lent. It is nothing to him how many ounces of gold this may at any time happen to command. If you say that he

* Twenty-five per cent. of this rise may be due to the alteration in the value of the standard itself; twenty-five per cent. to the effect of the credit cycle, which in 1873 was at its maximum.

might have discovered for himself that Government does not guarantee him this, and that therefore there is no injustice, I still contend that there is enormous inconvenience. The difficulty of foreseeing what your engagements may involve you in becomes almost insuperable. Contracts, it is true, might be left open to adjustment according to the variations in the standard. But it would still be difficult to make these adjustments really fair. And as there must be two parties to a bargain, it is not enough to satisfy yourself. You have also to persuade the other party to take your view. The serious troubles that have arisen of late in regard to the wages bargain, will shew that it is easier to talk about such adjustments than to make them. It may be allowed that it would not be a simple matter to establish a really uniform standard of value. But the practical question is, whether it would not be a far simpler matter than the establishment of all the adjustments which are required when the standard is allowed to vary.

I think, then, there can be no doubt that justice and convenience alike would lead us to aim at a uniform standard of value. But supposing such uniformity cannot be attained, and that prices must either rise or fall, is there anything to choose from a public point of view between these two movements? It seems to me that there is; and that the balance of social advantage is in favour of rising prices. Whichever way prices move, the public are likely in one sense to lose. The middleman is almost certain to gain at their expense. When prices are rising, he exaggerates the amount of the rise, and raises retail prices in more than due proportion; when prices are falling, he does not give the

public the full benefit of the fall, and delays his reductions as long as possible.* Compared with the dealers, the public are always the weaker class, and lose when customary prices are disturbed. But their loss is greatest when prices fall. When prices fall, creditors gain at the expense of debtors. That is to say, the retired and inactive classes gain at the expense of the active and able-bodied; the owners, at the expense of the employers, of capital. Observe, too, that the greatest debtor is the public itself, which owes the fund-holders some £740,000,000. By the fall in the value of money since 1873 this enormous debt has been practically increased in weight twenty-five per cent. The effect is the same as if some £180,000,000 of fresh debt had been incurred. Wherever fixed payments have to be made, the same thing happens.†

It may be said that as wages are comparatively fixed payments, the wage-receiving class at all events will gain by a fall of prices. Their wages will not fall so fast as prices do; just as when prices rise, the rise of wages is sometimes delayed. There is some truth in this view. If employment were not disturbed, the wages class, and still more the salaried class, would be gainers by a fall of prices. But here we come to the most serious effect of falling prices. They depress industry and trade. The very language of the markets

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* See the example of Smyrna raisins, quoted by Mr Goschen in his *Manchester Address*, pp. 24, 25.

† One of the principal causes of the rack-renting of Ireland in 1830–40 is said to have been the fall of prices which set in about 1820. Rents remained the same, while the prices of produce fell.

bears unconscious testimony to the effect on trade. All the terms used to denote a state of rising prices are favourable ones. When prices are maintained, the markets are "buoyant," "better," "firm," "fair," "strong," and "improve"; when prices decline, they are "languid," "depressed," "slack," "drooping," "lifeless," and "dull." It is the same with industry. And the reason is clear. The expansion or depression of trade depends upon the estimate formed by the employer. Falling prices injure him in several ways. He loses as one who has to make fixed payments, whether for money borrowed, for rent, or for rates and taxes; he loses as a buyer of raw material, whose value falls in the process of manufacture; he loses as a holder of stocks of finished goods, which depreciate every day he holds them; he loses as one who pays wages and salaries, which he finds it very difficult to reduce. It comes to this, that when prices fall his receipts diminish, but his expenses are to a considerable extent fixed. He therefore loses heavily by the change. It is no wonder, then, that he curtails production, and waits for demand instead of anticipating it. But this means a serious restriction of employment. I say serious, because if the restriction is only five per cent., it means not that each of the employed obtains five per cent. less employment, but that five per cent. of the employed, with all who depend upon them, are thrown out of work. The gain of the employed is largely swallowed up in assisting the unemployed. Not only so, but these men being thus deprived of their usual purchasing power, the demand for the products of other trades falls off. Thus the mischief

extends, and what we call a general depression of trade sets in.*

Even a fall of prices, of course, is not an unmixed evil. The depression to which it leads gives time for reflection. Attention is turned from details to principles; from the quantity of the product to the process of production. Necessity becomes the mother of invention; small profits lead to large economies. The ordinary or popular form of speculation is heavily handicapped; falling prices do not suit operators for the rise. Thus while the expansion of trade is arrested, what trade remains is likely to be more solid. All this is true, but it should not count for much. We might as well argue that plagues are good things, because, as they are more fatal to the sickly than to the strong, the average health of those who survive them will be high. There are few things for which something cannot be said. On the whole, the position of industry struggling with falling prices seems to me fairly comparable to that of a man rowing against a stream. It is good for the muscles, no doubt, and it keeps the attention alert. But it involves a great and unnecessary strain; and there are few who would not prefer level water, even at the expense of an occasional delay at the locks.

I think I have now shewn good reason why, if it is at all practicable, some measures should be taken for dealing with these changes in the value of money. It remains to offer a few suggestions, which I do with all

* See for admirable descriptions of the way in which this disease of depression spreads: Bagehot, *Lombard Street*, pp. 125–128; F. A. Walker, *Money, Trade, and Industry*, pp. 126–136.

reserves, as to some of the courses which we might adopt.

It would be much, in the first place, if the actual movement of prices was clearly ascertained and widely published. So long as prices are at the mercy of the action of Governments and the yield of the mines, we could never positively predict the course they would take. But much would be gained if it were generally recognised that such a thing as a continuous and steady fall exists, and that we are not merely at the bottom of one of the ordinary ten-year oscillations. Idle and baseless expectations of a recovery, such as we commonly find held by business men, would then be swept away, and the facts faced fairly. The fall might be to some extent discounted. Again, arrangements might be made by which the movement of prices might be compensated. Wages and salaries might be adjusted by sliding scales. Mortgages, settlements, long loans, rents, and royalties might similarly be made to vary with the value of money. And thus the tendency of a fall of prices to depress industry might be largely counteracted. As a basis of these adjustments, we should require what is called an "index number," which amounts in substance to a measure of the change in the value of money; and this index number must be officially or semi-officially ascertained, in such a way as to be received with absolute confidence by the public. It is probable we should find that for different purposes different index numbers would be required. These, however, might be provided accurately enough for practical purposes, and without any great difficulty and expense. It is the very least that should be done.

This solution seems to me, however, very insufficient and unsatisfactory. It would involve innumerable adjustments, some of which would certainly cause friction as well as expense. It would greatly complicate bookkeeping. Most commercial payments, though deferred, are only deferred for short terms, and it would be difficult to adjust these at all. It would evidently be far better to prevent the need of adjustments. Suppose that the yard measure in common use varied from day to day with the temperature, to the great inconvenience of trade; and that some one were to propose to ascertain the variation for each day, in order that prices might be adjusted to correspond with it. I think you would say that the idea was unnecessarily ingenious. The obvious remedy would be to compensate the measure itself, as you compensate a balance-wheel;* or else to choose a measure which did not vary at all. The difficulties are greater in the case of money, because every monetary question is necessarily an international one; but the principle is the same, and it must sooner or later be admitted. Those who advocate a uniform standard of money to-day are often called "currency quacks." You might as well say that those who first determined the mean solar day, on which our time measures depend, were quacks. I feel sure that the Macaulay of the future will point to our present money system

* So long ago as 1856, Mr William Cross ably advocated a monetary standard corrected by means of an index number. See his *Standard Pound v. the Pound Sterling* (Aberdeen, 1856).

Another method for securing the same object has recently been proposed by M. Walras.

as a most triumphant proof of the barbarism of the nineteenth century.

But public opinion moves slowly, and is nowhere more conservative than in currency matters. It will probably be a generation, at least, before the great difficulties connected with the establishment of a uniform international standard of value are successfully encountered. Meanwhile industry is suffering; and the question arises whether some practical relief cannot be given, without waiting for an ideally perfect system. Several schemes of this kind are now before the public; the object of them all being to lessen the strain on gold, and thus arrest the fall of prices.

The first place among these schemes belongs to the proposal to re-establish bi-metallism. It was the collapse of bi-metallism that originally produced the fall of prices; and there can be no doubt that its restoration would cause prices to rise. Mr Giffen urges that the rise would only be temporary; in which case it would merely be a new disturbance, and a fresh source of mischief. To me it seems that, while the supply of silver is increasing at its present rate, the revival of bi-metallism would permanently maintain prices. It would also economise money, by ultimately leading to international money, and lessening the necessity for bullion payments. I cannot, however, pretend to argue out the question here; I can only offer you my opinion for what it may be worth. You will find an excellent and clear exposition of the whole matter by Professor Nicholson in his pamphlet on *The Silver Question*, with the general result of which I entirely agree.

Had this country shewn the slightest disposition to give any assistance, I think we cannot doubt that

bi-metallism would long since have been re-established. But since 1816 English opinion, or perhaps I ought to say English prejudice, has been generally hostile to that system; and at the present moment it is still the great obstacle in the way of its resumption. Other proposals have therefore been made which do not involve the adoption of the double standard, and which it is thought might have more chance of acceptance. It has been proposed to issue £1 notes in England (on the existing system of issue), and so set free a certain amount of the gold circulation; but this scheme seems to involve a certain risk of lessening the coin available for reserves. Lord Grey has also proposed to issue £1 notes on a silver basis, thus utilising silver at the same time that gold is set free. And M. Chevassus has proposed to make international payments by silver warrants, based upon silver bars lying in the great national banks.

All these proposals have one great merit, which attaches, I think, especially to the proposal to issue £1 notes. They tend directly not only to relieve the strain on gold, but to replace a metallic by a paper circulation. They would thus immensely facilitate any further step in currency reform; whether in the direction of bi-metallism, or of a regulated standard. Looked at in this light, then, there is much to be said for such proposals; and in any case they are signs that public opinion is at least roused to the importance of the subject. But if we are to regard them as final, they must be condemned as inadequate, and as open to Mr Giffen's objection mentioned above, viz., that their effect would only be temporary. No radical cure can be obtained by measures of this kind. The

monetary question can only be finally solved by the accord and concert of the civilised nations.

Of the remaining causes of fluctuation I can only speak in the briefest terms. The next in order is the ten-year variation of prices known as the credit cycle; the only one of the series of periodic commercial fluctuations described by Jevons which occasions much practical disturbance to industry. It was once described by Lord Overstone, in terms often since quoted. "Trade," he said, "revolves apparently in an established cycle. First we find it in a state of quiescence,—next movement,—growing confidence,—prosperity,—excitement,—over-trading,—convulsion,—pressure,—stagnation,—distress,—ending again in quiescence."* What are the causes of this great commercial tide? It seems to arise, in the first place, from a general predisposition to disturbance, characteristic of modern industry, and due to its high degree of organisation. This sensitive condition is partly the effect of the very elaborate degree to which division of labour is carried, and of the intricate dependence of trades on one another which results. Still more, I think, it is due to the extent to which we have carried the development of credit. We have erected a very vast fabric of credit upon a narrow basis of gold. It is probable that if one-thirtieth part of the obligations to pay in gold which exist were suddenly presented for payment, a financial crisis would ensue. Such a system is not necessarily unsound. It is like railway travelling, which offers infinite possibilities of accident, but which is very safe

* *Reflections on Horsley Palmer*, 1837, p. 44.

when the management is good. Our credit system is secure enough so long as the conditions it assumes hold good; but it is necessarily very sensitive to any alteration in those conditions. And the same may be said of our industrial system. Division of labour implies that the direction of industry is more difficult; but it does not necessarily involve periodic industrial crises. The general sensitiveness of modern industry is something we cannot hope to remove. We shall always have to reckon with it. It is the unavoidable price we have to pay for the advantages of high industrial organisation. But, in spite of this sensitiveness, actual disturbance might be kept within harmless limits, if it were not for the misdirection and unintelligent development of industry on the one hand, and rash speculation, fostered by bad banking, on the other. The first leads to commercial depression; the second to financial crisis. Limited liability enterprise seems to be an active factor in both kinds of disturbance, leading, as it so often does, to reckless competition, and irresponsible, inefficient management.* Among the remedies for such disturbing

* The President of the Institute of Bankers (Mr Tritton) stated in his *Inaugural Address*, October 21, 1885, that "the undue stimulus and excitement of 1879–1882 [in the shipping trade] was, in no small degree, the result of the introduction of the principle of limited liability into shipowning."—*Jour. Inst. Bankers, 1885*, p. 439.

Much evidence to the same effect was given before the Royal Commission on Trade. See, for instance, Mr Albert Simpson's evidence.—*Second Report, Part I. of Appendix*, pp. 378, 379.

This result was predicted, before the passing of the Companies Acts, by M'Culloch:—"On the whole, nothing but

forces, I would first mention sound, prudent banking, with all that this implies. The banker occupies a position of great influence in this matter. He is very centrally placed, and possesses wide information of the state of trade; and he largely controls the movements of capital. It is only fair to bankers to notice that they steered us safely through the depression of 1878 without anything deserving the name of a financial crisis, such as occurred in previous depressions. It has been said that our escape was partly due to the premature arrest of the rise of prices in 1873, caused by the demonetisation of silver; and this may be true. But something must be placed to the credit of good banking. There is still room for improvement in our banking system. We want a clearer distinction between real and fictitious bills; stronger reserves; and a more elastic system of note issue. But we have made great progress already; and there are signs in the increasing organisation of banks, both here and in the United States, that new advances are to be expected. In regard to industry, much is to be hoped from a better knowledge of the state of trade, and of the circumstances of the consumer. Trade organisations and trade journals are doing something in this way. It would also be wise to

mischief can be legitimately anticipated from the establishment of partnerships with limited liability, or *en commandite*. It was not by the aid of the principles which they involve, by shirking responsibility and evading the risks inseparable from all undertakings, that we attained to our pre-eminence in character, in wealth, and in manufacturing and commercial industry. But are we well assured that the adoption of a contrary system will not mark the era of our decline?"—J. R. M'Culloch, *Considerations on Partnerships with Limited Liability, 1856*, p. 26.

study small economies, rather than to snatch at excessive and rapid gains. The use of shorter credits in business, wholesale and retail, is also a healthy symptom of the times; and there should be smaller facilities for heavy speculation on small margins. Some alterations must certainly be made in the law relating to joint-stock companies. We want much fuller information in regard to the capital actually subscribed and borrowed. Liability should be better proportioned to responsibility. If directors were liable to the extent of four or five times their share interest, the management would become a little more prudent; and if profit-sharing were introduced in arranging the salaries of the employed, there would be less waste and defalcation.

Finally, if, after all such reforms, there still remains a certain cyclical movement in trade, arising perhaps, as Jevons thought, from the changes in the tropical harvests, we can at all events discount this movement to a great extent. Public works, and permanent improvements of all kinds, should be reserved, as far as possible, for the years when prices are low. The railways are said to have followed this principle in some degree. It might even be possible to do something more in the way of taking contracts for long terms of years at fixed prices. The principles of reform, then, are the same as in the case of variations in the standard of value. We must lessen the fluctuation, so far as this is possible; and so far as it proves to be unavoidable, we must ascertain and publish its amount, and discount its effects.

I must pass on to consider a third class of fluctuations. So far we have only noticed the compound

movement of general prices, made up of the alteration in the average value of money and the credit cycle. We must now notice those movements of price which result from dealings in the markets. It is these which give the price curves their irregular ragged outline; and which I have represented graphically by the third line on the left hand of the chart. The small indentations at A A′ stand for the ordinary higglings of the market; the deeper notches at B B′ for the effects of "corners" and "rigs." I have already observed that if these disturbances originate in the general money market they will affect all the special curves in a similar way, though not necessarily to the same extent. But they may be confined to particular markets; and thus will give to each of the special price curves a character of its own. Now what are we to say about the general working of our great markets, so far as the public good is concerned? Two extreme views are frequently expressed upon this subject, with neither of which I entirely agree. You have the optimistic view, on the one hand, as held by Adam Smith. His defence of the trader is well known. The trader was a man who followed his own interest, without thought of the public good; but his interest, Smith thought, was always the same as that of the public, at all events where the markets were large. Consequently in following his own interest he necessarily promoted the welfare of the public; and any attempt to regulate his action must either be useless or hurtful. Men of socialistic leanings usually take a very different view. They dislike all markets, as the most typical and pronounced forms of individualism, and denounce dealers as the parasites of industry; while the money market,

as the largest and most influential of all, comes in for an especial share of denunciation. Thus Mr Rae tells us that "Schaeffle, who is not only an eminent political economist, but has been Minister of Commerce to one of the great powers of Europe, says that when he got acquainted with the Bourse he gave up believing any longer in the economical harmonies, and declared theft to be the principle of modern European commerce."* I think this view is exaggerated. I agree with Mr Rae that the Socialists are too apt "to take the Bourse to be the type of capitalistic society, and the fraudulent speculator to be the type of the Bourse." No doubt personal relations, old commercial traditions, and public opinion, count for less in the world of finance than in the smaller and more local markets; and irresponsible speculation of the gambling type certainly flourishes there.† But the power of speculators to injure the public, even on the Stock Exchange, is generally overrated. There is a great deal of speculation, the whole, for instance, of what is called *arbitrage* business, the direct effect of which is to level prices. Deliberate attempts to disturb prices form the exceptions in the great mass of market dealings. And we must admit that in some respects the great markets are marvels of modern enterprise; and that in these respects the Stock Exchange stands first of them all. That £300,000 of consols can be sold in a day by a single broker without altering the price one-eighth

* John Rae, *Contemporary Socialism*, pp. 376, &c.

† The market itself has been the instrument rather than the source of fraudulent finance. The business of "promotion" must not be confused with that of dealing. The promotion frauds were concocted outside the market proper.

against the seller is a wonderful fact.* It could not be done but for the aid of speculation; but it means an immense public convenience. The existence of powerful markets of this kind provides a constant and accurate measure of the value of all kinds of property. The exactness of this measure can be tested by the "closeness" of the price,—*i.e.* by the difference between the buying and selling price. Every one knows that on the great wholesale markets this difference is sometimes as small as one-fourth or one-eighth per cent. Compare this with the difference in the buying and selling price of a painting, an old book, or an article of furniture, and you will be able to form some idea of the advantages we derive from great and well-organised markets. They add greatly to the certainty and calculability of commercial transactions; they increase the fluency of capital and the flexibility of industry; and they unquestionably tend so far to realise the ideal of Quetelet, to keep the fluctuations of price within narrower bounds.

This is the favourable aspect of the modern market. It is the result of the great ability and shrewdness of the dealers, the immense capitals they control, and the keenness of their competition. But there is another side to the picture. With the best intentions mistakes are often made. Adam Smith's tacit assumption, that men always follow their own interests, is often very wide of the mark. Their action is apt to be affected by ignorance, by habit, and by over-haste to be rich. A great merchant once remarked to me that men of business follow one another into a plausible invest-

* *Evidence before London Stock Exchange Commission, 1877*, Mr R. Thorp, Q. 5385, &c.

ment as blindly as a flock of sheep scamper after their leader over a gap in the wall. Or, as another City friend put it, "they seem to run in blinkers." They understand pretty accurately what lies just in their way; but as soon as they travel outside the daily routine, or are brought face to face with strange circumstances, they are at sea, and just as liable to be the victims of fraud or mistake as any one else. Hence miscalculations are made and prices disturbed. Again, the very smallness of the profits on ordinary dealings, and the keenness of the struggle for business, leads some into a kind of speculation which is either deliberately fraudulent or criminally reckless. The attempt is made to gain profits not by levelling, but by creating disturbances of prices;* and though, fortunately, these attempts often result in the collapse of the conspirators, they generally also injure the public. The memories of the Glasgow Iron Ring, the American Gold Ring, the London Coal Ring, and the Liverpool Cotton Corner, will be still fresh in the minds of many of my hearers. In Russia they appear to deal with manœuvres of this kind in a summary and effective way. The price of corn having been artificially raised there in November 1880, "Count Melikoff,

* "The irresponsibility of a great portion of the operators, unknown to the public, is continually setting home and foreign markets in courses for which no intelligible reason can be found by legitimate traders, and creating universal embarrassment and loss; but when to this is added operations of a gigantic nature, in which one man or a 'ring' deliberately sets to work to manipulate markets, effects are produced the disastrous character of which cannot be measured, for the influences are so widespread, and touch so many various interests throughout the world."—Halked, *Nineteenth Century*, October 1881, p. 535.

in the course of an interview with prominent grain merchants, hinted plainly that if prices were made too exorbitant some of them might have an unexpected opportunity of visiting the outlying parts of the Empire."* It is natural to give vent to the indignation which every honest man feels at speculation of this immoral kind, and to regret that the most gigantic attempts at obtaining money under false pretences, which so seldom come within the reach of the criminal law, cannot be dealt with after the Russian fashion. But in a free country offences must be defined before they can be punished; and, as Bentham observes, there are many offences which are not made crimes for the sufficient reason that they cannot be defined with the clearness necessary to secure a conviction of the offender. That seems to be the case here. After carefully examining the question, I do not see how, for practical purposes, criminal can be distinguished from beneficial speculation. But very much may be done indirectly which would make such speculation very difficult. In all commercial statements there should be the fullest publication and guarantee of material facts. We should then be able to avail ourselves of the ordinary law against fraud, where these facts had been misstated or concealed. And all market transactions should be public, both as to quantities and rates.† Further, to secure these and other ends,

* St Petersburg telegram, *Standard*, 9th November 1880.

† "The Socialist demand for commercial statistics is to be approved. They would benefit everybody but the dishonest dealer."—John Rae, *Contemporary Socialism*, p. 378.

Statistics check gambling. Men do not bet on a certainty; and the more commercial forecasts are reduced to a science, the less room there is for the gambler.

markets should be organised, and business on them conducted according to rules framed by the persons interested, and approved by the Board of Trade. With these reforms, I do not think much industrial disturbance could be caused by the dealings in markets. Speculation may possibly be on the increase; but ordinary speculation more frequently levels than disturbs prices. Upon the whole we may expect prices to be rather more than less regular, so far as the effect of market dealings on them is concerned. The tendency to greater steadiness will increase with the size of the markets, the capital and the intelligence of the dealers, and the publicity that is given to market transactions.

We have yet to deal with another class of disturbances in our rapid review of the causes and remedies of price fluctuations. I have said that each commodity has its special price disturbances, over and above those which it shares with other commodities, and which are due to movements of general prices. Some of these special price disturbances originate in the special markets for the commodity, and these we have already considered. But the most serious of the special disturbances, and the most difficult to remedy, are those which are connected with the supply and demand of the commodity, or, as I have expressed it on the chart, with the conditions of its production and consumption. It remains, however, briefly to consider this last group of price changes.

I have already mentioned, as an illustration of disturbances of this kind, the tendency to a rise in the price of tin, due to the gradual exhaustion of the old

sources of supply and the increasing difficulty of discovering fresh ones. For an instance of the opposite tendency, I might have taken the steady fall in the price of cotton piece goods, due to the progress of invention in cheapening manufacture. These two examples illustrate two great general laws affecting the production of all kinds of commodities. So far as there is a scarcity of the requisites of production, whether of raw material or of skilled labour, increased supplies will only be obtainable at increased cost. This is what economists call, in their technical language, the *law of diminishing returns.* Now, in the general progress of wealth and population, the demand for a commodity will naturally increase. So far then as its production is affected by the law of diminishing returns, its price will rise. On the other hand, if the difficulty in production is one chiefly of manufacture, it is certain, in the progress of society, to be constantly lessened by the better direction and organisation of labour, so that increased supplies will be obtainable at lessened cost. This is what economists term the *law of increasing returns.* So far as the production of a commodity is affected by this law, its price will tend to fall. Now both these laws affect the production of every commodity, but in very different degrees. Sometimes the difficulty of manufacture is trifling, and the scarcity of material of first importance ; sometimes the material is practically unlimited, and difficulty of manufacture the chief consideration. In the first case, the law of diminishing returns gets the upper hand, and price rises relatively to other commodities; in the second case, the law of increasing returns predominates, and price falls. Thus the prices

of leather and indigo have risen about fifty per cent. since 1850, and the price of tobacco more than one hundred per cent; while the price of cotton yarn has fallen nearly twenty per cent.

If you will look once more at the left-hand chart, you will see an attempt to illustrate by a diagram the effect on price of changes in the conditions of production. I have taken the case of a commodity such as meat, for instance, where, speaking generally, we should expect the law of diminishing returns to get the upper hand, and price therefore to rise as population increases. I have indicated that rise of price by the line A B G. But at B (suppose), new sources of supply are discovered; Australian and American meat become available to our market in the tinned form, and bring down the price of fresh meat to C. From this point the price resumes its upward movement. But perhaps at D the progress of invention makes it possible to import meat in joints, of equal quality and freshness with the home-grown article. Price falls again to E, before resuming the inevitable ascent. And thus, by the effect of discovery and invention combined, we find that the price, which would otherwise have risen to G, has been so interrupted in its tendency to rise, that it has actually fallen to F, or below A, the point from which it started.

Similar changes in price are brought about by changes in the conditions of consumption or of demand. Such changes are illustrated in a similar way in the last of the diagrams on the same chart. Thus, if we suppose no alteration in the conditions of supply of such an article as wool, for instance, we should

expect that as population increases the price of Bradford goods would rise, as indicated by the line A B G. But at B perhaps an alternative product, say a French cashmere, is introduced, and the price falls to C. After resuming its rise to D, a new market may be discovered. By judiciously baiting the untutored taste of the Kaffir with a striking arrangement of the brightest hues in the spectrum, he may be made a large purchaser of English woollen rugs; the price of woollen goods rises still more sharply to E. At E suppose a change of fashion takes place; Bradford goods are "not worn." I will not attempt to penetrate the mysteries of the feminine mind, and to hazard a guess at the causes competent to bring about such an event as this. Like earthquakes, and other inscrutable dispensations of nature, such changes of fashion do take place. There is no doubt about their effects, at all events. In this case price would fall, as to F, and perhaps more sharply than I have represented it in this diagram.

I do not pretend to have here given an exhaustive account of the changes of price due to special conditions of demand and supply. In particular I have not noticed such changes as are caused by the action of Governments, whether in controlling consumption by police prohibitions, or in affecting supply by protective tariffs, or by taxation imposed for revenue purposes. What I have said may serve to indicate the *kind of effects* falling under this head. It is evident that they are extremely difficult to deal with. There must always be sudden advances in invention, unexpected discoveries, and unaccountable changes of fashion. But I think these necessary disturbances should be socialised, distributed in their effects, so that they

should not fall with such crushing severity upon individuals. The harvests vary now as much as they ever did; but whereas in barbarous states of society the effect of a bad harvest was severe and localised, causing absolute starvation in limited districts, the effect of civilisation has been to distribute the pressure, so that it is easily borne, and sometimes escapes notice. Something of the same kind seems to be required here. When, by an introduction of free trade, or a new invention, bringing with it immense gain to society as a whole, an industry is extinguished, and numbers of honest men reduced to destitution which is no fault of theirs and which they could not have foreseen,—there seems to be a clear case for some assistance from the public, which has gained by the change, to the victims who have been ruined by it. It was suggested more than fifty years ago that, in the case of inventions, the necessary funds might be derived from a royalty on their use; and Adam Smith recommended that where a large industry might be disturbed, free trade should be introduced only by slow gradations. Neither suggestion suited the selfish individualism of modern industry, and neither was adopted. Again, though taste and fashion will always change, there does not seem to be any reason why they should change so suddenly and peremptorily. The cheap and immediate satisfaction of every unreasonable whim of the consumer is not the sole purpose of our economic organisation. The old gilds had their faults; but one of their merits was, that they made rapid changes in the amount and kind of employment less practicable. And the trade unions have done much to grapple with this difficulty, in the

organised trades, by their regulations in regard to apprenticeship. It must not be supposed, either, that the remarkable changes in the demand for commodities are wholly owing to the mere blind caprice of fashion. Changes of fashion are often due to the steady deterioration in the quality of articles which sets in the moment they become open to the fierce and unscrupulous competition of the open market. And many of the changes in demand are such as might have been foreseen by intelligent persons, had there been a proper collection of statistics of consumption, and a careful estimate of the variations in the purchasing power of the available customers.

To meet these mischiefs, then, we seem to want organised trade action* to control the destructive competition of the more grasping individuals, and better information to direct those who lead. The general character of the remedies required is the same in the case of these more special and intractable causes of disturbance as in the case of those which arise out of defects in our monetary and commercial mechanism. In both cases alike, action has been too individualistic and too ignorant. There has been too much isolation in currency matters, as much as in industry; and in both alike too little publication, and

* I do not say *nothing* can be done by the individual without organisation. Thus Mr Rathbone, speaking at the twenty-second annual meeting of the Liverpool Central Relief and Charity Organisation Society, 21st December 1885, contended that by a little thoughtfulness and system on the part of the large shipowners more regularity and continuity might be given to dock labour, and much distress prevented; and no doubt the same thing is true in all trades.

consequently too little understanding, of the essential facts. Thus, as I hinted at the beginning of this lecture, we seem to be brought at all points to the same conclusion. Future economic reform must proceed on the two lines of Organisation and Publicity.

Organisation and Publicity.

Here, then, after our discussion of the various causes of industrial disturbance, we get to two fundamental principles, which sum up and underlie a whole host of detailed remedies, and present us with something like a general policy of reform. I do not say the policy thus indicated is a new one. Social evolution is always continuous; and no absolutely new departure can be a stable and progressive one. To a certain extent the policy of which I speak has already been put into practice; but I do not think it has generally been consciously avowed. And as it conflicts in a marked way with the practice of the previous generation, and with many of the maxims, derived from that time, which are currently received to-day, I wish, in conclusion, to say a few words upon its main features, upon its urgency, and upon some of the prejudices which stand in the way of its more general acceptance.

It seems to me, then, that the social body requires a little bracing up. It wants a moral tonic. There has been too little regard for social order and social justice, too much anarchy and disintegration. We have been suffering for a century from an acute outbreak of individualism, unchecked by the old restraints, and invested with almost a religious sanction by a certain soul-less school of writers. The narrowest

selfishness has been recommended as a public virtue; and the debasing pursuit of private gain has become the all-absorbing motive of action. In the United States, as was natural, the movement reached its completest development;* and it would seem that if pecuniary success is not absolutely accepted there as the touchstone of merit, it is at least an avenue to every form of public honour, and a justification of the most questionable forms of commercial dealing. The tendency has been to sweep away everything which could limit or control the efforts of the individual to fill his own pockets, at whatever cost to the less successful; and the results are what might have been expected. There has been an immense outpouring of energy, and a marked development of enterprise. Industry and trade have worked at a degree of high pressure previously unknown, and population and wealth have increased; but with all this there has been enormous waste, both of men and material, unheard of suffering and squalor, debasement of commercial principle, adulteration of products, and degradation of taste. Industry has made great strides in its methods and results under the fierce competition. But, after all, it is not to this anarchical struggle that we owe the greatest achievements of the age. It will be distinguished in history not so much for the rapid increase of material products, as for its remarkable discoveries in natural and physical science; discoveries as little due to the thirst for gain as they were productive of gain to their authors. And the only interest

* It is in the United States, too, that the reaction seems to be setting in most decidedly; and it is quite possible they may be destined to take the lead in the reorganisation.

which will sustain the student in his depressing studies of the condition of industry in the first half of the century, will be the tracing of the germs of its re-organisation in the latter half.

So at least it appears to me. Not that I agree with those who hope to displace competition by some system of State or collective administration. I cannot think that those who speak so confidently of a change of this kind, can have studied the complexity of modern industry and the intense energy of self-interest as closely as they have the incidental evils to which these have given rise. The substitution of State administration for private enterprise would be the wildest and rashest of experiments; and all that we know of human nature and modern State action, points to the certainty that the experiment would be a disastrous failure. The force of competition is immensely powerful, and at present quite indispensable. The very existence of multitudes would be endangered if the energy of industrial production were diminished twenty per cent. But it is impossible to suppose that the loss caused by the withdrawal of the stimulus of competition would be as small as this. Indeed, if the power of the State organisation by which it was replaced were even half as efficient, half as pervasive, it would be a grinding tyranny over the individual, the like of which has never yet been seen; for it would be the tyranny of the majority, and therefore a tyranny from which there could be no escape, no appeal. Nor can I see any reason to believe that the State tyranny would be as intelligent as the present direction of industry. It is safe to say that it would inevitably be less progressive.

Yet public control in some form or other is certainly required. Public interests must be defended against private ignorance and greed. Competition is a rude force of the greatest value; but it must not be allowed to waste its unregulated energy in the destruction of men and material. It must be controlled, and made to serve the interests of society, just as we control fire and water, and bend them to our purposes. It is as foolish to give the rein to such forces, as altogether to discard their aid. We are all by nature sufficiently disinclined to exertion, and therefore we cannot afford to throw away a great social motive power. But neither can we suffer it to run riot, to the injury of the common weal. The true policy is to turn every force at our disposal to the best advantage; to utilise it by due control.

In what way, then, is this general control to be exercised? To a certain extent, no doubt, by the State, —by the Legislature, the Departments, and the Commissions. It seems to be as proper for the central government to control private administration, as it is generally unwise for it to undertake direct administration itself. Even where the control may be directly exerted by subordinate authorities, there must always remain a right of appeal to the State, as the ultimate and supreme expression of public opinion. But it would be a mistake to burden the State too much with the duty of direct control. All that is necessary is that the control should be exerted in the public interest, with due intelligence and with practical efficiency. These conditions secured, the more we can decentralise control the better. It may be applied by voluntary associations, by trade organisations, or by municipal

authority; perhaps best and most effectively of all, by educated public opinion. In any case, however, it will require some kind of organisation, to give it expression and effect; and publicity, to give it guidance and criticism, and preserve it from corruption. It comes to this, then, that Competition must be moderated by Control, and that the conditions of the exercise of Control are Organisation and Publicity.

The organisation of industry has always been a strong point with the Socialists; in the sense, at least, that they have always insisted upon its necessity, and advocated the most ambitious and pretentious forms of it. Thus Lassalle looked forward to a time when, the State having acquired the whole of the instruments of production, the activity of all the different branches of industry should be as perfectly regulated as the activity of different stages of manufacture in the same workshop. Ideals of this kind may be useful; it is well to aim high. But their authors do not help us much to attaining them. Lassalle, and men of his kind, in their eagerness to reach a higher level of social progress, are apt to make a spring for the upper rounds of the ladder without climbing the necessary intermediate ones, and to find themselves at best only where they were before. All the writings of the Socialists put together, have done less towards the positive reconstruction of industry, than the single, modest, but practical step taken by the English trade unionists. It is to some of these minor and preliminary steps I wish to call your attention now; to the direction that actual advance has already taken, and is likely to take in the immediate future.

Time will not allow me to say much of the steady

development in the organisation and action of the State; though this has a strong influence on industry, directly and indirectly. I will only observe, that in spite of the most jealous desire to restrict the sphere of State administration, the various Civil Services steadily increase in numbers with the increase in the numbers and the requirements of the population. This means, that an increasingly large number of persons obtain practically constant employment. Jevons indeed very curiously refers to this permanency of employment as one of the disadvantages of Government management. "Officers of the Government," he says, "are seldom dismissed when once employed, or if turned away they receive pensions. Thus when the Government establishes any new work, it cannot stop it without great expense." Expense of money to the public, Jevons no doubt means. And why not? Is not the alternative expense of suffering to the men discharged? Why is the pecuniary loss to the taxpayers of more importance than the ruin and misery of the employed, liable in unregulated private industry to be deprived of their living by every change in production? The interest of the producer is as important as the interest of the consumer; and it is possible that in the pursuit of mere cheapness more vital objects may be sacrificed. While, therefore, we may for other reasons not desire to see State employment unduly extended, we must reckon as a positive advantage the increased regularity of employment which results from it.

The advance in the controlling function of the State is equally marked. The powers of the Board of Trade are being constantly increased. The factory inspec-

tion under the Factory Acts is one of the greatest triumphs of English industrial reorganisation. And the constitution of the various Railway, Land, and Charity Commissions is another significant sign of the times. It may be said that this form of State action has no direct bearing on regularity of employment. But it indicates the tendency to reorganisation to which we must look to secure this regularity. And further, by its influence on the health, comfort, and safety of the worker, it may indirectly have a very powerful effect on the constancy of his earning power.

Similar observations apply to the extension of municipal action, which is another striking feature of the age. The various corporations employ large staffs of officials, curators and workmen, most of whom are in permanent employment; and they regulate the industry of numbers more. It is open to them, by a judicious distribution of the necessary public works, according to the condition of the labour market, to do much to balance the fluctuations of employment. And to similar local bodies is entrusted the control of that legal charity which is the ultimate refuge of those who are ruined by such fluctuations. As the growing importance of municipal administration is more fully recognised, we may expect, therefore, that from this quarter much may be done to remedy irregular employment.

I might dwell, too, upon that unconscious organisation of industry which is the result of the increasing size of private undertakings, and of which the great English railway companies form the most conspicuous example. It is notorious that steadiness of employment, and general improvement in the condition of

labour, usually increase with this increase in the magnitude of the concerns. The comparative regularity of employment on the railways was specially remarked by the witnesses before the recent Commission on the Depression of Trade.* There is a reason, quite apart from the peculiar nature of the industry of transport, why this should generally be the case. The larger the concern, the more powerful is the public opinion of the employed. The more elaborate the organisation, the more indispensable are the skilled and trusted staff. Great builders take contracts at a loss rather than break up an efficient body of workmen. When the rank and file are dismissed, the staff of foremen is generally retained. The more skilled the body of workmen become, the more they will share in this advantage. The increase of fixed capital, too, is another pledge which the progress of industry gives to steadiness of employment. The greater the proportion of capital to men employed, the more constant employment becomes the interest of the employer.

It should not be forgotten too, that the steadily increasing sums devoted to public uses, whether to found hospitals, schools, churches, museums, libraries, parks, or what not, involve the employment of a practically permanent staff; and that in this way also regularity of employment is promoted. I might also dwell on the growth of Co-operative industry, with its well understood and practically assured market, which ought to be another powerful influence in the same direction; as well as on the hoped-for growth of Profit-

* *Royal Commission*, 1885, II., Part II., p. 98, &c.

sharing, one of the many advantages of which is, that by lessening the master's gain in exceptionally prosperous times, it lessens that reckless influx of capital which usually sets in at such times, and often ends by ruining the trade and throwing the workmen on the streets.

But I must pass on to consider whether there is not room for deliberate organisation of a new and somewhat different kind. There are signs that we may soon get, what is certainly much to be desired, organisations which, with allowance for the altered conditions, might do for us something of what the gilds did for the mediæval industries. I should be the last to deny that the trade unions have rendered immense services to the working class. But I do not think they are the best conceivable form of industrial organisation, though they may have made better forms possible. I was delighted to hear, on reaching Edinburgh, that Mr Burnett agrees with Jevons in desiring that the lines of organisation should strike vertically, not horizontally, across industry; that the new trade associations should unite, not men against masters, nor masters against men, but men and masters of a trade equally, for the common purposes of that trade. Professor Marshall has shewn—what, on reflection, must be admitted—that there is as strong a community of interest between the different members of a trade, employers and employed, as there is between the members of either of these classes in different trades. No doubt there is separation of interest also; but, in the long run, the common interests of a trade infinitely outweigh any separate or opposite interests that may exist within the trade. It is time that these interests were recognised and cared for by an organi-

sation fairly representative of the trade. More than fifty years ago the handloom weavers petitioned for the creation of such Guilds of Trade, and Henry Lytton Bulwer, M.P., in a letter to their advocate in the House of Commons, contended very forcibly that both in England and France the recent destruction of the old gilds was a purely negative policy, which required to be followed up by a reconstruction on similar, but modified, lines. Nothing, however, was done. Perhaps it was better so; better that the working class should have first established their position by their own societies, and thus secured a claim to equal consideration in any wider organisation dealing with the whole trade. But surely the time is now ripe for action.* In a partial degree, indeed, action has already commenced. We have Conciliation Boards in many trades, committees for fixing Sliding Scales in the iron and coal trades, and a great part of the cotton industry works under Standard Lists. There have also been some notable instances of union between the masters in a trade, not to resist the demands of the employed, but to further the various interests of the trade, and in some cases to moderate the competition of individuals, and to regulate the

* Speaking of the United States railway service, an American economist observes, "Each year brings into greater prominence the necessity of a spirit of common action between the company and its employees. . . . It is part and parcel of the same question which presses itself more and more forcibly upon all business men as the organisation of industry becomes more and more complicated, and personal contact between the capitalist and workman ceases."—A. T. Hadley, *Railroad Transportation, 1885*, p. 128, *note.*

output. But these are only the germs of the new growth we hope soon to see.

If such trade organisations were once effectively established upon a broad and equitable basis, we can easily perceive that there are many valuable services which they might render to industry forthwith, and which are not dependent on fundamental, and probably visionary, changes in our social system. They would see to the provision of the necessary technical education and the conditions of apprenticeship. They would maintain the reputation of the products of the trade, by establishing received scales and tests of quality, by registering and guarding trade marks, and by exposing and punishing falsification.* They would see to the development and organisation of proper markets for their goods, and eliminate unnecessary middlemen. Each trade would have its Bureau of Statistics and its Trade Journals. It should be provided with an atlas of statistics, bringing closely up to date the record of all prices affecting the trade, in a graphic and readily intelligible form, and with the necessary notes and comments on the causes and history of the price movements chronicled. Similarly, there should be a Labour Bureau, to give information and assistance to those in search of employment; and accident, thrift, and retirement funds. The determination of wages would no longer be left to the weekly uncertainties and haggling of the markets. We should have Sliding Scales and Standard Lists, and other forms of wage-contract, arranged by agreement,

* The master cutlers of Sheffield have done something in this direction lately.

and for long terms. As the feeling of common interests grew stronger, the employed would be more directly interested in the products of their labour; and we might expect that profit-sharing, industrial partnerships, or whatever other system was best suited to the circumstances, would be introduced; and the way thus paved for an advance to co-operative production. It is possible that even more than this might ultimately be secured. There might be regulation of the output, and distribution of orders, and other similar action, so as to steady prices and prevent suicidal competition. It is difficult indeed to limit the benefits which might, in the not distant future, result from organisations of this kind.

In thus attempting to promote by every means in their power the best interests of the whole body of a trade, such organisations, if confined to one country, as at first they probably would be, would certainly meet with one serious check to their success in the existence of foreign competition. Just as before the Factory Acts it was impossible for a humane employer to adopt reasonable hours of work, or dispense with cheap infant labour, so long as his baser competitors held aloof; so under a system, however partial, of international free trade, we find that we cannot obtain such boons as comparative fixity and comfort of employment for our own people, unless similar advance is secured in some degree by their competitors abroad. But the check is not an absolute one. Much may be done before it begins to operate. And it certainly will not be a final one. The English working class will not be slow to recognise the solidarity of interest of the working classes of the civilised nations; nor to see

the implied consequence, that they cannot adequately raise their own position without in some degree raising that of others. Any creed or no creed, all men could unite in a foreign missionary enterprise of this kind.

We must now turn for a moment to consider Publicity, the other side, as it were, of the new industrial policy. The two principles are really inseparable. Without publicity organised action must be corrupt and inefficient; it is the counterpart and complement of a policy of organisation. What kind of information is it we require, and what should be our channels of publication?

We want, in the first place, the fullest information as to the transactions of all public organisations, governments, municipalities, vestries, or what not; not excepting the trade organisations of which I have been speaking. And in particular we want the fullest records of what passes on the public markets. "So essential," says Jevons, "is a knowledge of the real state of supply and demand to the smooth procedure of trade and the real good of the community, that I conceive it would be quite legitimate to compel the publication of any requisite statistics. Secrecy can only conduce to the profit of speculators who gain from great fluctuations of prices." And after pointing out that the legislature has already recognised this principle in the cases of corn and cotton, he concludes that "publicity, whenever it can be thus enforced on markets by public authority, tends almost always to the advantage of everybody except perhaps a few speculators and financiers."* But *every* economic

* *Theory of Political Economy*, 2nd edition, 1879, pp. 94, 95.

transaction in a modern society is in some degree a public one, in the sense that it affects the interests of others besides those who are the immediate parties to it. There are consequently many other kinds of returns whose publication is required. I may particularly mention statistics of employment, of income, and of consumption. As to our present statistics of employment, we have really no authoritative and representative statistics of wages, none whatever of quantity or regularity of employment; only the vaguest indication of the numbers following the different kinds of occupations; no returns of the amount of capital in the various industries, nor of the size of the separate concerns, and the nature of their administration. Even the statistics of the so-called public limited companies are very imperfect; the facts of most interest are concealed. We have no statistics of income from which we can draw really accurate conclusions as to the existing distribution of wealth; and this is particularly the case in regard to the much vexed question of landed income. Our statistics of production are tolerably full, especially in regard to those industries which are the subjects of State regulation. But for our knowledge of consumption we have nothing better than rough guesses to fall back upon, except where the facts may chance to be illustrated by the returns of taxation and foreign trade. Yet if, as Adam Smith says, "consumption is the sole end and purpose of production," it must be all-important, one would think, to have the most scientific and exact history of the varying wants of the consumer.

But amongst all the mass of returns thus indicated or desirable, there are some which are peculiarly valuable because they are the key to the rest.

There are certain great pulsations of industry which serve as a gauge of the state of the whole system, and which are in some degree trustworthy barometers of the future movements of trade. The records of these pulsations form what may be called Index Statistics, and deserve the fullest and widest publicity. Among them I may mention banking statistics, including, as of first importance, the official returns of the Bank of England; railway and other traffic returns; returns of exports and imports, and of revenue; harvest and fishery and mining statistics; statistics of the consumption of coal, iron, and building material. These statistics should be made complete and accessible; and if necessary the returns should be made compulsory.

As to the channels of publication, we may hope that much information may in the future be obtainable through the new trade gilds, as at the present time much is furnished by the trade unions, the masters' associations, and the various trade protection societies. Many private firms also publish valuable facts in their trade circulars, which practically carry the authority of official publications. And we may fairly hope to get much insight into trade from the statistics of limited companies, when the returns are more complete; and most of all, perhaps, especially in regard to the obscure subject of consumption, from the returns of the co-operative societies.* We have, too, an increasingly valuable mass of facts in the various trade and financial journals,

* As was pointed out by the Rev. W. Cunningham, *Contemporary Review*, January 1879.

and even in the daily press. But for the bulk of the information required we shall have after all to fall back on the direct action of the State. Nowhere else can we find the wide reaching machinery and the authoritative stamp which are necessary to give statistics their complete economic and social value. Perhaps the greatest existing monument of statistical inquiry, whether we look at the breadth of its conception, the vast area surveyed, or the immense difficulties to be surmounted, is the Industrial Domesday of the United States, the great Centenary Census of 1880, planned by General Walker. Such a work could only have been achieved by means of the resources of a highly organised Government. And if the State only is fully qualified for the collection of such statistics, it is no less clear that this work is emphatically the business of the State.* No part of the public expenditure is so truly remunerative as that which is spent in inquiry. It results in a great economy of legislation, as well as an increase in the efficiency of legislation. If the State, instead of trying in a clumsy way to remove abuses, would content itself with publishing the facts, public opinion would often deal with them far more effectively. This is a case where, by the thorough performance of one of its functions, the State would be relieved of a great deal of work in other directions.

* "There is one thing Government can and ought to do, to which private enterprise is unequal. Statistics and information on all matters pertaining to agriculture in this and other countries ought to be compiled with due speed and accuracy, so that those interested may be in a position to form a better opinion on agricultural prospects."—Professor J. S. Nicholson, *Tenants' Gain not Landlords' Loss, 1883*, p. 100.

What is true of agriculture is equally true of other occupations.

I need not discuss the methods of inquiry open to the State. We all know something of the admirable commissions, temporary and permanent, which have distinguished the history of English industrial legislation; and of the invaluable Blue-Books in which the result of their investigations is preserved, forming a unique chapter in the economic history of the world. Perhaps there is still something to be desired, however, as to the form in which our reports and statistics are published. They might be more easily accessible to the people; their results, too, might be more clearly exhibited, by graphic methods and the like; and popular abstracts should be published, after the plan of Mr Chadwick's admirable Poor-Law Reports of 1834, in which the matter might be condensed, and the drift of the whole explained. Statistical publications which do very well for the experts of a bureaucracy may be utterly unsuited to the needs of a democracy. But there is every reason to believe that the authorities are alive to the public requirements in these and other respects. It is for public opinion to exert the necessary pressure on the Government, and to sanction the expense involved.

A few words on the importance of this policy of publicity. It deserves attention in the first place, in its bearing on the socialistic movements. Nothing is more conspicuous in the writings of Socialists than the looseness of their quantitative statements, as for example, in their remarks upon rent and the distribution of national income. But though exaggeration may be obvious, the absence of definite official statistics makes it difficult to prove it beyond dispute. So, again, in regard to that other common defect, their want of

scale, of a due sense of the proportion of things; humorously illustrated in the singular importance attached by many persons to the question of perpetual pensions, and more seriously in the extravagant pictures drawn of the results which are to flow from a nationalisation of the land. These faults are not wholly attributable to individuals; the blame must partly lie with society. The statistics are incomplete, or inaccessible, or accessible only in very misleading forms. Again, some of the strongest objections to the present order of things, brought by Socialists like Lassalle, are those which complain of the great influence of accident and "conjuncture," and the consequent prevalence of gambling speculation. Such objections assume the absence of systematic commercial statistics, and tend to lose force in proportion as such statistics are forthcoming.

Again, Socialists and progressive reformers alike have insisted on the necessity of control. But as public opinion gathers strength, it becomes evident that one of the best forms of control is that secured by publicity. The history of the English Commissions is one illustration of this truth; and American experience seems to point in the same direction.* The recent report of the United States Senate Select Committee on Interstate Commerce is significant of the present tendency of opinion in that eminently practical country. As the result of their analysis of

* "The success of commissions with little or no power to act, and simply established for the sake of securing publicity, has been, in some instances, surprisingly great. . . . Corporations are sensitive to public opinion."—A. T. Hadley, *Railroad Transportation*, pp. 136–138.

the complaints against the railroads, and the principles on which railroad charges are based, the committee put on record the following conclusions:—"First, that rigid legislation is impracticable. Secondly, that publicity is the most effective remedy for abuses of railroad power. Thirdly, that a national commission is needed to secure such publicity, and to use the necessary discretion in enforcing such laws as may be passed." It is reassuring as well as pleasant to notice that the two great Anglo-Saxon nations are proceeding so closely upon the same lines.

The fact is, that secrecy is the soil in which the worst abuses of modern society flourish. They could not bear the light of civilised opinion. Imagine the result in such cases as those of sweating, falsification, and unhealthy conditions of employment, if the law of libel permitted the publication of the facts and names, and the products were traced and identified. There is enough common humanity in the English consumer to ensure the commercial ruin of men to whom such malpractices were brought home. The fault is not with public morality. Moral opinion cannot operate till there is cognisance of the facts. Secrecy has crept into and corrupted trade, just as it has complicated and confused transactions in land. In both cases it is as foreign to old English practice as it is to natural healthy instincts.* In this as in other matters, we are

* Mr Frederick Pollock, in his admirable little volume, *The Land Laws* (in the *English Citizen Series*), shews that the spirit of the old common law was that dealings in land should be open and notorious, whether by "feoffment," or by "livery of seisin." The contrary practice of secrecy was an abuse which crept in through the system of Uses. See especially pp. 100–102.

likely to revert to the more popular habits of an earlier period. The age of secrecy is gone.

It has been well remarked by a critic of Sir Henry Maine's *Popular Government*, that the essence of democracy is not so much government by the many, which is impossible, as publicity, which makes public opinion effective, and public interests supreme.* Nothing is more certain than that, with the advance of democracy, publicity must become the order of the day. Publicity and organisation, no doubt; but publicity, I think, even more than organisation. It is the necessary protection against fraud, against falsification, against oppression; the first condition of self-help as well as of intelligent charity. It is even more indispensable as the exterminator of corruption. The danger of corruption is the peculiar weakness of popular government, as we may see from the history of the American corporations and the London vestries. It forms the stock argument brought against every proposal, however reasonable, however necessary, to extend the functions of the State. Thus Mr Giffen goes so far as to say that a modern democratic government cannot be trusted to undertake the regulation of the monetary standard; though this is of far greater social importance than the regulation, already undertaken by the State, of the standard of time. The answer to such objections, which, if admitted, would be a serious bar to social progress, seems to lie in the stringent and searching application of the principle of publicity.

* So the French economist, Chevalier: "Qui dit régime représentatif, dit publicité" (*Progrès de la Grande Bretagne*, Fr. trans. of Porter's well-known work, 1837, pref., p. xii.).

This partly explains the pre-eminence, for social statistics, of England and the United States.

Many circumstances have combined to weaken the force of those old feelings of commercial and corporate honour, to which men like Thomas Mun appealed so stirringly in the seventeenth century. But the same, or closely connected causes, have at the same time strengthened the force of public opinion. The corporation is dwarfed by the State; the individual is lost in the crowd, and responsibility weakened. But the crowd is becoming articulate. Its voice when expressed is certainly not wanting in power; perhaps it has more weight than its intelligence always deserves. All these considerations point to the urgent necessity of clearly instructing and fully informing general opinion. The condition of this is publicity. The sentiment of honour, formerly attached to now-vanishing superiorities of *status*, may be getting weaker. But its place can be taken, in some degree, by the pervasive and growing influence of the sort of moral fashion which now rules affairs. I hope it is not yet idle to appeal to the old romantic *noblesse oblige*. But if it ever should be, we can at any rate rely on the very effective *publicité oblige*.

In short, whatever men may think about organisation, they ought to be agreed about publicity. Those who are in favour of more organisation, must admit that without publicity organisation will inevitably become corrupt. And the advocates of *laissez faire*, to whom organisation is a red rag, must feel that such principles as those of *caveat emptor*, which are the very essence of *laissez faire*, imply that the necessary information is publicly accessible, or they would amount to the legalisation of fraud.*

* Those, for instance, who regard adulteration as a legitimate form of competition, and refuse to regulate price disturbances,

But the case for both organisation and publicity is surely strong enough for those who will give it an unprejudiced consideration. The solidarity and interdependence of the modern economic world makes the old individualism an absurdity. From a modern economic point of view, there is no such thing, in strictness, as a mere individual. Market prices, wages, profits, all these are social, not individual products. Every man's economic acts more or less affect every one else; and every one is dependent on others for the means of economic action. The individual, therefore, cannot complain if he is asked to publish his transactions, or to submit them to regulations conceived in the common interest. He cannot expect to live in an elaborate modern society, reaping all the benefits of a complicated civilisation, and admitting no corresponding obligations. Not that this involves the acceptance of a communistic policy. There is no need to substitute socialism for individualism; this would but leave matters worse than before, so long as the individual remained unchanged. What is wanted is to *socialise the individual.* No means will promote this end more effectively than organisation and publicity. They stand in the first rank of social duties and socialising agents.

Why, then, the prejudice against this kind of reform? What is the secret of the persistent opposition which meets all attempts to introduce a policy thus strongly recommended? It arises to a slight extent, perhaps, from a conflict of personal interests with the

however mischievous, must at any rate put down falsification as a crime, and furnish the fullest warnings of the irregularities they will not permit us to correct.

interests of society. There is a small class whose interests would really be adversely affected by an increase in the order and steadiness of industry; and there is a larger class who wrongly imagine themselves in the same case. There are traders who have the frankness to state openly that they live on fluctuations, and do not desire to see them diminished.* Others, again, systematically disturb the markets, and occasionally make large fortunes by the process. These persons, however, form but a very small fraction of the commercial world, the bulk of whose profits are earned in a very different way. If their interests alone stood in the way of reform, they could be very summarily dealt with. But now-a-days it is popular prejudices rather than private interests, which alone can offer serious obstacles to any reasonable change; and we have in this case to deal with one of the most powerful and tenacious of these prejudices, the fatalistic, crude, anti-social doctrine of *laissez faire*.

I cannot stop to remind you of the history and strangely various consequences of this principle. It was the joint product of a steadily increasing egoism, fostered by the decay and corruption of the old social organisations, and of a singular philosophical confusion, long ago exposed. Nevertheless, loose and unfounded as were the assumptions on which it was based, the principle had, at the time of its greatest authority, a powerful and salutary social influence. It was necessary, perhaps, that the elaborate organisation of industry and trade handed down to us from the Middle Ages should be swept away, to make room

* See *The Bullionist*, Jan. 24, 1886.

for one better suited to the new economic conditions. The almost complete anarchy of individualism through which we passed in the first half of this century may have been, hideous as it was, an essential stage in the evolution of society,—the travailing which was to give birth to the new era. We may go further, and admit that the principle may be held to imply a positive truth, which is truth in all ages. Individual freedom, when it is not exercised to the injury of others, is itself a social good of the highest importance. And were individual freedom unduly fettered by public control, that "tendency to variation," as the biologists call it, might be checked, which, in social as in organic life, is the first condition of development.

All this is true. But there is no greater mistake than to suppose that a mere negative policy of non-interference will secure general freedom to individuals. All it secures is the freedom of the strong to prey on the weak. The whole criminal law is a recognition of this fact. While, then, we must be careful that public control is not unintelligently and excessively applied, so as to destroy more freedom than it creates, it remains true that, in some form or other, reorganisation is emphatically the business of the present age, and that the strong prejudice in favour of a blind negative principle like *laissez faire* can do little but put obstructions in the way.

It will be said, perhaps, that it is idle to slay the slain, and that the rule of *laissez faire* is already a thing of the past. It is true that, as a general political theory, this principle is now somewhat out of fashion; but it has left us pernicious legacies from the time of its dominance. We have exchanged the worship of

the "natural," so characteristic of the early days of *laissez faire*, for a superstitious cult of a very inferior sort,—the worship of market price. It was first, *Vox naturæ, vox Dei!* then, *Vox mercaturæ, vox Dei!* We have deified the hagglings and accidents of trade. Every arrangement which might modify the existing conditions affecting market prices is stigmatised as "artificial," and therefore *ipso facto* mischievous and impossible. Existing market prices, perhaps, are largely the result of speculation, or of the dire necessity of certain classes of the population, or of their ignorance. The market may be "rigged," may be "cornered," may be wretchedly unstable, ill-conducted, inefficient for its true function of maintaining a steady price. On the other hand, the proposed reforms might have the effect of increasing the efficiency of the market for its true functions. Or perhaps they might aim at correcting the variations in our barbarous standard of value. It matters not to the slaves of this extraordinary fetish. All such proposals are "artificial." They cast a slight upon the sacred revelations of tape and price-list. They are condemned unheard.

Surely this is the most remarkable of the superstitions of an unsettled age. I must protest, as strongly as I can, against those who would thus cumber the path of social reform with the remains of the fallen philosophies of the past. Let us, at all events, clear the ground of this worship of haggling, and consider the reorganisation of industry on its own merits.

I return, then, in conclusion, to the contention with which I started. The precarious nature of employ-

ment is a social evil of the first magnitude, which we can and must in some degree remove. After analysing the fluctuations of price which give rise to it, we have seen that the evil is at least not beyond relief. There are many minor remedies which may be applied to the various causes of disturbance. And, underlying them all, we seem to see a general policy of industrial reform, of much wider scope than the particular subject which started our inquiry; and by which we may be helped to secure, not merely stability of employment, but all those other changes in the condition of the people which are the main objects of social reformers. However this may be, it is clearly our duty to keep this problem of industrial stability well before our minds, and to lose no opportunity of doing something towards its solution. What, I would ask you, is the fundamental distinction between wages and salaries,—between the skilled workman with his hand and brains, and the skilled workman with his pen and brains (for brains are required in both cases), —to justify a presumption of regular employment in the one case, of uncertain employment in the other? I do not say there is none. The existence of severe competition, at home and abroad, introduces grave difficulties. But I say without hesitation that we ought not to rest content, till in one way or another we have succeeded in giving to the artisan and labourer as much social security as is commonly enjoyed by the salaried and professional classes. It will be an extremely difficult task. There is no royal road to this goal, no one simple panacea. The problem must be attacked at all points and in many ways. I have tried this evening, however imperfectly, to indicate some of

the means by which we may hope to attain success. As to the means, I may well be mistaken; but I do not think I am mistaken as to the end. It is my most rooted and settled conviction that, of all the many claims of labour, the most grave, the most pressing, and the most just, is the claim I have brought before you to-night, the claim for more regular employment.

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