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THE ROLE OF THE  
STATE  
IN BRITISH ECONOMICS  
From 1870 to 1914

BY

DAVID EDWARD BLAND

A Dissertation submitted for the degree of  
Master of Letters  
in the University of Durham  
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I

INTRODUCTION

The decade 1850 to 1860 marks the period of the "completion" of Free Trade. This was infinitely more than any economic principle which has captured the political platforms since, for it was rooted both in satisfactory ethical, and political principles, and, partaking of their nature, transcended the bounds of mere economic analysis. Political Economy was not merely an early Economics, it was a different subject<sup>1</sup>. Its scope and method were different from those of its modern successors, for it extended to a consideration of many aspects of the business of life today not normally comprehended in Economics, and it had little of the abstract analysis favoured by post-Marshallians right up to the present time. Moreover, it was limited in its thinking by the obligation placed upon Political Economists, by tradition, social and political expectation, and contemporary commonsense to accept, at least as general principle, the Free Trade Doctrine.

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(1) This study was begun in October 1962; after two years the writer proceeded to Sheffield, with work on this present study still largely in notes. There he commenced a study for Ph.D. on the subject "The Role of the State in British Economic Writing, c 1603-1870". Thus in effect he was extending this study back to the beginnings of consciously-economic writing in any "modern" sense. The interaction between earlier and later material was so obvious that although this was virtually completed by the October of 1964, it has been held back as its relevance to the other study has been useful. The conclusions to it form a basis in which the present work can be studied as expressing a continuum from that later study of an earlier period. In no sense is the material of either dissertation used in the other, except to indicate the continual evolution of the study, and where reference is made it will be acknowledged.

The bulk of the material on the earlier period is anyhow completely irrelevant to this study, a copy of the conclusions to it is separately forwarded with this dissertation, for the information of the examiner, so that he might assess to what extent, if any, there is a double-use of materials. The principal reason, is, however, to provide a basis for the assertions of this Introduction as to the nature of Political Economy at the opening of the period reviewed in the present work.

Particularly, the use of the term Political Economy to mean the writing which sets economic relationships in an accepted social context and in accordance with generally-agreed political principles is emphasised and demonstrated in the other work, and references in this Introduction to Political Economy in this connotation are left dependent upon it. This is because Political Economy in that connotation was developed long before 1870, and was indeed soon to lose that meaning.

That Free Trade was a doctrine useful in its own time, and not perhaps in all situations, was recognised by Jevons when writing on the Coal Question in 1865:

"writers of the eighteenth century entertained most gloomy anticipations concerning the growing debt, and they were only wrong in undervaluing the industrial revolution which was then proceeding".

That industrial revolution made it possible for the economy to service the national debt without the debt destroying the nation. As the pace of development perceptibly slackened after the Great Exhibition, Jevons asked what would become of society once the basic source of power; coal, was exhausted.<sup>1</sup> Society would not then be able to run up debts so prodigally, and, indeed, might be broken by the debt if it were not discharged before such a time. This insecurity felt about the economy was felt also about economics, or rather about the Political Economy of the Classical school, based as it was on the principle of Laissez-faire. John Mill "only succeeded in upholding an emasculated version of Ricardo's system"<sup>2</sup>, and Mill's Political Economy was the great gospel on the subject at the time this period here studied begins.

Malthus had argued that:<sup>3</sup>

"it is generally an accidental and temporary, not a natural and permanent, division of labour, which constitutes one state the manufacturer and carrier of others."

but such an accident had favoured England in the period which made her the "Workshop of the World"<sup>4</sup>. This made it the more difficult to persuade the politicians and the electorate that the conditions to which prosperity was ascribed were not necessarily permanently to Britain's advantage. The Irish had little doubt at the Union that they would be at a disadvantage if they were compelled to join with a Free Trade Britain in their comparatively

underveloped state, and the Great Age of Free Trade was a period of misery in Ireland. Such considerations did not weigh against the Free Trade creed with English governments, however, under which such wonders had been achieved; what could compare with the railways and the mills, from the whole of the world's previous history?

Lord John Russell was convinced: writing in 1821 on the Debate in the Commons in 1892 at which Free Trade points were made says:

"The first and the main cause of the Wealth of Nations then is Liberty. Passing from this part of the subject, the next great incentive to industry is order. This can only be procured by the union of religion, morality and law. It is order which assures to every one the tranquil possession of the wealth that he may have acquired ..... next to these great motive powers, is a wise disposition of the economical laws of the nation. The whole of the precepts, however, to be given on this subject, resolve themselves into one - remove all obstacles to industry. As far as wealth is concerned, the fewer restrictions the better. This is the great truth proved by Smith, and his coadjutors in France and England, in opposition to the absurdities of the mercantile system.

'Laissez-faire, et laissez-passer' said the French Merchant to Colbert, and ..... we can say nothing more wise or more concise."

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- (1) W.S. Jevons, "The Coal Question" 1865.
  - (2) M. Blaug's "Ricardian Economics" p 167, quoted and italicised by R. Meek in his "Decline of Ricardian Economics in England" 1967.
  - (3) Sommeil "Malthus, Physiocracy and the Commercial System" E.H.R. XVII p.522.
  - (4) The little book of this title by Prof. D. Chambers is a very fair summary justifying its title.

This remains Russell's view in the new edition of his book<sup>(1)</sup> in 1865. Three years later, the advent of democracy brought the beginning of the end to such a view. For half a century already economists had attempted to distinguish between wealth (for which Free Trade was a "good thing") and welfare, in whose interests, sometimes, it is necessary to limit the maximisation of wealth. Popular thinking accepted this more slowly, so long as effective popular thinking was limited to that electorate of 1832 which consisted principally in the beneficiaries of a laissez-faire system. When, after 1867, the victims of such a system were able effectively to represent their claims for society to limit Free Trade, economists found their receptive climate changed.

In 1854 there had been established a permanent and largely meritocratic civil service; no longer was it possible to deny the competence of government to do anything well. Most things, perhaps, can be better done by individuals than by the State in their behalf, once the basic "police" duties are performed. Once a civil service is established, however, not merely will it wish to prove its competence, but also Parkinson's Laws will assure that it keeps persuading its political masters to permit it greater spheres in which to prove its competence.

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(1) Russell "The English Government and Constitution"  
(First written 1821) ed. Longmans 1865, pp.159-60.



Ruskin might plead, in his "Political Economy" and when calling how man is come "Unto this last"<sup>1</sup>, for a humanitarian, cultured anarchy; his pleas were in vain. The pressure of the enfranchised mass electorate was for the State to act, where the effects of Free Trade did not give individuals an opportunity even to help themselves. Thorold Rogers described this freedom as:<sup>2</sup>

" the right of each individual to employ his labour innocently to his best advantage, and to spend the produce of his labour in the best market which his descretion and opportunities give him"

The "Times", in the year before Rogers published this, in an article on the "great strike" then under way, had suggested that:<sup>3</sup>

"It is true that the sternest economist, when he thinks of the sufferings of some classes of labour, gives an involuntary shudder. He involuntarily wishes that the laws of economy might be relaxed in favour of this class of workmen".

The right of each individual to dispose of his labour freely meant the right of each employer to get as much as he could from the labourer. As long as there was difficulty in getting a job with a decent wage, so long had the employer the whip hand. This was seen as an unfortunate necessity, by economists and politicians alike, until the demands of the enfranchised working classes made tenure of that position impossible. Whatever the rectitude of the actual principle, (that as much as possible be invested for the future, and thus present total of subsistence available to the community was necessarily limited,) the economists and politicians had so to reframe their ideas as to take in the new situation. Palmerston and his generation had accepted the principle of Free Trade almost completely;<sup>4</sup> they and the next, that of

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- (1) Ruskin's views, whilst highly respected for their idealist socialism, lost much because of the utopianism in which they reposed their confidence in improvement.
  - (2) Rogers "Cobden and Modern Political Opinion" MacMillan 1873 p x-xi.
  - (3) Quoted in Toynbee's "Wages and Natural Law" (Lectures, 1884) p 170.
  - (4) See G.H. Francis "The Opinions and Policy of Palmerston" Colburn 1852, where he quotes Palmerston's speech of 1829 in favour of the repeal of the Usury Laws, adding that the "disposition" of 1829 was the "fixed principle" of 1840.

Gladstone, were alone able to do so. Some, of course, never accepted these views. Carlyle, in 1843 thundered:<sup>1</sup>

"The saddest news is, that we should find our National Existence, as I sometimes hear it said, depend on selling manufactured cotton at a farthing an ell cheaper than other people ..... In brief, all this Mammon-Gospel of Supply and Demand, competition, Laissez-Faire and the Devil take the hindmost, begins to be one of the shabbiest gospels ever preached; or altogether the shabbiest .... I will venture to believe that in no time, was the lot of those same dumb toilers so entirely unendurable as it is even in the days now passing over us ..... The liberty of not being oppressed by your fellow man is an indispensable yet one of the most insignificant fractional parts of Human Liberty."

L.L. Price accepted the point too, though not with such missionary zeal, when questioning Adam Smith's advocacy of "Natural Liberty":<sup>2</sup>

"We do not believe that men always know, and always seek, their true, permanent interests. They may be blinded by the passion of the moment, or they may be ignorant and weak".

Thus arises a moot point; the "economic man", following his own self-interested path, will be successful for himself and the economy if he is careful and intelligent and lucky - if he is a "master" in the sense of being a unit of equal weight to those with whom he is dealing. The assumptions of "perfect competition", although a device of neo-classical Economics, necessarily underlie the theory of Natural Liberty applied to the economy. If the competitors are unequal, then the stronger competitors will win; if the contracting parties are unequal, then the stronger party will gain most from the contract. Workmen are much more likely to be blinded by passion, to be ignorant or weak than are their masters - especially if the

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(1) Carlyle "Past and Present"

(2) L.L. Price "Political Economy in England", Methuen, 1903, p 192.

master is a large and sophisticated joint stock company. Marshall noticed this point, that Ricardo's system assumes the world is made up, as he puts it, "of city men". The world of employers and employed is not so made up, nor can it be foreseen as becoming so.

The economic writings of the period here under review form a large part of the evolving discussion in the moot on the extent to which man is to be viewed as a freely-competing unit, and the extent to which, on the contrary, he is to be protected from the force of competition. Thus we start with a question on the nature of man, and come to a statement of what the State should do to assure that life for the masses best lives up to the promise of that nature, with the optimum distribution of a scarce common wealth between the classes now consuming and the masses of the future, whose livelihoods will depend on present investment. Thus our study is of the economics which lie between ethics and politics; it is a field full of interest, and of no small importance.

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CHAPTER II

REFORM INTO REFORMISM

FAWCETT AND CAIRNES.

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Gladstone offered the electorate of 1880 Free Trade, Retrenchment and Reform; as trade improved on its own, so the virtue of the old system would be seen and "tory democracy" with its romantic vision of peerage and people happy around the throne would return to its proper place in Disraeli's novels - which in a sense it did, since he produced a novel after the election defeat. Yet the Ministry of 1880 was forced to go against all Free Trade principles in its attempt (inevitably, as would seem, unsuccessful) to pacify the Irish by the regulation of rents and landholding by the State in the tenants interests. At home, an Employers' Liability Act did not make compensation for working accidents automatic, but the franchise was extended in the counties by the Third Reform Act. Chamberlain and the Radicals wanted this followed-up by a new policy of "Free Church, Free Schools Free Land", which could be taken either as a Free Traders' demand for the abolition of the corporate interests of the Established Church (in religion and education) and of the great estates, or as an almost-Socialist programme. The latter possibility was strengthened by the inclusion of a demand for more taxation for welfare spending by the State. Gladstone refused to support this "unauthorised programme", so the Radicals refused to support him on the renewal of the Coercion Act, and he was defeated.

Thus far, however, at least in the arena of practical politics, it was with an invigorated radicalism, rather than with any full-blooded socialism, that Gladstone had to contend. The danger of the socialist alternative was first noticed as a real, political threat by tory democrats - and they were not slow to take on the new foe in the manner Bagehot had suggested they should. It is through the eyes of one of their

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(1) The book form is followed here. "Property and Progress" by W.H. Mallock, Murray, London 1884. The material had formerly appeared in the 'Quarterly Review'.

most effective propagandists W.H. Mallock, that we will look at this challenge, and note Mallock's response to it.<sup>(1)</sup>

In the years between 1872 and 1884 there had been a growth of socialist agitation, much stimulated by the publication in 1882 of Henry George's 'Progress and Poverty'<sup>(2)</sup> - not a little further assisted by George's own lecture-tours of the country. This was one of many works, covering similar ground, but George had a few especially strong points to make. Low wages are not a result of low national income, nor of the pressure of population on resources. Their low level is due to the payment of rent on land, which is itself the result of private ownership of this basic essential. Poverty is the great problem facing society, as the economists admit. But their answer, that this is almost inevitable if the economy is to remain sound and is to grow, is refuted by George, on the ground that their theories tend to constitute a defence of the system

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- (1) The book form is followed here. "Property and Progress" by W.H. Mallock, Murray, London, 1884. The material had formerly appeared in the 'Quarterly Review'.
- (2) "Progress and Poverty" Kegan Paul, 1884.

of exploitation by private property in land.<sup>(1)</sup> The economists are well-enough-off men to be supporters of the established order. The established order forces poverty on people, through the perpetuation of the system of 'milking' the land of its return by paying it to landlords in rent. If land were the property of all, and its rent applied to their welfare, poverty would just not exist.

This is the essence of George's argument. It is dangerous in three ways. First, it suggests that wealth is sufficient to satisfy all - which is still untrue and always dangerous doctrine, in that it could encourage impossible hopes. Second it implies, and on occasion suggests, that this system should be terminated and the land seized by those who could best benefit from it. This incitement to revolution is bound in fact to cause the sort of misery it did cause in Russia in 1918-35. The third and worst effect, is that it tells people that the economists are propagandists in the class war. They are not telling the truth, when they suggest Malthusian arguments on population, or when they suggest that this or that demand just cannot be afforded, and that wage levels are absolutely limited at some point.

It is this last point that is the really troublesome one. Whenever the conservatives (the mainstream of the Liberal party is of course here included) were deciding policy, they were (with exceptions only of individuals who, if important, do not refute the general rule) absolutely sincere in the acceptance of the economic axioms then current whose Practical politics, whatever was being thought in political theory, demanded that

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(1) "Land" of course including minerals beneath the surface, water on it and (if relevant), the air above it.

the economy be stable and expanding. The means to both we have long dwelt upon. Where self-interests were associated with what for want of a better term might be called Bagehot's reformism, in that the 'upper classes' were associated with a privilege which was able, for a time at least, to survive, there was a great temptation to hold on even against Bagehot's concessionary principle. The privileged were naturally reluctant to surrender their privileges. The economists taught that welfare-spending and rising standards of life were necessarily slow in coming, if they were to come safely and thereafter be permanent. This suited the book of the privileged, to hold on as long as possible. It encouraged the charitable to believe that misfortune should be relieved, whilst viciousness and idleness only helped to delay the dawn of the welfare society, by the idle in their avoidance of work, failing to contribute to the national investment.

Now, Henry George and his followers are telling everyone that there is a sole cause for poverty, which can readily be removed. The economists are said to be merely members of the system of enactments and theories which hold down the workers. In the sense that they argue for Free Trade over the mass of economic activity this is correct, but in doing this they recognise that cases where this does not apply must always be allowed, and suggestions as to further cases must be examined. Free Trade can only exist where property is guaranteed. George's principal point is that property in land, the basis of all property, should cease, and that the dividend known as "rent" would provide an adequate welfare fund for all. J.S. Nicholson worked out that rent would give each citizen £3 each year, if it could be collected and distributed without cost, and



this would hardly add up to mass welfare; but this is not all:

"Mr. George does not seem to be aware that the experiment of absorbing the rent for the benefit of the poor was actually tried in England at the commencement of this century. It is true the experiment was only partially carried out; and that it was only in a few instances the poor rates absorbed the whole of the rent; ..... The direct object of the taxation was to raise wages to their natural level; but the experiment failed, and the country nearly failed also."(1)

"Natural" wages here means, of course, the payment to the labourers of the whole product of their labour except for a return to pay for capital equipment and the entrepreneurial wages of farmers. That it was said under the old poor law to be leading to a consumption even of that capital equipment share of the income from agriculture, and thus to stagnation, was the basis for popularisation by Senior and others of the measure of 1834. That Henry George is ignoring this, whether rightly or wrongly, Nicholson makes it his business to point out. Mallock, whose account we have been following, takes a different approach but the object is the same. The intelligent reader of the "Quarterly Review" is to be made aware of the challenge to order,<sup>(2)</sup> and to received economic wisdom which Henry George represents. This will enable them, as councillors and Sunday School Superintendants, workers' educators and members of welfare boards, the better to sustain the reformist case.<sup>(3)</sup> "Know the enemy" - especially the enemy of humanity as it suits you to understand it - is the basis of good social strategy.

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(1) J.S. Nicholson "Tenant's Gain not Landlord's Loss" Douglas, Edinburgh, 1883, p 82.

(2) Social order based on the security of property, of course.

(3) Described in "Rathbone and Pell's "Local Administration" of 1885 as "a chaos of areas, a chaos of Franchises, a chaos of authorities and a chaos of Rates", the system needed careful defence.

George was not considered a real threat to accepted Political Economy, and his arguments read today appear even weaker. His facility, indeed, makes his arguments appear even more facile than they really are; it was easy for his critics to find inconsistencies in his argument, and in his interpretation of fact. The intelligent reader can be shown, given time, that with weighted evidence and emotive statement, the vogue which George attained was unlikely to retain weight for long. But into popular thought George's propagandist excellence brought more strongly than ever two points to the fore, which were not frontally refutable and thus were much more difficult of excision.

That there is a class of expropriators is a common and not entirely incorrect idea, and this is clear to the citizen on the right as to his fellow on the left of the political spectrum. It is not easy in practise to suggest that they be deprived of their control of the means of production, but the limitation of their powers over the economy can never again be out of the popular mind. George was not the man who inserted it first into the popular consciousness, but after his vogue, it was fixed.

And the last point is the worst of all, for it challenges the very springs of reformist action. Reformists are concerned that the demands of men, where effective, are balanced with the scarce resources of society. If economics is wrong, whether about man's tendency to reproduce himself, or about the need for investment to be maximised, or about the balance of investment with welfare, then the whole point of their efforts is lost. If there is no scientifically-deduced economic reason for that balance of needs and means which is being enforced, then those who view society as a class war might well be right. If class war is the nature of things, rather than the tendency towards a future welfare State, then the

class in power should fight for its property,<sup>(1)</sup> rather than be subject to its continual erosion in the interests of their enemy-class.

George thus needs to be answered, for he is appealing directly to the worst in the worst of men, and their apparent interests. The men appealed to are the worst for their lack of education, and their susceptibility to the hope that any change would be an improvement in their condition. Exactly that class which Bagehot feared would be stimulated by irresponsible suggestion, got that suggestion on a plate. Such is George's impact, and Mallock's attempt to answer it is concentrated upon a defence of the logic of the basic premises of economics and the reformism to which it gave rise, regarding the attack upon this as the most probable lasting effect of the movement.

Mallock moves on to a discussion of the two major works then available from the pen of H.M. Hyndman - "England for All" (1881), and 'Socialism made Plain' (1883). That Political Economy is the "dismal science", is to the critic of socialism a pivotal point. We have seen the suggestion that George used this idea in his attempt to discredit economics, and people like Hyndman do a similar thing. Yet people like

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(1) In 1886 Wm. Graham, Professor of Political Economy and Jurisprudence at Queen's, Belfast, published "The Social Problem" (Kegan Paul). On "Inequality and the rise of capitalism" he says:  
 (The master) "is a magistrate and a deputy-lieutenant for the county, in addition to being chairman of a local board, and a most important member of the municipality of his city or borough,..... He has thus got political power, which is ever increasing. In addition to the power of the purse, and by means of it has got it - power in his neighbourhood for himself, power in Parliament for his class interest..... "He is at the zenith of his greatness, or if barely passed it, no declension is visible to the eye" (pp 245-7 & 249). These are the class who must decide whether to fight, or whether Bagehot's ideas can succeed.

Hyndman are seen as far more dangerous. Their socialist doctrines shock people, and their suggestions for the radical reform of society come from a careful consideration of the situation. "The real leaders of the Socialistic movement of today are so far from regarding fanaticism as a substitute for thought, that thought with some of them has apparently been the origin of their fanaticism.<sup>(1)</sup> Hence their thought must be shown to be false, if it is false, on a basis of reason and not of mere opinion or ideology. "They must be false, not because the upper and middle classes are shocked by them; but because they are founded on scientific falsehoods - the perversion or rejection of some broad natural

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(1) Mallock p 87.

facts!"<sup>(1)</sup> Thus the reformist sets his sights on the struggle with the revolutionary of the more intelligent and subtle type.

"They have approached the subject in the first place, as savants rather than philanthropists. Before declaiming against the rich, they have tried to satisfy themselves as to the real origin of riches; before attempting to excite a rebellious feeling among the poor, they have with equal care examined the causes of poverty; and they profess, as the apologists of social revolution, to stand or fall not on passion but on proof.

English Radicals, in moments of militant enthusiasm, delight to inform the world that they "care nothing for Political Economy." The leading Socialists of the day indulge in no such silly bravado. They know that for a man to say he cares nothing for Political Economy is about as sane as for a man to say that he cares nothing for arithmetic." (2)

This being so, the socialists have to erect their own, more "true" economics. But they do not entirely throw the accepted economics overboard:

"On the contrary, they endeavour to found their most revolutionary conclusions on the same methods as those followed by Mill and Mr. Fawcett". (3)

With this methodology they have erected a pattern of economic explanations, and advocate revolutionary changes in economic organisation. The upper classes take little note of this development, and this was in the past no bad thing as the working class did not pay much attention either. But Mallock reads something very different in the 'eighties:

"There are many persons who ..... seek to reassure themselves by comparing the popular temper of today, with the popular temper as it was during the times of the Chartist agitation, or during the earlier years of the trades-unions: and we are far from denying that, in mere point of ferocity, the discontented classes of this generation contrast favourably with those of the last. This fact, however, really proves what it seems to disprove. What constitutes the danger of social discontent today, is not its intensity but its basis. It represents, not the presence of any exceptional suffering, but the growth of a speculative conviction: and the fact that its temper is less ferocious than previously, shows, not that it has lost in strength, but that it has gained in confidence."(1)

This movement is still largely employed in supporting the new wave of Radicals - it is not yet freed of the management of the Liberal party which Bagehot regarded as such an important thing to retain. But the socialism on which their radical theories largely rest makes "its middle class exponents, such as Mr. Chamberlain and Mr. John Morley"<sup>(2)</sup> in fact further the idea of the class war, whatever they think they are doing. Rightly or wrongly they argue on socialistic grounds for what they imagine still to be Radical propositions. The working class is not educated so as to understand Morley's intellectualism, and the popular part of Chamberlain's appeal is that to self-interest. The logic of this Radicalism as it comes to the ill-educated part of the working-class - which is the majority -

is the logic of the class war, in encouraging the belief that the rich plunder the poor, and that the calls of equality are fundamental. This being so, since class war and the propaganda of social dissent is based allegedly on economic science, it is Mallock's counterblast to these doctrines to examine them in their economic structure and appeal.

Their appeal Mallock points out by inviting his reader to remember the processions to Hyde Park, whose members carry banners reading "Wealth is the creation of Labour", and which have been quite <sup>a</sup> common over the years immediately preceding his publication. These are the documents of the Democratic Federation, led by Hyndman, and with a membership ~~of~~ - even Mallock admits - of "tens of thousands". Hyndman's ideas are not a mere rabble-rousing oral tradition. They are made explicit in his works - briefly in "Socialism made Plain, The socials and political manifesto of the Democratic Federation", and at length in "England for All". Hyndman:

"is not only a person of considerable reading and of education, but he had been a diligent student of Socialistic literature in general, and of the writings of Karl Marx in particular; and we may be perfectly confident that we meet, in the main principles laid down by him, not merely with the opinions of a Socialist, but with the foundations of all Socialism" -

Mallock p 97.

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Indeed so; In spring, 1881, he had obtained an interview with Disraeli, and the two had agreed on the deplorable state of society:

"H. 'But this need not go on for ever?'

(Beaconsfield) B. 'No, but private property which you hope to communise, and vested interests, which you openly threaten, have a great many to speak up for them still ..... It is a very difficult country to move, Mr. Hyndman, a very difficult country indeed, and one in which there is more disappointment to be looked for than success"(1)

Disraeli had commended his courage, and wished him well. Mallock, of Disraeli's own party, would not go nearly so far. A year before the meeting with Disraeli, in a letter from Marx, Hyndman was told:

"If you say that you do not share the views of my party for England, I can only reply that the party considers an English revolution not necessary, but - according to historic precedents - possible. If the unavoidable evolution turns into revolution, it would not only be the fault of the ruling classes, but also of the working class."(2)

Hyndman replied:

"I do not wish to push men on to what must be violence when they might easily attain their objects by peaceful action in common".

Nevertheless, Hyndman is vigorously anxious to establish his point.

Returning to Mallock's commentary on Socialism as expounded by Hyndman, we find a long quotation from the Manifesto, which he is to use as the basis for his own reply:

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(1) "Hyndman and British Socialism", Tszuzuki, Oxford, 1961 p 35.  
 (2) Ib p 34 Letter of 8 December 1880.



"All wealth is due to labour; therefore to the labourer all wealth is due.

But we are strangers in our own country. Thirty thousand persons own the land of Great Britain, against the thirty millions that are suffered to exist therein. A series of robberies and confiscations has deprived us of the soil which should be ours. The organised brute force of the few has for generations robbed and tyrannized over the many. We now call for Nationalisation of the land. We claim that land in country, and land in towns, mines, parks, mountains and moors, should be owned by the people, for the people, to be held, used, built over, and cultivated, upon such terms as the people themselves see fit to ordain. The handful of marauders, who now hold possession, have and can have no right save brute force against the tens of millions whom they wrong.

But private ownership of land in our present society is only one and not the worst form of monopoly ..... Out of the thousand millions of pounds taken by the classes who live without labour, out of the total yearly production of thirteen hundred millions, the landlords who have seized our soil, and shut us out from its enjoyment, absorb little more than sixty millions as their direct share. The few thousand persons who own the National Debt ..... exact twenty-eight millions yearly from the labour of their countrymen for nothing: the shareholders who have been allowed to lay hands on our great railway communications take a still larger sum. Above all, the active capitalist class, the loanmongers, the farmers, the mine-exploiters, the contractors, the middlemen, the factory lords. - these, the modern slave-drivers, these are they who through their money, machinery, capital and credit, turn every advance in human knowledge, every further improvement in human dexterity, into an engine for accumulating wealth out of other men's labour, and for exacting more and more surplus value out of the wage-slaves whom they employ. So long as the means of production, either of raw materials or manufactured goods, are the monopoly of a class, so long must the labourers on the farm, in the mines, or in the factory, sell themselves for a bare subsistence wage. As land must in future be a national possession, so must the other means of producing and distributing wealth. By these means a healthy, independent and thoroughly educated people will steadily grow up around us ..... ready to organise the labour of each for the benefit of all, and determined, too, to take finally the control of the entire social and political machinery of a State, in which class distinctions and class privileges shall cease to be.

The land of England is no mean heritage; there is enough and to spare for all; with the powers mankind now possess, wealth may easily be made as plentiful as water, at the expense of trifling toil".(1)

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(1) Kit Malloc pp 98-100.

Mallock picks from this three points which, he reckons, are considered axiomatic by Socialists, and which merit his attention for discreditation. These are: first, that apart from raw materials, (which have no value unless worked-upon), labour is the sole cause of wealth; second, that the land belongs rightly to the people of the country; third, that it is the tendency of a capitalist economy to make the rich richer and the poor poorer.

Whether Hyndman quite says this is doubtful. The ownership of the land by a narrow class is the result of their seizure of it, and is held by the use of an unequal degree of power in the society. This is true. If this power is bad for the community, as Hyndman suggests, then communal seizure is not unreasonable. The whole thing rests on the internal logic of the case, rather than on economics. The labour theory of value as extended by Marx and adapted by Hyndman, is against later accepted economic theory. The tendency of society to let the rich increase their wealth, and leave their poor employees at subsistence level, is what the Bagehot reformists most seek to reverse, and economists in general support them. The divorce between economics and policy which followed from Smith's principle of non-involvement depended as much on laissez-faire dogma as on scientific refinement. Thence for a century, economics assumed as the ideal of the polity a theory of Free Trade, and only really after 1875 did this begin to end. Already, socialist theory was developed on different lines; already, by 1884, tory propoganda directs itself directly to the

discrediting of socialist thought as such.<sup>1</sup>

This is one of the functions of the parties in a democratic society, to draw with emphasis the evil effects they are able to persuade themselves might result from the return to power of others. Economists writing in this period had no such simple task. Their motivation was under attack! the accusation was specifically made that they repudiated social justice in favour of a bourgeois interest in which they were involved. In adapting their economies to the changing economy of the eighties they had at the same time, more explicitly than ever, to discuss the difficult question of social justice, and of the proper role in that economy of the State.

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- (1) Mallock went on, in great detail, to savage a series of letters Hyndman wrote in January and February, 1883 to the "St. James' Gazette" on 'Scientific Socialism'. He interpreted Giffen's figures so as to illustrate the falling money-wages of many groups of labourers; Mallock directed his attention to showing "true Conservatives" "exactly why (Hyndman's method of applying statistics) is despicable" (p 167)

Mallock carried on his fight: "The New Republic; or Culture Faith and Philosophy in an English Country House" is an incredible semi-novel (Published Chatto & Windus, 1900).

In his "Critical Examination of Socialism" (1 Ed & Cheap Ed Murray 1908) he argues "The care of the aged, the care of the unwillingly and the discipline of the willingly idle, are among the most important objects to which social statesmanship can address itself; but the doctrines of socialism hinder instead of facilitate the accomplishment of them, because they identify the cure of certain diseased parts of the social organism with a treatment that would be ruinous to the health and ultimately to the life of the whole" (p 293)

A contemporary American economist, F.A. Walker, Professor at the Massachusetts Institute of Technology, argued thus:-

"It is true that if the sense of justice be awakened in the mass of the people, or in any considerable class in the community, industry, frugality and sobriety are likely to be in greater or less degree impaired and thus the production and distribution of wealth will be affected. But it is wholly because of the effect last indicated, and not at all because of its ethical character, that any social arrangement or political institution comes within the consideration of the economist".(1)

What, however, is "sense of justice" but "sentiment"? And it is anyhow connected with the impairment of the faculties which make for economic growth in a still-non-automated society. Sense of justice or of beauty is not seen to be any part of the economist's concern, as economist. But if he is not concerned about this, what is he concerned about? The short answer would be that role of economics was to talk about wealth, and not about how men might best benefit from spending it.

"Here is its true field of influence. Its aim is to make common sense the supreme rule of industry and trade. The test of a true Political Economy is that its teaching, its Principles, its arguments and above all its language, shall be intelligible to all. It addresses as its real audience the labourers of the field and of the factories, the manufacturers and the merchants, the shopkeepers and the legislators, in a word the whole community; and it is bound to use language which they can recognise to be true. If it shoots over their heads, it has missed its vocation ..... it ceases to be a power and to have value of any importance ..... Trade and the practise of traders, written out in the language of the differential calculus (2), is indeed a masterpiece of scientific achievement. But will

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(1) Political Economy" 3rd Edition p 26 MacMillan 1887.

(2) Jevon's developments, as carried Forward (via Vienna) by Marshall.

mathematical figures ever convince a people that they act foolishly in protecting their native industries with high Tarriffs ..... or teach labourers whether a strike is likely to bring them better wages, or show why two farms of equal fertility pay very different rents. (1)

Of this practical kind is the Political Economy of the "Wealth of Nations"." (2)

This view, conflicting with the opinion that the Smith-Mill "science" of Political Economy has validity as such, was the foundation of that "Oxford Economics" which left the popular propogandists free to the domination of the "Cambridge School" and their mathematically-based inventions of the Marshallian era. Cairnes, in the Chair at London, and Fawcett at Cambridge sought, without repudiating Mill, to make his "science" relevant and to modify his politics. Political Economy was to be defined:

"as the science which traces the phenomena of production and distribution of wealth up to their causes, in the principles of human nature and the laws and events, physical, political, and social of the external world" (3).

Here at last we have it. Since there is no science of legislation, since Mill's liberalism is no viable basis for economists' attitudes to the States, then the State, man's psychology, and many other social factors must be accounted for within economics. "The external world" is reality; economics is to be a scientific system in which the real influences on man must receive due consideration, but which must yet seek to emphasise to citizens and their governors what the principles of a newly all-embracing Economics are. This evolution follows the collapse of any rationale

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(1) This important point is discussed more fully below.

(2) Bonamy Price "Practical Political Economy" Kegan Paul 1878 dedicated to Prince Leopold.

(3) Cairnes "The Character and Logical Method of Political Economy" MacMillan 1875 p 57.

of non-interventionism under social pressure; social and political pressure must now join the demand for "corn" and the number of mouths to be fed, as "economic factors". But since they are economic factors, they must be allowed to bring with them into Economics some of those ethical aspects which Walker reckoned were definitely outside the economist's sphere. The generation of economists after Mill accepted his "Political Economy" but not his "art of government".

Hence Fawcett opens his analysis with a general statement that

"It is ..... a fundamental error to suggest that Political Economy ever asserts that the higher motives which actuate human beings ought to be discarded in favour of wealth."

This is not to say that economics is concerned to argue what is morally right or wrong, but it must be able to suggest what will happen if government acts in this or that way in this or that eventuality. On the basis of the knowledge so acquired, the economist can advise and even urge policy upon government, and can comment upon the wisdom of the policy of government. It is to this aspect of Fawcett's work that our attention in this study will be directed.

First, in his discussion of capital, Fawcett<sup>(1)</sup> considers the stimulus of political events. Any economist, computing the capital of France in 1868, would have denied her power to pay off the indemnity imposed after the Franco-German war of 1870 so quickly as she did. In fact, whilst paying that indemnity, France enjoyed a boom over the whole economy. This he suggests is a case where an extraordinary stimulant has

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(1) "Manual of Political Economy" 1st Ed. 1863: Completely revised, 1883.

brought all the "slack" capital of the country into play, raising levels of output, wealth and welfare. Thus a national effort, even involving a large unremunerative export of capital, can be seen as economically advantageous. Now, Fawcett speculates, if Germany had ravaged France, and destroyed her factories, this boom would have been impossible. Ravage of an agricultural economy is merely the loss of one, perhaps of two, harvests. Ravage of a capitalised economy is infinitely more damaging, and Fawcett suggests that, should England ever be threatened,

" England ought to speak in unmistakable language that her vengeance will not be confined to a retributive slaughter of soldiers, but that she would destroy all the public works upon which the wealth of the enemy depended". (1)

From the destruction of public works, to their construction. Fawcett feels that if there is any capital in the country which is not being invested, then Government can advantageously borrow that money for investment in works of general public benefit. There is a general drawback to all such schemes, of course, in that "Government management is almost invariably wasteful and inefficient", (2) as the evidence of the Indian Public Works Department shows. However, most constructive works are undertaken by private enterprise, and most government loans are raised for the destructive action of warfare. The removal of investable funds from the economy in the purchase of cannon-balls, gunpowder and mortars, is to apply them to "sterile" as opposed to productive purposes. The reason for this concern to avoid "sterile" expenditure is that the welfare of humanity depends upon the greatest possible increase of capital, to produce a greater national income. In drawing-up the pattern of taxation,

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(1) p.29.

(2) p.34.

for the same reasons, government should recognise "the importance of arranging a tax so that it should cause the least possible diminution of capital".<sup>(3)</sup>

The growth of the colonies, of themselves rather than as mere extensions of the British economy, was a matter for great concern as Fawcett wrote, and he considered at this point the case of Australia. A community of farmers, selling produce to shippers who sent it to Britain, and buying British goods from a few centres in the whole country, was suddenly subjected to a gold-rush. It was feared that the farmers would join the rush, and finally kill the tentatively established and very-dependent economy. Instead, disappointed prospectors joined the farmers, stimulating the growth of market towns, and sufficiently increased the Australian population, so that some manufacturing for the home market within Australia could be begun. Though there is in this no direct advice or comment upon social institutions, Fawcett's concern to show all aspects of social development, as well as strictly-definable economic development, represents a widening of his scope of study.

Social development depends largely, as we have seen already often-repeated, on the accumulation by society of wealth. The land and goods used to create wealth are the property of individuals or groups, and we will, with Fawcett, move into the wider considerations of social welfare through the consideration of property. Property can only exist

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(3) p.39.



in an organised society, and those who own property possess in it a right which is enforced by law -

"but the existence of law implies that a people comprising a State or nation will exercise a combined power to make individuals regulate their conduct according to certain rules termed laws. Such combined action constitutes the power of government".

A great proportion of the laws of any country are concerned with the possession, inheritance, transmission and protection of property, and are therefore of relevance in a study of Political Economy.

"The production of wealth is influenced by various physical conditions which are independent of human agency; but the distribution of wealth, of course, is entirely subject to human control".

It is therefore a part of the duty of Political Economy, as conceived by Fawcett,

"to explain the consequences which must follow from the rules which may be adopted, or from the principles which may be brought into action".(1)

This then takes us a step beyond the position taken up by Senior, who merely suggested that the economist might be one of the people the State would consult in deciding upon its policies.<sup>(2)</sup> It is here suggested, that the expert has the duty to point out exactly to government what will be the effect of its proposed measures. Fawcett thence proceeds to discuss the distribution of the national product, or of such part of the national product as goes in incomes, with the claims of the economist's special knowledge, and therefore the special value of his comments, firmly embeded as the first step.

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(1) p.96

(2) In Introducing his "Outline of the Science of Political Economy".

If it were accepted that the State should take the whole national product, and after making investments, pay all citizens a dole at a given figure per head, with childrens' allowances at a fixed scale, then the sensible and industrious citizen, by planning his expenditure and saving would after a very short time be at an advantage over the profligate. With this clear distinction between the two main types of personal economic attitude as a basic premise, we move on to discuss Socialism.

Fawcett has no dispute with voluntary socialism, where any group of people decide to set up a communistic village or colony, although he does note that success over any long period is rare in such ventures. <sup>(1)</sup> The more common pleas for socialist organisation involve its imposition by the State. This principle Fawcett opposes fiercely. The great object of a Socialist society is to give everyone a living, not necessarily by his own efforts, but as a share of the return for the efforts of the whole community. Thus each man would be working for a communal good, and for the collective wealth of the country, rather than for the maintenance and well-being of his own family. The family, in what was assessed to be its due turn and place would be kept by the community. In this system both the industrious and the idle have no impulse to effort, in Fawcett's view. The idler will be kept anyhow, and need no longer even pretend to work. The industrious man will have no special return for his special efforts, and will therefore have no interest in working well. Special industry will not bring special rewards either to an individual or his family - and indeed, a man might work hardest of all in his factory and

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(1) The hundred and fifty year existence of the Jesuits' communistic community in Paraguay is usually explained as a monastic community (despite the fact that it was rather a theocracy), and thus is not considered an example of successful communism.

be reckoned as having the least needs. Thus the people benefiting in the form of egalitarian income-distribution from the introduction of State Socialism would, as the factor of production labour, degenerate. This would presage economic disaster, and the Socialist State would collapse in depression.

All the foregoing from Fawcett comes from his discussion of "capital", as a factor of production. He turns next to land, and here again he includes in his analysis the powers and the necessary activities of the State. Land was fought for until the rise of a State sufficiently powerful to adjudicate upon and guarantee landlordship. Thereafter, land is a property with owners. Where the owners are the peasants, Fawcett is content that it should remain in their hands, but he adds,

"Wherever the system of peasant proprietorship is advocated, it is important to state, in the most explicit manner, that it is not desirable to give artificial encouragement to the creation of small landed properties either by compulsory legislation or by grants of public money". (1)

The principles for this are those which we shall see in the case of housing, which he discusses later, and we will consider them when the second case has also been put. Returning now to the question of land so far as it was a matter for current legislation as he wrote, we move into a discussion of the principles for State action under which that legislation was undertaken. Referring to the Irish Land Acts of 1870 and 1881, and the Agricultural Holdings Act of 1875, Fawcett first states the hard principle that:

"If (the farm tenant) agrees to rent a farm on terms unfavourable to himself, he has no more right to look to the State to protect him against the consequences of his own imprudence than has the occupier of a house if he agrees to pay an excessive rent

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(1) p.199.

for it, or a trader if he purchases commodities at a price so excessive as to be ruinous to himself".(1)

Against this hard principle<sup>(2)</sup> - which is simply a case of the proper exercise of free contract - must be balanced the needs of the economy. Although the farmer has no more right than anyone else to special protection in hiring his farm, he invests thereafter heavily in fertilisers, equipment and livestock - and he cannot do this properly if he has to pay an excessive rent, or if (as was more common) he has an extremely short lease. Hence although it is a simple case of the exercise of free contract for a landlord to offer farms on short leases at high rents, he is in doing so acting directly against the economic national interest, by allowing through over-exploitation the exhaustion of the land. Therefore, as an economist, Fawcett applauds the departure from the principle of the freedom of contract represented in the Agricultural Holdings Act (a Bill when he wrote in 1883), which would give State protection to the investing tenant farmer.

It will be remembered that Mill's defence for regulation of gasworks and waterworks was to prevent excessive profits being taken from the nation by monopolists. The object was that there would thus be more money available for the rest of the economy, and particularly for its expansion. Fawcett, here too, repudiates the free contract principle in favour of regulation where that regulation will tend to the capitalisation of

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(1) P. 218

(2) The Rent Act of the MacMillan Government falls into line with this "hard" principle, which is therefore perceptible as still very much alive.

agriculture, and therefore the growth of the economy. One form of regulation which Mill Opposed was the retention of privileged wage-rates and conditions by certain classes of workers, and on this issue of wages and conditions we see Fawcett's next commentary upon State activity.

"Laws which attempt to regulate wages are always futile or mischievous<sup>(1)</sup>".

A first elucidation of this point is offered when Fawcett invites us to consider the effects of a State decision that all wages must be increased by 20%. This would lead to an export of capital to some country where investment, profit, and capital accumulation were not "robbed" of a 20% slice added to wages. On the other hand, there is some cause for a minimum wage being set for the depressed classes, and he cites the case of farm labourers, many of whom only receive 11/- or 12/- a week, when all authorities agree that the minimum subsistence income for any household is 15/- a week. Fawcett goes on to say, however, that any farmers who do give inadequate wages "act as unwisely as if they were to give an insufficiency of food to their horses".<sup>(2)</sup> If the wage were set by law, the farmer would not lose, because of the improved health (and therefore efficiency) of his labourers. However, the Malthusian argument comes in here, and takes the form of a suggestion that labourers would marry and reproduce earlier in life. At the same time, a slightly increased wage would decrease emigration (whose spur is always discontent) and the result would be an increase in population for which employment could not be guaranteed. Hence a beneficently-motivated measure would have socially deplorable results. It is best left to

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(1) p.224

(2) p.225

labourers and employers to negotiate amongst themselves for proper standards.

Moving from the question of wages to that of hours, Fawcett considers the proposals then current for a statutory eight hours' day, which would reduce work in most trades by two hours, without pay cuts. He first points out that investment would decline, as it would be less advantageous on those terms. The general price-level would rise anyhow, and this would both weaken our competitive position in the world, and ensure that the workers' increased leisure would be in conditions of an inflationary spiral. The argument for the act, that eight hours' work could be as productive as ten, since the employees were less tired, is one which Fawcett considers trades-unions should represent to employers in internal negotiations, rather than to the State. If the employers can be convinced, then the industries themselves can work an eight hour day. Legislation to that effect would be far more clumsy, and would almost certainly be detrimental to the economy.<sup>(1)</sup>

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(1) At this point, Fawcett discusses the problem of the suggestion (even then common) that the State should provide work for the unemployed, at a rate of pay equal to that of workers normally employed. Apart from the provision of work on the construction of projects of permanent economic advantage (roads, canals, etc.) in times of especial stress, this is indefensible to Fawcett. The first objection is that taxation must rise to meet the cost of the undertaking.

The second objection, arising from the first, is that this increasing taxation must inevitably lessen investment (and therefore growth) in the other sectors of the economy.

Thirdly whilst you are thus slowing growth, you allow anybody to take up a job with you, he can marry young, and the Malthusian argument follows.

"This is no imaginary supposition, (;.229), for statistics 'unspecified' have demonstrated that many among the lower classes marry with utter recklessness".

The disputes inevitably arising between capital and labour, have two ready solutions on hand, both widely advocated. The first, which has Fawcett's full support, is co-operation. National Education will enable the working class to take their proper place in the management of co-operative undertakings. A law repealed in 1867 limited the investment of any co-operative in any other to £200. The Rochdale pioneers at one stage had so much idle capital that it provoked a crisis in the society, and only after an Act of 1870-71 were they empowered to buy land and build houses for members. Such restrictions having been removed, co-operative venture could provide a way for the two sides of industry to be merged into one, but only where the self-reliance which Fawcett saw as the essence of co-operation was retained. (1) The idea that co-operatives should be State aided has his bitter opposition. Co-operatives are a business, like any other, and must be based on the subscribed capital of their members as the case of any other firm.

The other ready-made solution to the problems of industry is considered in Fawcett's chapter on "State Socialism and the Nationalisation of the Land". Under Lassalle and the Internationalists, Socialism has come to rely upon the use of the coercive powers of the State. Nationalisation of the "land and other instruments of production" is Fawcett's first point of attack.

"As this plan of nationalisation may be regarded as the most important development of State Socialism, it will be desirable to consider it before describing other socialistic schemes, the adoption of which would involve pecuniary aid from the State" (2)

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(1) p.278 "The essence of co-operation is self-reliance".

(2) p.279.

Land was anciently collectively owned, but since it has been given out to private ownership, by and under the protection of the State, so no principle of justice allows its seizure back by the State without compensation. Where the State does own the land, it should keep it. The case cited here is that of the tragic Cornwallis experiment in India, where property rights in the land were given to zemindars (tax collectors) in 1793, where these people charged the peasants four times the rent they in turn paid to the State. In Australia, too, there has been adopted a system of which Fawcett strongly disapproves. The richest capital of the State is the land, but this is sold to individuals for ridiculously small, and indeed often for purely nominal sums, and the income from this is not considered as a part of the capital of the country, but is simply booked in as part of the annual income.

If, however, you accept the principle that where land has been distributed it can only be regained after payment to the owners of full compensation, then nationalisation becomes impracticable.<sup>(1)</sup> The annual rent of agricultural land in Britain was calculated by Giffen at £66,000,000. At 30 years' purchase, Fawcett calculated that a purchase price of £2,000,000,000 would be needed, three times the figure of the then national debt.<sup>(2)</sup> If you still went ahead, what principles would you fix for

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- (1) Fawcett urges, nevertheless, that where land is still held by the State, it should be retained. No principle of Justice allows more than this, for land, granted, inherited, sold and so on is absolutely unquestionably private property, and as such is inviolable.
- (2) And in 1966-7 the Figure at which the annual defence budget was "pegged".



settling rents and selecting tenants? If you open this to competition, what is the difference between the State and a private landlord? If any principle other than that of the "market price" of a farm is to be applied for fixing rents, you must be prepared to meet the inevitable loss by the only available means, taxation; and this digs into wages. Add to this the possibilities which the absence of competition allow for corruption of all types, and the social disaster they provoke would be an even greater strain on society than the financial burden already stated. First of all, to borrow £2,000,000,000 would involve a saturation of the money market, and the rate of interest to be paid by the State would progressively increase. Either the increased repayments would have to be met by increasing taxation, or from increasing the rents on the land already let out by the State. This would lead to a stagnation either of agriculture, or of a wider section of the economy, and would stifle certainly growth. The collection of rents, too, would have to follow strict civil service procedure, with standard dates for foreclosure in the event of non-payment. Thus a request for time to pay, now granted by a landlord to a trusted tenant, would be replaced by hard rules and red tape. (1)

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(1) Fawcett suggested here that the Irish Land Act of 1881 and the Tenants' Compensation Bill of 1883 point a way to guaranteeing the position of the Tenant without recourse to these massive and probably-disastrous schemes, anyhow.

The next scheme of State Socialism attacked is Bismarck's "social insurance" scheme. This is at fault, because, firstly, although the employer pays the tax which provides the bulk of the insurance fund, he must levy it on the goods he sells, and therefore indirectly upon the workers who are the greatest group of consumers. Also, all taxation discourages investment (because it reduces profits) and this reduces the demand for labour, and again hits at the working class. Thus all that the scheme does is to impose compulsory thrift upon the workers. Fawcett believes that better results would be obtained from an encouragement of voluntary thrift through savings banks, friendly societies and co-operatives. Even in tackling the terrible conditions of housing, which must be alleviated, the exercise of thrift by the tenants through building societies is to be preferred to State housing schemes. In 1883, John Bright's address as Rector of the University of Glasgow revealed the horror of housing conditions. Out of every 100 families in Glasgow, 41 lived in a single room, and a further 37 lived in two-roomed apartments. The State has, Fawcett believes, a duty to protect the citizen from the antisocial results of insanitary housing. This must be distinguished, however, from the provision of working-class houses by the State on terms better than those available in the ordinary housing market. All new housing construction must be regulated by sanitary controls, but

"If the rent asked by the State or the municipality is not sufficient to pay the interest on the money expended in building them, the deficiency must be made good, either by an increase in imperial or local taxation".(1)

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(1) p.293

You must charge a fully economic rent, or you will encounter

"financial failure, coupled with all the evils of favouritism and jobbery". (2)

The building society is the best means to the re-housing of the working classes, and the virtual non-existence of Scottish building societies is offered by Fawcett as a possible factor in the deplorable condition of Scottish housing.

Such, then, is Fawcett's view on the State and its place in Economics. Before we attempt any conclusion upon it, we will look at the thought of his contemporary, Cairnes, and consider the two together. Before we move into the latter's work, however, let us note Fawcett's general conclusion on the role of the State, with its fundamental statement of principle:

"The conclusion above all which we desire to enforce, is that any scheme, however well-intentioned it may be, will indefinitely increase every evil it seeks to alleviate if it lessens individual responsibility by encouraging the people to rely less upon themselves and more upon the State".

Much of Cairnes' thought is so closely paralleled in Fawcett that it is unnecessary to repeat his statements, but his argument

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will with advantage be taken up, <sup>(1)</sup> when he answers a postulated question as to the distribution of wealth being based upon natural justice, rather than upon the more inegalitarian system of returns to capital, enterprise, land and labour, which are found in an economic analysis. The answer he offers is twofold. First he says

"I am unaware of any rule of justice applicable to the problem of distributing the produce of industry".<sup>(2)</sup>

Secondly,

"any attempt to give effect to what are considered the dictates of justice, which should involve as a means towards that end a disturbance of the fundamental assumptions on which economic reasoning is based - more especially those of the right of private property and the freedom of individual industry - would, in my opinion, putting all other material considerations aside, be inevitably followed by the destruction of indefinite curtailment of the fund itself from which the remuneration of all classes is derived".<sup>(3)</sup>

That is to say, an interruption of the economic process for humanitarian ends, which did not give proper allowance for the needs of investment, and a proper return to investors, would result in a collapse of the economy, and a failure of the national product. Once made, however, Cairnes lets the point stand for itself, and moves into a more precise attack upon the idea that some principle of "justice" could be applicable to the rightful distribution of any given national product.

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(1) "Principles of Political Economy" 1st Ed, 1874

(2) p.263

(3) p.263

He notes that several rules of justice have been suggested. Not much thought is required to "imagine" others. All of them have

"quite as good a title to the claim of representing natural justice" as any that have been advanced by social reformers". (1)

"To each according to his wants" is one idea, another

"to each according to his works",

and Cairnes offers in addition

"to each according to his sacrifice".

He goes on to define his ground by saying

"As to the amount of truth or morality which these several maxims embody, I am not concerned here to inquire. My business with them has reference exclusively to their efficacy as rules for regulating the distribution of wealth".

He has absolutely no wish to disparage human values, but the use of them - as opposed to their tenure as ideals - is, in the world of reality, dangerous.

"In a condition of society incomparably superior to any that now exists, or is likely for a long time to exist,"

Socialism might well have Cairnes' support, but he must point out to socialists that such a change is predicted by their postulations.

"I altogether deny that in the actual circumstances of mankind the distribution of wealth on the principles they contend is feasible; and I believe that any attempt to carry those principles into effect by invoking for this purpose the powers of the State - which I take to be the essential characteristic of socialism, and that which broadly distinguishes it from other modes of social speculation - could only end in disaster and ruin". (2)

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(1) p.264 Cairnes' Emphasis.

(2) p.265

There is a difficulty of nomenclature which Cairns next faces, by stating that if to be a socialist is to look forward to a world of equality and social peace,

"If to look forward to such a state of things as an ideal to be striven for is socialism, then I at once acknowledge myself as a socialist".

However, to Cairnes, socialism means rather the

"employment of the powers of the State for the instant accomplishment of ideal schemes, which is the invariable attribute of all projects generally regarded as Socialistic".

Where socialism means not the idealist looking for a classless and peaceful society, but the exertion of the pressure of the State for the equalisation of incomes, it cannot have Cairnes' support.

His next step is to examine in more detail the criteria ~~or~~working rules he has already said socialists offer, or might offer, for the distribution of wealth. How do you compute the needs of a man who is to be given "according to his needs"? Do you take his word for it? And if funds are not sufficient to meet the requirement of all, who is to decide which needs are the most urgent? If large families are to be fed as heads, and not as a family, what is to prevent a Malthusian population growth? "I must, therefore, put aside this particular form of the law of distributive justice as for me utterly unmanageable".<sup>(1)</sup>

What, then, about the proposition "to each according to his work"? Piece-work rates are calculable, so there is greater plausibility

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(1) p.266

here. What, however, about the construction of a house, where you can assess piece-rates for bricklayers, and each other grade, but not the comparative value of the work of bricklayers and architect?

"As well might we seek to determine the proportions in which oxygen, the hydrogen, and the electric flash have contributed to the drop of water which results from their combined action".

"The agencies in operation (in economic life) are essentially out of the moral sphere",

so that not only is any of the above criteria inapplicable, but it is also impossible to follow Bastiat in his suggestion that the working of the system itself provides a morally equable distribution of its produce.

Should the working of the system

"in any given case prove to be in strict accordance with the claims of moral justice, and the so-called "natural rights", I do not see that we should be justified in regarding the coincidence as other than a fortunate accident".

For himself, Cairnes says the conditions of this world are not such as,

"for my part, I should find it easy to reconcile with any standard of right generally accepted among men". (1)

The well-being of mankind, as we have seen already often-repeated, is to be furthered only by the eventual growth of the economy to a level where national income is such as will pay for a high level of welfare.

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(1) p.270. In 1862 Cairnes published "The Slave Power": this was a human rights argument which helped bring opinion behind the North in the U.S. Civil War.

Private enterprise, so far as can be seen, offers the best chance of continued rapid growth, and is therefore to be defended. For private enterprise

"two possible substitutes, so far as I know, and two only, have been or can be suggested - benevolence and public spirit".(1)

These require quite as much a reversal of human nature, before they are universal attributes, as do the conditions of socialism, and therefore self-interest must stand for the time being as the firm ground for economic growth and eventual human betterment.

In the meanwhile, workers can reasonably press for increased wages wherever such an increase would not stifle the trade in which they are engaged, but like Fawcett, he sees in the rise of co-operation the best hope for the advancement of the working class. To the objection that workers have little to invest, he points out that though this is true of workers individually, the class spends at least half the £120,000,000 which is spent each year on drink, using this to exemplify the economic power the working class as a whole could apply to their own betterment. (2)

One last point from Cairnes merits our attention here, and this is from his argument on protection as against Free Trade.

(1) p 272. See below Marshall on "Economic Chivalry".

(2) But here Cairnes states again the caveat that co-operative endeavour (must not be State-aided. If it were, people who had not a complete stake in success would not fear failure, "what would there be to develop prudence or self-restraint?" he asks. (p.286).



He follows the argument which was advanced by John Mill. In the protected country there is a lack of energy in industry, with the poor substitute of

"legislative expedients, to the great discouragement of those qualities on which, above all, successful industry mainly depends - energy, economy, and enterprise".(1)

I looked up Fawcett and Cairnes in the standard Histories of Economic Thought, and found that Eric Roll simply gives the dates of Cairnes' publications, and ignores Fawcett altogether. J.F. Bell said simply

"J.E. Cairnes (1824-75) and H. Fawcett (1833-84) may be regarded as the last defenders of orthodox classicism".

This idea is stated at greater length, but with no difference of interpretation, by Frank Neff. Gide and Rist again make no mention of Fawcett, and say of Cairnes

"Cairnes was purely classic ..... he was curiously indifferent to all social abuses".

How different this is from Marshall's opinion of Fawcett, of whom he said:

"His courage and tenderness, his self-devotion and simplicity were as great a source of strength as his marvellous force and clearness of thought. And thus he was able to take a position which no other economist has held; he was able to tell the people unpalatable truths and to earn their hearty thanks for doing so. The working classes saw him the friend of the weak and oppressed, the chivalrous pleader for the agricultural labourer and the Indian ryot; and they listened to him with something more than forbearance when he taught the hard doctrine that they must in the main work out their own social salvation by their own efforts. He was leading them, as he was leading us all, to think seriously and patiently about our economic evils and the remedies for

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(1) p.405.

them."<sup>(1)</sup>

Cairnes and Fawcett were friends and collaborators throughout their adult lives. Each suffered physical tragedy - Cairnes was crippled with arthritis for many years and Fawcett blinded in his twenties. Both were ardent social activists; Fawcett especially so, as Liberal MP for Brighton and later Hackney, and as Postmaster General in 1882.<sup>(2)</sup> In this last office he promoted the parcel post; introduced postal orders; made Sherlock Holmes' methods possible with the sixpenny telegram; established savings-stamps, and circulated over a million free copies of his pamphlet "Aids to Thrift". Although blind, he appears to have originated the idea introduced during his administration of putting the time of the next collection on pillar boxes.

An economics textbook published in 1886 had on its title page<sup>(3)</sup> the "proverb" "Iron Laws, in the End Found Golden". This is the crux of the Political Economy propounded by Fawcett and Cairnes, as of their followers. The "laws" of Mill (derived from Ricardo) were not to be overthrown, rather was the economy's development to be seen more fully

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- (1) A. Marshall's inaugural lecture at Cambridge.
  - (2) Leslie Stephen's "Life of Henry Fawcett" (the "official" biography done for the widow), (Smith, Elder & Co, 1885) has only 48 of 472 pages on his economic persona - the rest is on his distinguished public life.
  - (3) J.T. Danson "The Wealth of Households" Clarendon Press Series, 1886: the conclusion of this work is entirely in favour of proprietary right: "Without wealth, guarded by right, philanthropy would be without means; and the joy of wise giving would be reduced to a mere community of suffering."

than before as producing better opportunity for human beings to live a full life - both as a result of the progress envisaged in free operation of economic laws, and by social action in the "possible" exceptions to those economic laws. Despite the admirably widespread propaganda of their views, <sup>(4)</sup> however, events made their balance of Mill with evolving social demands in the highest degree precarious; and that means, of course, that in a shifting situation their ideas were due, as soon as set out, to be superceded.

In 1878, the first Cobden Prize awarded by the University of Cambridge went to J. Sheild Nicholson, for an analysis of "The effects of machinery on wages". In the last chapter of that study, he points out that

"machinery has given rise to more sudden and extensive fluctuations, and to greater precariousness of labour, than was the case in a simpler and more stable state of society". <sup>(1)</sup>

Although Mill's argument that there cannot be general under-consumption in the economy is retained, Nicholson points out the strong possibility of an excessive supply of any particular article being created, as firms expand production to a point where they find no market to meet the total

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<sup>(4)</sup> Mrs. Fawcett's "popularisation" of her husband's work is exemplified in the "Tales in Political Economy", MacMillan, 1874.

It is in four sections:

- (1) "Free Trade - protection of native industry".
- (2) "The Shipwrecked Sailors" - the economic desert island.
- (3) "Isle Pleasant" - circulating money is introduced.
- (4) "The Islanders' experience of Foreign Trade".

Her "Political Economy for Beginners" was widely used in the new Elementary Schools.

<sup>(2)</sup> As had been forecast by Sir James Steuart.

output. In the face of declining trade (or a trade which expands less rapidly than was hoped), the manufacturer will still try to keep his factory open, as his capital investment is too heavy to risk its idleness (and possible decay), but he will reduce his price in order to stimulate the market. To reduce price, he must first be prepared to take a smaller profit, and he must then cut down his labour force to a minimum as Trade Union activity will make wage cuts more difficult. This will cause widespread unemployment if several trades are so affected at once, for although all factories might still be in operation, they will not be fully employed and will cut out all possible costs, including those of any labour not absolutely indispensable to the production of the output which can be sold in the difficult conditions obtaining in the market. From 1880-82, there was a boom in engineering, and in coal and iron production, due largely to the great demands of American railway construction. Firms expanded greatly to meet this demand, which had disappeared entirely by 1884. By that year, too, the cotton textile industry was over-expanded, as competition from newly-established mills on the continent and in Asia took over a large share of the world market in which Lancashire had previously reigned in a near-monopolist position. By 1885 this dual decline in the demand for the produce of the new key industries was recognised as a severe national problem, and a Royal Commission was established to investigate the Depression of Trade and Industry. (1)

This was a new departure for the State, which was seeking to find out whether its unique powers could in fact be applied to the economy to relieve a slackening of its progress. The State, and the

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(1) The massive literature on this "Great Depression" is so well known that specific reference here was considered redundant.

economists who advised it, had pinned their hope upon the exercise of self-interest, and the rights of free contract and Free Trade, to create growth in the economy. The eventual result would be the welfare of all, but now that process appeared to be slowing, if not halting. The Commission was briefed to:

"inquire and report upon the extent, nature, and probable causes of the depression now or recently prevailing in various branches of trade and industry and whether it can be alleviated by legislative or other means".

Hence the State was prepared to undertake legislation, and/or executive action, to stimulate growth if such growth ceased to be provided within the system of the economy, and without any such "external" spur.

The Report is an economic analysis, undertaken by politicians and economists (both amateur and professional), of the economy as it stood in 1885. It is an institutional rather than mechanically-economic analysis, for its object is to show the places where the growth had slowed, or stopped, with the hope of finding any point at which the State could advantageously intervene. The previous relationship of State and Political Economist, we have seen defined as the professional relationship of a subordinate science, Political Economy, advising (together with other arts and sciences) on the economic effects of legislation; which itself had to balance the economic advice with that of the other relevant arts and sciences. In this Royal Commission we have a new departure, in that voting citizens are unemployed, and the whole economic basis on which the progress of society rests is in varying states of despair and depression. The State, now, determines that as the advance of the economy is where all progress had its roots, it is a matter of legislative concern

that progress continue, and the system of the economy must be spurred on, if it is possible safely to apply such a spur, by government. The unique powers of the State, which were for Mill and his generation so weighty as to be kept from the economic sphere lest they overbalance both growth and liberty, are now conceived as the possible means of re-activating that growth, because of their very comprehensiveness.

The powers of the Royal Commission were used to call evidence from all sectors of the economy, from the civil service, and from economists and statisticians. Hence the picture they could draw of economic institutions, processes and attitudes was far broader than that available to any academic economist making his own analysis. The basic postulates of Political Economy were, naturally, accepted by the Commission as the basis of scientific analysis of the process of wealth-creation. Their task was to proceed on this basis to erect an explanation of certain events which had interfered with the normal process of growth.

The evidence called was first from industry, taken at its two levels. Employers were asked about the state of trade in terms of sales, supplies, costs and prices. Labour organisations were asked about conditions of work, the level of wages, and the availability of jobs. On conditions abroad the Diplomatic and Consular Services (with gaps where staffs were too busy or too idle) produced reports which were highly commended by the Commissioners. The Home Civil Service was represented by the following:

Sir Algernon West, Chairman of the Board of Inland Revenue.

Mr. Seldon, Principal, Statistical Department, Board of Customs.

Sir T. Farrer, Secretary of the Board of Trade.

Mr. R. Giffen, Assistant Secretary, Board of Trade, Head of Statistics.

Mr. Harding, Chief Official Receiver in Bankruptcy.

Mr. Purcell, Registrar of Joint Stock Companies.

The significance of this list lies in its brevity. The last four were from the Board of Trade and its subsidiaries. All of them gave information on the state of trade, from statistics gathered not specifically for that purpose.

The depression had come about, the Commissioners decided, by the normal operation of market forces, but did reveal a development in those forces themselves. On assumptions about the rate of development of world trade, capitalists and producers (it is interesting that the Report distinguishes the two) had set for their industries a rate of growth of productive capacity which proved excessive when the produce came to market. Therefore the output of the over-expanded firms could only be sold at a reduced price. Legislation for the protection of labour (through women and children), and Trade Union activity by men, removed labour hours and rates of pay from the variable position where they could have been affected to carry the reduction in price. Therefore the fall in price had to be met by a fall in profits. Most industries had in fact expanded actually during the "depression", but the return on capital per unit of output had fallen, and this was taken by producers as indicating a depression in trade.

Taking what they call a "broader view" of the situation the Commissioners point out that:

"If the aggregate quantity of commodities produced is on the increase, and is growing at a more rapid rate than the population, we cannot regard the depression in particular industries, or among particular classes of producers, as an indication of a corresponding national loss. We must not, however, close our eyes to the sufferings which, even in a time of general prosperity, certain classes of producers might have to undergo".

Statistics would appear to indicate that production is increasing at a rate greater than the rate of population increase, and the question of aggregates is thus not pressing. Nevertheless, many basic industries are facing conditions of depression, and this problem has still to be accounted for by the Commission.

Before doing so, they look at the problem of the "standard of value", money based on gold. Since the value of money in terms of other commodities depends upon the value of gold in terms of other commodities, cash return alone cannot be considered an adequate indication of the trend of trade. It was to solve this problem that Marshall suggested his "unit" of value,<sup>(1)</sup> and the Board of Trade evolved the index-number system. An increase in the returns of income-tax over the period of the depression was reported to the Commission, and especially in the return on schedule D tax, which included most profit-takers' incomes. The Commissioners were not, therefore, able to accept suggestions that the fall in profits had been general during the depression.

Therefore the Commissioners are forced to Nicholson's conclusion, which we saw earlier in this Chapter, that whilst prices fall, output has been retained at a high level.

"Such a state of things should, according to all previous experience, lead to a restriction of production until the legitimate demand has again made itself felt".

They go on to state their recommendations, which they describe as

"Few but definite",

and begin with requiring simply that prices be further reduced. The complete breaking of the depression necessitates the aggressive seizure of markets,

(1) "Remedies for Fluctuations of General Prices" Alfred Marshall in "Contemporary Review" March, 1887.



which can only be taken by competitive pricing. Prices, must, in fact, be reduced to a figure so low as the "maintenance of sound quality and good workmanship will allow". The complaint of capitalists that profits are already too low is entirely discounted by the Commission. They recognise the true position of the capitalist, which he has not yet himself recognised. His heavy capital outlay was undertaken on the assumption of an expanding and non-competitive world market with cheap raw materials and bouyant prices. In the event, the world has become highly competitive, and although the prices of materials are falling, this is part of a general world price-fall which must also and inevitably affect his produce. At the same time, the factor-price of one previously-variable commodity has become rigid, and labour in its adaptation to the factory system has fixed its own cost. This means that profits must inevitably bear the fall in prices, but as the overall size of industry has increased (and is increasing), the total income from profits has increased commensurately. Hence although profit per unit output has declined, and although the costs are higher through the under-employment of equipment, the full employment of the equipment would produce a greater total profit than previously. The Commission thus urges an aggressive attack upon world markets, with a realistic attitude on the part of the business world to prices and to profits.

When industry does really face the world market situation, the Commissioners point out, it will be backed by the great natural economic advantages of Britain, and with careful husbanding of these advantages, her world trading primacy could be safely retained. It is necessary, in the view of the Commission, that greater endeavours be made towards opening new markets, and the failure of British firms, for example, not to

adapt to foreign weights and measures has "not been without effect" in the loss of orders. Technical education is inadequate in the extreme, and this has had a bad effect. Too many workmen just learn the operation of one or two machines, rather than a proper trade, and this has effect when the machine is replaced by something better. Often middle-aged men, with no real trade and no technical education, are completely redundant when the machines they operate are superceded. Technical education is seen as the road to a real mobility of labour to meet technological advances, and will also stimulate invention and the efficiency of production.

The Board of Trade, whose officers were able to supply much material for the Commission, were urged in the Report greatly to widen their statistical services for the benefit of industry. Statistics of trade, and even more important, of labour and employment, would be an inestimable advantage in the eyes of the Commissioners. It is also suggested that the Consular service, whilst in no way acting as State salesmen, should report home on trading possibilities, and the failures of British traders in their areas. From these reports a statistical publication on the trade of Britain and her rivals should be compiled. (1)

The Report includes several minor provisions which would provide extensions to the principle of the protection of private property by the State, such as the guaranteeing of trade-marks and patents, and the accurate description of goods. Their final main point is, nevertheless,

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(1) Effective by 1906, and even before that a spur to Chamberlain.

a general summary of the main conclusion which we have already seen.

"We think that while, on the one hand, the information which we have been able to collect will tend to dispel much of the misapprehension which appears to prevail on the subject of our commercial position, and to encourage a more hopeful view of the situation, it will also show that if our position is to be maintained it must be by the exercise of the same energy, perseverance, self-restraint, and readiness of resource by which it was originally created".

A Minority Report added emphasis to the complaints about inadequacy of technical education which we have seen in the Report of the Majority, and also comments unfavourably about trends in elementary education. However, its chief point of dispute is over the issue of protection. These Minority Commissioners<sup>(2)</sup> wish to substitute "fair trade" for Free Trade, where Britain is placed at a disadvantage by any foreign State. If the foreign State sets up a tariff wall, then we should equalise this effect by setting tariffs against their goods coming into Britain and the Empire such as would "sufficiently countervail" the tariff against our goods; the Minority also support schemes for governmental assistance to colonisation of the Empire, to provide a safe source of raw materials and markets. Small tariffs on all non-imperial food imports would, if suggested, aid Empire development, and incidentally add a slight protection to home agriculture.

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(2) Chiefly Conservatives.

Hence after a full investigation by the Royal Commission, the business world is told that the way to end depression is to compete more vigorously than ever before, and to act in the way the economic necessities dictate. There is still seen no sphere for State intervention, except as collector of the figures of trade and employment, for use by business and government in assessing the course of trade. It remains the place of the State to provide for the economy merely the security necessary for a successful prosecution of self-interest - except in one vital sphere.

We have seen that the Commissioners accepted the fact that wages were fixed by Unions, and were not merely subject to "market forces". The Commissioners went on to say, in Paragraph 82 of the Report, that some other countries, by paying less for longer hours of work than in Britain had advantages over British manufacturers who had to meet these standards of employment. They say in the Report:

"we should regret to see any curtailment of the leisure and freedom which the workman now enjoys. No advantages which could be expected to accrue to the commerce of the country would in our opinion compensate for such a change" as to

reduce wages or increase hours. Bonamy Price, ~~●~~ Professor at Oxford and the leading economist on the Royal Commission, dissented from this view.

"I beg to express my dissent from paragraph 82. It contains a specific repudiation of the great doctrine of free trade. Shorter hours of labour do not and cannot compensate to a nation for increased cost of production or diminished output. They tax the community with dearer goods in order to confer special advantages on the working man. They protect him, and this is a direct repudiation of free trade. The country is sentenced to dearer and fewer goods".

Here Price would appear to be arguing for the form, rather than for the essential substance, of the economic analysis still then current. We have seen Free Trade and free contract emphasised as the necessary conditions for growth, but we have seen also that welfare is the justification for such a concentration on growth. The Commission has found that growth has progressed, but that capital returns have fallen in some limited sense. Wages have not fallen with them, because of the pressure of trades unions.<sup>(2)</sup> Goods are in greater supply, and cheaper, than they were a few years before, whilst wages have risen over the half-century. This is contrary to what Price is arguing. However, Price's argument is still sound from the point of view of pure analytical economics, which regards labour as a factor of production whose price should fluctuate with supply and demand. This analysis excludes (as Senior showed that it must exclude) consideration of the fact that the labour unit is also the citizen. Moreover, the citizen is taught by his union leaders that he can expect a certain "standard of living". This has nothing whatever to do

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(2) In a recent article<sup>(a)</sup> it has been argued that trades unionists in the period 1850-1875 were "entirely opposed to all the accepted views of economical science"; insofar as the economists repeated Classical views on wages this was the case. The assertion however that McCulloch was against Trade Unions, that Fawcett continued "to condemn them", and that "it is more significant that Jevons, the leader of the avant-garde, echoed in 1868 the arguments against unions based on the wages fund theory" takes inadequate account of the evolution we have noticed in economic attitudes to the reward and welfare of labour. By the next generation, 1880-1914, as we shall see, trades unionists were able to argue with economists on the terms of the developments in economics itself, which brought the two (economists and trades unionists) into rapport.

(a) Clements "British Trades Unions and Popular Political Economy, 1850-1875"

with his factor-price as a labour-unit, but is entirely concerned with his value and his deserts as a human being. The manufacturer and the economist are thus faced with a factor, labour, which (at least where well-organised) is not subject to a factor-price determined simply by supply and demand. Its price is instead fixed by the assessment of the labour leaders as to the worth of a man, with allowance for what the firm which employs him can afford. Once such a figure has been set, that is the price of labour, until pressure can be brought upon the firm to decide that it can perhaps afford even more or upon the union to accept less. The price of labour is thus fixed by negotiation, with the union in a monopolist position, and not by the purchase of so-many individual labours - at such-and-such a price per unit, determined from period to period by demand and supply conditions in the labour market.

This is indeed a repudiation of Free Trade and of free contract, but it is acceptable to the State, and therefore the economist of the future, however much he may regret its stagnating influence upon growth, must accept this new basis of wages as a non-flexible charge upon industry, as one of his data. However, the Commission had shown that growth had in fact continued during a period where this new attitude of skilled labour had been operative, and that unit profits had fallen with price, leaving labour very largely unaffected. Labour itself was subject anyhow to redundancy with the introduction of new machinery, and technological advance was, in fact, seen as their greatest enemy to security of livelihood. This problem will be treated more fully later, and we can here follow simply the argument which the Commissioners have presented about wages and profits.

Wages were rising with output, and profits were still sufficient to promote growth. In the short-run, increased wages meant greater population welfare. In the long-run, growth continued, and therefore the long-run means towards general welfare were retained. In this situation, little was seen by the State as necessary for it to do, to assure the continuance and development of the system.

We have, therefore, passed from 1850 to 1886 without any fundamental new principle adopted in either economics or the operations of the State, for the effects of trades unions remained perceptible as essentially economic rather than as political forces. Where politically active, indeed, through the eighteen-eighties, the unions concerned themselves rather with lib-lab than with labour politics as such.

From the Depression, real or imagined, through the eighteen-eighties, there was a rising tendency to industrial unrest, and disputes between increasingly organised labour and increasingly insecure, and thus irascible, employers. Although the slower economic growth of the years after the depression gave some comfort to those concerned with the economy, in enforcing re-organisation of industry and the appearance of new industries, it had severe effects. It was recognised that the appearance of new industries, and the replacement of old techniques, was an integral part of economic progress. At the same time labourers were trained only in the use of one machine or technique, and their redundancy put them in the position where they had either to adapt painfully to a new technique or seek entirely unskilled labouring jobs. Thus the picture which emerged was of an insufficiently-adaptable labour force, in a world where technological change was rapid, with at its side a large and depressed body of sweated workers, and an increasing number of unemployed practitioners of redundant

techniques.

This was to be the great problem of the Economy, and thus of economists, during the last period of our study - the "Marshallian Era" - which had by this time, already begun.



## ANNEXE

In turning again from economists' theory to the activities of the State, there is apparent after 1850 a change both in the impetus and the emphasis of intervention. Whilst Gladstone was seeking to make the tariff a mere revenue-raising minimum, the State was being impelled more and more to make new provisions for people in new and unfortunate situations. Mill's recognition of the probable tendency of economic evolution, and his argument that it were better to so evolve than to permit state interference, leaves a belief in Free Trade, and a hint of a prognostication that this principle will outrun man's needs or desires. What price a freely-growing country where devil take the hindmost is the only law, and where all the land is occupied by ugly productive units, littered with broken individuals? Mill ducked the question, politicians could not. The politics of the 'fifties and earlier 'sixties were dominated by men who had sat in the unreformed Parliament, and who believed in the principle of disengagement because of its possibilities as a disincentive to revolution (if the State is not to blame for our economically-induced miseries, why revolt against it?) But the younger men who served under them were more aware of the needs which the State might be able to tackle, and less concerned to isolate themselves from the evils of the world. The principle of disengagement involves the minimum operation of cheap government, combined with institutional reformism, admitting the educated as they appear into the effective body politic of the electorate. After 1868, the majority of the electorate were the urban working classes; educable they perhaps were, but they were unprepared to accept that the State was incapable of action, and unprepared to believe that their

interests were best served by their enforced freedom from the State's doing that which it was able to do. Thus the State took up an increasing welfare role. As each "Ministerial" Board or Committee of the Privy Council was created, it gained its "new" (post Northcote-Trevelyan) bureaucrats, and thereafter had sufficient institutional momentum to ride out the buffets of the declining ideology of laissez-faire.

As early as 1851, Boroughs and parishes of over 10,000 inhabitants were allowed to undertake re-housing programmes for the working class, by Act of Parliament. A further Act of 1855 permitted companies to be formed on the Building Society principle, encouraging self-help in this urban renewal scheme. That most labourers were congenitally and financially incapable of doing anything for their own re-housing was painfully apparent, and Torrens introduced a Bill in 1866, which provided for the inspection for condemnation of pestilential or overcrowded dwellings inquiries about which could be initiated at the invitation of any ratepayer. This 'Artisans and Labourers' Dwellings Bill'<sup>(1)</sup> was mutilated beyond recognition by the Lords, and in 1875 the Government introduced its own Bill to provide for better urban dwellings. Lord Roseberry and Fawcett both opposed this as being far too weak, but it went toothless on to the Statute Book, and nothing new was added for nine years<sup>(2)</sup>.

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(1) Hansard Vol. 189 pp.753-64

(2) H. Vol. 223 pp. 31-47. See my p.37. (Fawcett on Housing).

Then, in 1884-5, Lord Salisbury organised a press campaign on the inadequacy of State provision in the housing question, which led to a Royal Commission and the Act which Salisbury introduced as a Bill in July 1885. This gave powers specifically to the central government, as well as to local authorities. Local sanitary authorities were to make by-laws for the inspection of lodging houses, and the 'model' institution of this type emerged. The Local Government Board was empowered to order and enact the demolition of unsatisfactory houses, whilst local authorities were empowered to borrow from the Public Loans Commissioners, on security of the rates, to build new replacement housing. Owners who let houses without adequate drainage were liable for damages. Fawcett, in opposing the Bill of 1875, had drawn attention to the pathetic conditions in which many agricultural labourers lived. These conditions were not affected by these Acts, it was not indeed until the consolidating "Housing of the Working Classes Act" of 1890 that the care exerted in the towns was extended to rural slums. The effect upon the national consciousness which the ill-health and deplorable size and shape of recruits called-up for the Crimea was more severe than need be, since ~~the~~ ~~both~~ both Smith and the medical advisers of the seventeen-nineties pointed out that health and vigour (both of body and spirit) were weakened by industrial toil of the sort to become generalised only in the 'thirties and 'fourties of the nineteenth century.<sup>(1)</sup> Nevertheless, the recognition of the poor state of the still-greatest investment - then called labour, nowadays rather called "manpower" - which society can possess,

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(1) pp 4-6.

led to hard re-thinking on the effects of the laissez-faire principle. If men are needed to work the economy, and their efficiency is likely to be improved by their good health (or for that matter, their education<sup>(2)</sup>), then surely the self-interest of the economy at large is best served by their protection against the effects of individual operation of the full laissez-faire principle?

We have seen the great economists of the generation after Mill attempting still to show that the use of the State machine to effect improvements in the working classes living conditions will have the effect of sapping rather than stimulating their vitality. Yet action is seen as necessary by those operating the machinery of the State. Though their politician employers were more chary, the civil servants who were able to do so, from this time on, began to consider the question of improving the nation's self-interest, by protecting individuals against the stronger self-interests which crushed them. The immense efforts which men undertook amongst themselves, through Mechanics Institutes, and through their warm response to Sunday schools and lecture classes are indicative that there was ground for Mill's belief in the educability of man. The attitude of both the leaders and the rank-and-file of Lancashire textile workers during the terrible time of the "cotton famine" occasioned by the American Civil War, was the product of their self-education and showed both their moral commitment and its strength. For the worker, literacy from childhood was a boon of the highest value, and there were the highest hopes that a generation literate from childhood would as avidly as their fathers devour the literature of "improvement", reading to discover the means to human

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(2) See below pp 64-8.

betterment - both moral and social - and using increased leisure to that end, acting and voting as emancipated citizens for a high general good. (3)

It had already been noted, that even as the system of laissez-faire was erected, education was allowed to receive increasing State support. It was clear to all the leaders of the ideology of laissez-faire, that it would be necessary (since it was such a 'hard' ideology) to propagandise it vigorously to the working classes, so that they would realise why it was that things must be as tough as they were. Thus Education - Malthus, Smith and all their various successors emphasise this point - must be encouraged. Even this they suggest should ideally be provided by parents, but it is so important that exceptions could, as we have noticed, be made. Lord John Russell introduced a Bill to provide for National Schools in 1853. This would parallel voluntary schools with a system of schools maintained in urban areas out of the rates, and in rural areas (County Councils being far in the future) by capitation grants from the central government. Though the Bill as such was defeated, grants-in-aid were made from that date by the Committee of Council; first, as Russell had suggested, these were confined to rural areas, but later they were extended to include the towns. The grants were to be of between 3/- and 6/- per pupil, and were conditional upon there being a trained staff of teachers, and upon 75% of the pupils passing a prescribed examination each year. This system of payment "by results" was fruitful in stimulating disputes, but more and deeper disputes grew as the cost of the educational subsidy mounted.

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(3) Samuel Smiles' work was begun for self-educating groups of working men.

In 1839, the State had subsidised education to the tune of £30,000 - by 1858 it had risen to £663,000, and concern about where this was applied, and how, led to the establishment that year of a Royal Commission on Education, chaired by the Duke of Newcastle. The Newcastle Report shows that of 2,500,000 children attending schools, only 917,000 were in schools receiving the State grants. Only these last were liable to inspection, and thus although the standards to which the minority were being taught were guaranteed, the majority of the large numbers of children at school were being taught to standards which varied greatly, and which were widely very low. Dames' schools, maintained by parents' fees, were recorded as being specially inadequate, but the inadequacy was very widespread amongst all categories of non-aided schools. The Commission was in doubt as to the purposes of education (a doubt which applied both to unaided and aided institutions), but regarded the moral and intellectual improvement of children, broadly defined, as the principal function of any educational system. One fact which the Commissioners noticed with special concern was that the children they examined who had recently left school soon forgot the basic facts which they felt it essential for schools to impart. Therefore they recommended an extension of the system of payment by results. Children should be set an examination on agreed rudimentary knowledge, and the school would receive a grant based on its results. The scale suggested was 4/- per pupil each year for schools with qualified staffs, which was insufficient to teach pupils properly, and an additional 8/- per pupil if the pass-rate of the school proved satisfactory. Elements of this system of payment remained until 1904.

From 1858, throughout the 'sixties, debate raged about making this system compulsory and universal, but there was the hardy chestnut of denominationalism in religious schools to delay the issue. The Act of 1870 was designed to fill in the gaps left by the voluntary system. Religious societies were given the rest of 1870 to name their sites and establish their schools, and then the State would fill in all the gaps. Wherever gaps had to be filled, school Boards were set up, for boroughs and parishes. The State would continue to aid the religious societies, whilst the Boards would be able to levy rates for their schools. The Boards were to be separately elected, like the Guardians - a duplication in local government which was not altogether popular.

This Act provided a school place for every child in the country, but it neither made the child attend, nor was the education free. The State's role beyond this point was hotly disputed. The subsidy had long meant that the parent did not pay anything like the whole cost of his child's education - and Mill said that he would not if he could.<sup>(1)</sup> There was, however, a serious ideological problem involved in this. Although the State accepted its role in caring for the education of its future citizenry as a necessary 'investment', the ideology of laissez-faire remained insistent that the parent acted as agent for his child, freely choosing the education or non-education of the child, and responsible at least for a token payment towards its cost. Thus "School pence" were still demanded of parents, and the right of choice retained by them. Fawcett had pointed out in 1878 that, in fact, many poor parents, especially in agriculture, were hurt by school pence, and could anyway find at least seasonable employment even for very young children, thus adding to a miserable

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(1) Political Economy, Book V.

family income. He proposed amendments to the existing law, extending the industrial protective acts to agriculture for women and children, with the additional novelty of compulsory part-time school attendance for all children engaged in agriculture. This failed, but in 1880 schooling was made compulsory, when Act of Parliament ordered School Boards to frame and enforce by-laws to that effect.<sup>(2)</sup> The need of the society for an educated citizenry, was seen as overriding the claims of parenthood to determine a child's future and education. As providing the bulk of the cost, the State demanded comprehensive general use of the schools which cost so much, and thus the system was made compulsory. Still, however, for a few years school pence were demanded - the parent's duty in providing at least a token of his right and duty to act for the child was retained, but it was effectively an empty sham, merely a few pence out of pocket - no recognised principle was dominant, and thus the reason for the "school pence" became redundant. The development of education after this date, then, was untrammelled by the worst vestiges of the declining ideology, and can be best left for later consideration.

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(2) At the writer's own primary school, after the second world war, the attendance officer was known as the 'School Board Man'.

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From home and school, to work. The Act of 1853, giving more force to the Factory Acts already passed for textile manufacture, was extended in 1860 to bleaching, dyeing, printing and the other "finishing" trades ancilliary to the cotton trade. Thus in that industry overall there was in force a ten-hours' day, protected by law, and although only enforced for women and children, it was largely in fact applied also to men as there was no point in keeping on a part of the labour force when the rest - in weaving trades the bulk - of the labour force had gone home. In 1861 Shaftesbury moved a Commission to deal with the employment of children in unhealthy trades, or for excessive hours, as he believed common in pottery, glassmaking, metal-manufactures, pillow-lace and hosiery making. Acts of 1864 and 1867 extended the Factory Acts' provisions to children in those trades. Mundell's proposal for a nine hours' day for women was a factor to which the Conservative victory of 1874 was ascribed, and the election promise was redeemed when, after the enquiries of a Commission in 1876, was passed the Consolidated Factory Act of 1878. This Act, in addition to stating the hours of work for women and children, consolidated the principle of Home Office inspection of places (other than domestic and very small workshops) where women or children were employed, and also provided for the fencing of dangerous machinery. Fines were to be paid in default of the regulations, and injured employees could be paid from these fines in compensation. Fawcett's pleas for agriculturists still went unheeded<sup>(1)</sup>, but urban-employed women and children were now very largely protected.

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(1) Hansard v 186 pp 1004-1025 and vi 97 pp 582-606.

If, that is, they were employed in large concerns.

Small workshops were excluded from these provisions - due principally to the inadequacy of the machinery effectively to do the job. The Workshops Act of 1867 had put these institutions under the possible inspection of local authorities, but this proved ineffectual. Their transfer to the central government's inspection in 1871 was little more effective - there were so many of them, subject to mushroom growth and decline, that registration and regular inspection was difficult if not impossible with the machinery the authorities were at that stage prepared to pay for. These small workshops were, however, the centres of the sweated trades, and of the worst working conditions. In 1888 Lord Dunraven called, without success, for a Special Committee to investigate the sweated trades, his argument being that they not only degraded those employed in them, but that their low-cost, small-scale and labour-intensive production prevented the successful introduction of machinery. Marshall had suggested, four years earlier,<sup>(2)</sup> that these trades and their people should be moved out of London altogether. Nothing was done on this front during the 1880s.

Thus far, then, the provisions which we have noted as remaining after the "completion of Free Trade", and growing thereafter, were to provide stronger human capital for the growing economy (stronger both in mind and body), and to protect women and children. These we have seen as unsusceptible to the operation of laissez-faire, as they were merely the dependants of the free man. All, however, as we saw in looking at the Act of 1834, were subject in adversity to the strict provisions of the poor law.

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(2) MY pp 102 ff.

Although it remained in force until 1909, this Act in operation changed radically over the last quarter of the nineteenth century. The movement to this change, in the treatment of people in the face of adverse circumstances, we will now examine.

The Poor Law Board, established in 1847, did not oppose what became Dennison's Act of 1855, under which Poor Law Guardians in any Union were enabled to pay the "school pence" of children under their care between the ages of 4 and 16. The 1870 Education Act made education a condition for the receipt of relief for children, thus solving a problem which had been a great worry to many Boards of Guardians. If they gave the children under their charge the education necessary to make them useful citizens, this would exceed the provision that was available from the resources of the average working man for his own non-poor law children. In 1866-9, it was noted by the framers of the Act, many Boards boarded-out their children at a fee of 4/- a week - which Fawcett told Parliament was far in excess of what most employed labourers had for each of their own children. Thus there was an inhibition upon Guardians, limiting what they could give to the fullest development of their concern to make their children into useful and well-trained citizens.

No such inhibition lay on their provision of assistance for the sick. Under the Outdoor Relief Regulation Order of December, 1852, medical attention could be given to members of families whose heads were in employment. By 1869-71, reports of the Board showed that such provision was by then general, and it was also common for people to be taken to workhouses or infirmaries if the nature of the disease, or the patient's home conditions, were such as made institutional care desirable. In 1853, the Board had

recommended that doctors in these workhouse infirmaries should wherever possible be men as well qualified as those available to more fortunate sections of the population. In 1865, on the suggestion of the House of Commons Committee on Poor Relief, the guardians were circularised to the effect that they should supply free quinine, cod liver oil and "other expensive medicines" to the sick poor. In 1867 the metropolitan guardians were advised to send fever cases to the London Fever Hospital, at a cost of 7/- each per week. The establishment of this system of medical care was furthered by the erection of Poor Law Infirmaries, for the treatment of the sick. The following classes of sick were to be accommodated in separate wards

Ordinary sick of each sex

Lying-in women, with labour rooms separate  
from this ward

Itch cases of each sex

Dirty and offensive cases of each sex

Venereal cases of each sex

Fever and smallpox cases of each sex

Children

There was an increasing concern for the improvement of conditions, and in relation both to workhouses and Poor Law Infirmaries, increasingly-strict rules were applied about ventilation, fire escapes and other important matters of detail.

In November, 1869, Goschen for the Poor Law Board sent a minute to the Poor Law Guardians of the metropolis suggesting that they might seek close relationships with the charitable organisations in their area.

The objective was to be that the charities would assist those not wholly destitute, and perform such acts of assistance as the redemption of pawned property, which the Poor Law provision could not be extended to do. This would leave to the Poor Law the care of the really destitute, in the matter of the provision of a bare subsistence. This was to reinforce administration of the Law in accordance with the principle that State provision was to be emphatically restricted to the "less eligible" subsistence of those absolutely incapable of self-support. Harriet Martineau's proposal for "joint Committees" of guardians and charities would have the same effect.

The Poor Law Board was merged in 1871 with the Local Government Act Department of the Home Office, and the Health Service (previously under the control of the Privy Council) into the Local Government Board. The actual administration of the Poor Law was little affected by the change, except in that the reversal to a single Department of State made such administration more susceptible to the demands for economy in all State provisions. <sup>(1)</sup> Where the provision made by the guardians had obvious and desirable effects towards economic development, in the education of orphans and provision for the sick, the Local Government Board continued the extension of its services under the Poor Law. In 1873 it was made compulsory that children in the care of guardians attended school

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(1) See Sir G.A. Nicholls "A History of the Poor Law in connection with the Legislation and other circumstances affecting the Condition of the People" 1898-9.

from the age of five to the age of thirteen, and this was extended in its scope by provisions that guardians could prosecute parents who neglected their children, if necessary seeking an order that children in these conditions be provided for in the workhouse. In 1904 the local government authorities took over this right to prosecute parents who did not bring up children in a socially-desirable manner, but the workhouse remained a "place of safety" where the authority could place them in care of the guardians. In 1906, guardians were empowered to provide food for undernourished children. This extension of provision for children removed the dilemma noted by Fawcett, as faced when poor law children had advantages over those of poor labourers. Its effect was at least to attempt to guarantee that the whole of the rising generation was prepared for life with decent food and housing, and a reasonable education. In 1906, despite attempts to place all poor-law children in "cottage homes" to destroy the atmosphere of the workhouse, there were still no less than 21,536 children in workhouses.<sup>(1)</sup> These included the very young and the sick, but represent a failure to respond fully to the needs of the situation in this particular. However, despite this factor which was universally regretted, the provision for children early in this century was both widespread and in genuine response to the recognised needs.

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(1) Evidence to the Royal Commission on the Poor Law, 1908.

The needs of the old were slower in gaining recognition, and from 1871 to 1885, outdoor relief for the old was discouraged in favour of "offering the house" to the old. Within the workhouse, largely due to cost, the old were not "allowed their indulgences" as the 1834 Report had suggested until after 1885. By 1900, outdoor relief was again the most common means of maintaining the old, either in the form of a fixed pension (as at Bradford, where 5/- a week was given) or on a sliding scale (as in the West Riding, where pensions varied from 1/6d to 7/6d per week).<sup>(1)</sup>

A national old-age pension was at last introduced in the 1908 budget, and meanwhile, with the firmer establishment of outdoor relief, the conditions for those who had to enter the workhouse were changed. In 1895 and 1896, lengthy circulars from the Local Government Board definitely stated these new conditions. The old were to have separate bedrooms, and locked cupboards for their possessions; they were to have no uniform; they could go out for walks and attend their own churches; they were to be allowed tobacco and tea. In 1904 the Board made clear that it had no objection to guardians purchasing library subscriptions and pianos for the old

Provision for the old is a necessity, for old-age is an inevitable stage in every life and therefore should not be one to be viewed with dread. Many workers simply could not save up for old age, and Marshall in a paper to the Economic Journal of 1882 pointed out that the best case to be made is for a national non-contributory pension, as this would avoid both the stigma and the corruption possible in either out-

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(1) S & B Webb "Poor Law" II

relief or charity.<sup>(1)</sup> Such was the principle finally represented in the Old Age Pension of 1908.

The sick we have seen as provided with improving attention over the period. The Local Government Board was in another of its departments fostering the public health provisions undertaken by local authorities. Under the Poor Law as such it provided improving "State Hospitals", and after the Diseases Prevention Act of 1883 treatment in such hospitals was no longer counted as Poor Law Relief. By 1903 the Board had laid it down that

"it is the guardians' duty to provide for the sick poor, and no sanction ..... is necessary for sending such cases to institutions for curative treatment ..... and ..... paying reasonable expenses in so doing".

From 1906-9 a Royal Commission investigated the Poor Law. A strong socialist minority, under Beatrice Webb as a member of the Commission, with her husband as its unofficial minority secretary, was of the opinion that the need for the Poor Law system as such was gone. They proposed instead that the Local Authority should have powers to award relief to those in particular distress, under a new "destitution authority", and that the health service of the Poor Law should pass to the Local Health Authorities. The majority Report also proposed local Destitution Authorities, administering "Public Assistance", but still within the framework of the Poor Law and distinct from local government.

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(1) Marshall's argument is on pp 172 ff.



They note with commendation the establishment of the old-age pension, the fact that the able-bodied unemployed are separately provided-for under the Unemployed Workmen Act, and the proposals then current for the establishment of Labour Exchanges. They were emphatically in favour of retaining the Poor Law provision of institutional care for a wide range of people whose

"cases have this common characteristic, viz, that the absence of continuous treatment constitutes a danger either to the individual or to the State".

Subject to an "Order for continuous treatment" the Commissioners would class the "insanitary old"; "children of pa rents leading improper lives"; "mentally defectives"; "the sick who are not receiving adequate treatment at home"; children suffering from infectious diseases; persons suffering from venereal disease; unmarried mothers, and able-bodied persons "who through their own misconduct repeatedly become a charge upon the authorities".

These were the principles dominating the Poor Law in 1914, at the end of our period, and their basic similarity to those of 1834 is most marked. In each case, the objective of the Poor Law is seen as twofold. First, there must be provision for those who can be returned into normal society as responsible and healthy citizens and workers - for example orphans and the sick. Second, there are those who must be saved from destitution and starvation. This second group falls into two categories. Firstly, there are the old, and those who through "impotence" are unable to keep themselves, for whom society is prepared to provide. Then there are those who, although as human beings must not be left to starvation,

must nevertheless be treated in penal conditions. These groups are the idle and the immoral who are not prepared to take a properly constructive place in society. Society therefore takes the attitude that they must, in being kept alive for humanitarian reasons, not enjoy the standard of life of the citizens who through their rates are maintaining them.

Fawcett pointed out that if any couple were able to enter the workhouse, live in moderate luxury and have children, "Union workhouses would become establishments for breeding hereditary paupers, and the poor-rate would soon absorb all the wealth of the parish". The same objection is to be advanced continually in relation to open-handed outdoor relief and public assistance. However, it was recognised in 1909 that, whilst this strict control of the profligate's appeal to the public for assistance must be maintained, the real problems of poverty exist amongst the unemployed who really want work, and those engaged in degrading and underpaid occupations. Let us leave to Marshall the summing-up of the great change in the anatomy of poverty over our period, as he stated in his speech to the British Economic Association in June, 1893:

"The Report of 1834, following as it did the guidance of still earlier experience, was one of the kindest and most patient, wisest and most far-seeing pieces of work that had ever been done. But many of the forces which were powerful then have dwindled now; and many of those on which we rest our best hopes of progress now did not exist then; chief among which was that increased strength of the working classes; which was largely due to their greater command over the necessaries of life; and the good abigail, Economics, had a hand in those Free Trade measures which had contributed so much to raise four-fold, or more, the amount of good bread which a labourer can purchase with his weekly earnings. Thus the problem of poverty has changed its shape. In 1834 the most urgent problem was to prevent the working class being submerged in a flood of pauperism. But now there is no imminent danger of such a catastrophe; and now Ethics is pointing the way towards a higher ideal, and was requiring of those who wished well to their country that they should enlist the co-operation of the working classes in the removal of all poverty

that was so extreme as to be degrading. Lax out-door relief did cause degradation; and sixty years ago that was the most important thing that had to be said about poverty. But other things besides out-relief were injurious to character; and in the present age we ought, following the spirit, to depart from the letter of the Report of 1834. The most important things to be said about poverty now refer to other causes of degradation, and other hindrances to the development of the higher activities of the soul".

And so the Poor Law, in 1909, was adapted to provide hospitals and orphanages, and where needed homes for the old, with regard to the concern for the welfare of its patients and dependants, and for their future full reception into society. It also, of necessity, shouldered the burden of the idle and the offensive non-contributing members of society. The war on poverty was taken up in different fronts and with different means, and the Poor Law became the basis of a general system of highly-intentioned provision, by society, for its under-privileged members.

This evolution was paralleled, if not indeed exceeded, by the development of the Board of Trade. Lucy Brown<sup>(1)</sup> has illustrated the fact that Board of Trade officials - James Deacon Hume, William Jacob and John Bowring, were amongst the most ardent advocates of Free Trade in the early 'forties. They propogandised their ideas fervently, and probably as much as anyone influenced the ideas of Gladstone towards their beliefs.<sup>(2)</sup> When Villiers failed to persuade Peel and Parliament to set up a Committee on the Corn Laws, Joseph Hume was able to persuade the Commons to allow a Select Committee on the import duties in general, at the behest, suggests Lucy Brown, of J.D. Hume of the Board of Trade.

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(1) Lucy Brown "The Board of Trade and the Free Trade Movement, 1830-42" Clarendon 1958

(2) Gladstone was in these years at the Board converted from High Toryism to a belief in Free Trade - Morley's "Life".

When the Committee was convened, the Board of Trade men put the tarriff in the dock, arguing that an import duty (as on corn) is the same as a tax paid to the home producer<sup>(3)</sup>. They asserted further that the duties were limiting Britain's trade, and their assertions, though grave and given with weight and authority, are quite incapable of demonstrable proof. Their partisanship thus had a considerable affect, so far as can be judged, in stimulating government to agree the reduction of the tarriff for which Peel's ministry is so remarkable.

This advocacy of a policy upon the government was to become a continuing feature of the Board of Trade's servants in the future. By the time the crisis in national confidence of the "Great Depression" came about, the Board had developed its services to such an extent that its urgings were backed by the authority of the soundest<sup>of</sup> statistical departments. Between the days of the Anti-Corn law League and 1853, when Cardwell took the Presidency, the Board had so sloughed-off its oversight of foreign trade that Cardwell considered the traditional role of the Board as a watchdog on the progress of trade was outdated and unnecessary. The duties of the Board lay chiefly with the new functions laid at its door by Acts of Parliament in the 1840s on the control of railways and shipping, such that:

"it becomes clear that the setting up of the railway department of the Board of Trade in 1840 was not an isolated incident, but part of a general trend towards the intervention of government in more and more branches of national life" (4).

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(3) Henry Parris "Government and the Railways in nineteenth-century Britain" Routledge & Kegan Paul 1965 p.161.

(4) P.P. xxvii of 1854 cit Parris.

which fact was stated in Parliament as:

"There is probably no Department of the Government to whose functions so many and such important additions have recently been made as the Board of Trade".

This evolution by the Board did not pass un-noticed, it was accepted.

Protection for British Shipping had been the subject of Navigation Laws for centuries, which had limited the carrying trade of the country and the empire to British ships. These were strengthened under Cromwell, and had finally disappeared at the start of our period of study. The protection of British agriculture under the Corn Laws was abolished progressively from 1846, again fading away in the earlier years of the period here reviewed. The tariff system as a whole, for the protection of small native industries paralleled in every other country and in each case protected against slight natural advantages in one or another which some foreign producer might enjoy, was broken down first reciprocally and then unilaterally. The trade which was established on the basis of Imperial Protection (the system as a whole merits the capitals) led to the rise of manufacturing, which in turn and for its own development demanded the end of protection to procure a free world market in which to buy materials and sell manufactured goods. As we have already seen, the earlier years of our period represented the heyday of this development, without significant competition on a world scale. Hence the Department of State concerned in the regulation of trade had of necessity to leave foreign trade itself, and concentrate on new forms of regulation made necessary by new developments.

One last negotiation towards the freedom of international trade was undertaken in 1860, leading to the so-called Cobden Treaty with France. This treaty, undertaken largely to procure a relaxation of strained Anglo-French relations, was negotiated with the assistance of Louis Mallet of the Board of Trade and Oglivie from Customs. From 1853 the revision of the tarriff had been conducted under the Treasury, with an eye to the revenue, rather than by the Board of Trade, and after 1860 the Board was officially informed by the senior Department that any tarriff revision was a Treasury matter in the future. Following from this negotiation with the French, however, a Select Committee investigated the relationship of the Board of Trade with the Foreign Office for the purpose of establishing an understanding between the two departments on the future of such negotiations. Speaking for the Board to this Committee, Mallet who was head of the Commercial Department, said that there was nothing the Board could do if it remained out of touch with conditions abroad. As a result of the Committee's findings, in 1864, the Board was placed in touch with Diplomatic and Consular staeffs abroad, with communication through the Foreign Office and provisions to prevent collisions of interest. In the years that followed, no country was interested in preferential trade treaties with Britain, which had anyway established Free Trade unilaterally, and especially after the war of 1870, the European powers were rather concerned to retain tariffs behind which their own industries could develop. In 1871 Mallet told the President of the Board that the Commercial Department had no functions to fulfil. It was redundant due to the completion of Free Trade. The Department consisted of one Assistant Secretary and four clerks, none of whom had more than two days' work in any week.

Early the next year the Department, with its library and records, was transferred to the Foreign Office, where it stayed for ten years. It was then returned to the Board and merged with the Statistical Department, which new body retained an advisory relationship with the Foreign Office.

The eclipse of this Department was due as we have seen to the removal of all regulation upon trade, as was considered necessary by economists, businessmen and politicians at the time of rapid economic growth through the period which Rostow calls that of "take-off" into the industrial age. Its return to the Board of Trade, just before the Royal Commission was set up to examine the Depression of Trade and Industry, was symptomatic of an awareness in the bureaucracy that a new set of problems had to be confronted. The Department had, as the Commission sat, just taken upon itself the position of governmental recorder of world trade. All through the 1880's and 1890's the functions of the Department were extended in this respect, strengthened by therecognition by the Royal Commission of its necessity, and by the awareness of the staff of the Board that the Commission was correct. Its reports on the commercial relations, economic structure and tariff systems of other states gained increasing accuracy and importance, as did its figures on Britain's own trade. By 1897 there had been set up a "Commercial Intelligence Committee" in the Board of Trade, controlling the collection and publication of these figures.

From 1886, as a result of the Royal Commission but also in vindication of the Board's preparedness to meet this requirement, the Board of Trade Journal was first published. The same year saw also the establishment of direct contact of the Board with Chambers of Commerce, and the collection for publication of Labour statistics, Towards the end of our period the Board widened its functions still further, anticipating the 1907 Imperial Conference by sending missions to South Africa (1903), Australia and New Zealand (1905) and Canada (1906). Following the Conference, Trade Commissioners were appointed to the Dominions, and on a wider scale than before the Consular and Diplomatic staffs co-operated with the Board.

Hence from the control of import and export trade the Board moved to a position of Advisor on Foreign Trading Conditions, and hence restored its position of watchdog on the trade of the country, using the figures of the recent past to recognise the trend of trade in the present.

The main sections of the work of the Board are treated separately below, as this would appear the best way of marrying accuracy with brevity.

#### MERCHANT SHIPPING.

The Navigation Laws relating to trade from British to foreign ports were finally repealed in 1848, and those relating to the coastal trade in 1854. The great expansion of trade led to an expansion of shipping, and the opening of the trade to foreign shipping led to no slump in the growing shipping industry. At the same time the rise in passenger traffic was immense, there being no less than two and a half



million emigrants from the United Kingdom between 1846 and 1854. An Act of Parliament of 1845 had provided for the protection of seamen, and in 1846 a measure for the survey of steamers had been carried. The Colonial Office promoted a Bill in 1847 for the regulation of conditions on emigrant ships, and when it was strengthened the next year the controls under it passed to the Board of Trade. In 1850 and 1854 there were passed consolidating measures for the control of shipping, that of 1854 finally putting it as the duty of the Board of Trade "to undertake the general superintendance of matters relating to the British Merchantile Marine".

Under the Act of 1850, a naval officer (Captain Beechey) and a merchant seaman (Captain Walker) were appointed as Assistants to the Board, and T.H. Farrer began his 43 years' service as its Secretary.<sup>(1)</sup> The standards set for shipping set the pattern for the world, and by the regulations of 1906 it was required that the conditions for shipping set by the Board should be observed by foreign ships using British ports as well as by all ships under the British flag. The Board of Trade regulations for ships in fog, and for ships in collision, which were evolved by these first Assistants to the Board also formed the basis for the world's standards. In the words of Sir H.L. Smith, Secretary of the Board in 1906<sup>(2)</sup> :

"It seems at first sight an extraordinary thing, that in the

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(1) Much of the information here comes from Farrar's "The State in Relation to Trade". Even more from H.L. Smith's "The Board of Trade".

(2) Smith "The Board of Trade".

middle of the nineteenth century, at the very moment when the current of free trade and laissez-faire doctrine was running like a mill-race, the foundation should have been laid of a new and elaborate code of State regulations of Britain's most characteristic industry ..... so far from being the product of doctrinaire theory, (it) was forced upon reluctant governments, in spite of current doctrines, by the stern pressure of practical necessities".

This judgement of the situation applies also to the regulation of railways, but is not entirely accurate. Certainly for J.S. Mill, the regulation of conditions by the will of the collectivity of the population must override doctrinaire principles based upon the idea of contract. An individual buys an emigrant's ticket to Australia at a cheap rate, since this is all that the person can afford. It is the duty of Society as such, through the State, to ensure that his passage is not undertaken in an unhygienic and unsafe vessel. This is the "practical necessity" of which Smith writes, but it is also theoretically defensible.

#### RAILWAYS.

In 1844 a Committee on Railways chaired by Gladstone, noted in passing that it regarded "State revision of railway rates and State purchase of railways as possible in the future." Discontent over the operation of railways, and their construction, provoked the establishment of this Committee, following whose report a Railway Board for the control of the industry was set up. In 1846 the Board was abolished, and the construction of railways again became a matter for Act of Parliament, advice being tendered by a Board of Railway Commissioners. The next year, 1847, railway construction slumped again, and control reverted in 1851 to the Board of Trade, whose original advisory capacity on railways had lapsed with the formation of the 1844 Railway Board.

Farrer always had an acute interest in railways and their service to the community, and in 1854, largely under his auspices the Board of Trade promoted a Bill for their control. This provided for a strong Railways Committee of the Commons, to vet all Bills for the erection of Railways, and insisted upon certain conditions drawn up by the Board being included as standard clauses in all railway Bills. The Railway interests had by this time recovered their strength, and the Act as passed weakened the Committee on Railway Bills and modified the clauses governing conditions quite considerably.

In 1872 a joint committee of the two Houses of Parliament, in a report largely the work of Farrer, noted that after thirty years of railway regulation the Board of Trade could see no development of real competition in the industry, and in fact the possibility of competition was continually weakened by mergers of companies "without check, and practically without regulation in spite of the numerous reports and recommendations by a series of authoritative committees". Smith comments on this situation that "The report of 1872 may be said to mark the end of an epoch in the relations of the State to the railways. Henceforth attention was increasingly concentrated on safeguarding the public against certain practical dangers arising from amalgamation, rather than on checking or directing the process of amalgamation itself".

This new principle was rigorously applied in succeeding years. The Act of 1873, following the Report, appoints a Tribunal of three Railway Commissioners. Consequent upon the Report of the Royal Commission on the Depression of Trade, the Board of Trade undertook itself the task of publishing a Book containing a uniform classification

of goods and a schedule of maximum rates, which was prepared in 1888 to become effective from 1893. In the meanwhile, in 1891-2, the Railway companies retaliated by cutting out cheap fares. This limited the mobility of labour, and tended against the intentions of the Board, and the meaning of the Report of the Royal Commission. Hence the Board promoted the Rail and Canal Traffic Act of 1894, which reversed the action of the companies.

On the basis of its great experience in the Railway Industry as such, the Board of Trade was able to promote a Conciliation Act in 1896, which forms the basis of future conciliation law in all branches of industry. Acts of 1889-1893 enabled the Board to inquire into hours of work, and to order revision of hours. The Railway Employment (Prevention of Accidents) Act of 1900 continued the work of the Board in this direction.

Hence we see in this pattern a continuing development of the role of the State machine, never out of accord with accepted economic principle. First, safety is guaranteed, and attempts at the limitation of the railways in their expansion are thwarted in Parliament. With the consolidation of the railway monopolies, the Royal Commission of 1885 found that Farrer's reading of the situation was correct. Rates were fair, in general, but should be classified and published. Farrer's Department took on the task. The railways replied with action which could harm the economy, and the legislature supported Farrer in defeating them. Incidentally to this main stream of development, the need for an adequate conciliation system in the railways was seen and a solution undertaken by the Board of Trade.

The whole extension of the power of the Board in the

control of railways was undertaken in a process of natural development, with the support of economic theory and of the politicians. It represents a success for all three, but chiefly for the bureaucracy.

#### INDUSTRY AT LARGE.

Although of little glamour, the functions of the Board with respect to industry and commerce in our period represent an expanding and important aspect of the business of the State. Measures carried in 1866, 1878, 1889 and 1904 regulate the function of the Board of Trade as guardian of weights, measures and standards. The present imperial standards date from 1855, when issued by the Exchequer and copies were deposited with the Mint, the Royal Observatory, the Royal Society and immured in the Houses of Parliament.

The Registry of Joint Stock Companies came to the Board in 1844, and brought with them no little concern, as we see from the Royal Commission Report we have so far examined, that Limited Liability caused many headaches. The Bankruptcy Act added the Official Receivers in Bankruptcy in 1882. Between 1847 and 1871 the Board was responsible for the Gasworks Clauses Acts, which established standards of safety and quality in these important public utilities. The regulations governing electricity were also formulated by the Board. In the matter of patents the work of the Board expanded vastly:

In 1853, patents applied for numbered 3,045

In 1882, patents applied for numbered 6,241

In 1901, patents applied for numbered 26,777

The Patents Officers and their functions under the Board were the subject of Acts passed in 1852 and 1883 (hence the dates given in the preceding list). The Registry of Trade Marks came to the Board in 1875.

All of these represent an active bureaucratic interest in the very points at which the Royal Commission of 1885 found a need for vigilance. In each case an attempt had been already begun in the Civil Service to fill the needs of the economy, and these attempts were more frequently backed up by strong legislation after the Report of the Commission had vindicated their activity and recommended its extension.

#### STATISTICS.

G.R. Porter was appointed to the Railway Board of 1844, and became Assistant Secretary to the Board of Trade in 1847. From 1832, when called in to "make intelligible" a mass of Parliamentary Reports, he had headed a small statistical office, and issued a rudimentary statistical yearbook throughout the years 1832-1854. In the latter year, in association with Cardwell's reforms, appears the first Statistical Abstract for the United Kingdom. In 1855 is added the annual Statement of Trade, and the next year the first triennial volume of Colonial Statistics. "The range of the statistical information was by no means limited to subject matters with which the Board of Trade dealt as a Department, but extended to the whole field of economic statistics".<sup>(1)</sup>

(1) Sir H.L. Smith "The Board of Trade" 1911.

In 1864 was added a Statistical Abstract for the Colonies and Possessions of the United Kingdom, and in 1874, Statistics of Foreign Countries were added. Thus, although Cardwell's reforms did not see for the Board of Trade a place as the body taking the industrial pulse of the nation, the statistics of Porter, in retrospect, could provide a guide to the progress which had been made. (2)

In 1876 Robert Giffen succeeded Porter, with the hope of establishing a Statistical Department which would serve the whole state. Bradlaugh in 1886 put down a motion in the Commons, following the Report of the Royal Commission, demanding the collection and publication of labour statistics. John Burnett (General Secretary of the Amalgamated Society of Engineers) was appointed "Labour Correspondent" of the Board, collecting data on strikes and lock-outs. In 1893 a Labour Department was formed within the Statistical and Commercial Department of the Board, publishing a "Labour Gazette", to which is added the next year an Abstract of Labour Statistics. In 1880 sees the addition of an Abstract of Foreign Labour Statistics. In 1903 the Department published a "Report on Wholesale and Retail Prices", using index-numbers to 1871. In 1906 the Department conducted a full inquiry into the "Earnings and Hours of Labour", leading to the system of Trade Boards regulating minimum remuneration for those in "sweated" trades. In the same period the Department opened the Labour Exchanges, furthering the mobility of labour, and its security.

Eighteen years after the Report of the Royal Commission on the Depression had recommended that it be done, and whilst the tariff reform issue was gaining momentum, the Board of Trade published in 1903-4

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(2) Porter's own "Progress Of the Nation" had been an attempt to do this for the period to 1841.

the Fiscal Blue Books, covering the industry and trade of the world.<sup>(1)</sup> The production of these immense volumes of facts represented a triumph for the Board unparalleled previously. A third volume was added in 1911 bringing the data up to date. The Census of Production Act of 1906, leading to reports in 1908 (on 1907) and in 1913 (on 1912), brought about yet another extension of the work of the Board, and its effectiveness in providing a guide to conditions and hence to prospects.

The progress represented in this account of the development of the Board of Trade is colossal.<sup>(2)</sup> It shows above all a deep awareness by the bureaucracy of the needs of the period, economically, and its preparedness and capacity to meet new demands made upon it by the State in seeking to meet the developing situation. The work of Porter and Giffen in the establishment of a Statistical Office capable of bearing the burdens required of it, and capable in retrospect of accounting for trends in trade, is worthy of the highest respect. Farrer, above all, as the greatest expert of the age on the application to public utilities of standards of quality, service, and responsiveness to social needs, is of unquestioned greatness. In 43 years as Secretary to the Board of Trade his work, almost all personal work, lay at the basis of all such regulation.

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- (1) By this time Giffen's "Essays on Finance" had been published over twenty years, adding much to authoritative knowledge (and to the materials of this chapter).
- (2) Smellie's "100 Years of English Government", Duckworth (Revised) 1950 parallels much of this description.



After his retirement in 1893 the Board continued his work, naturally, but remained also cast in his mould. It had the long memory necessary for the tasks it undertook, and the capacity as we have seen to undertake them. In an economy still able to exist on the basis of a belief in leaving everything possible to supply and demand in simple operation (with the qualifications we have noticed), the weight of protective and progressive government activity fell to this Department. The inventor's protection in a patent, his registration of a joint-stock company his guaranteed trade-mark, the facilities of the Labour Exchange and the mass of expert advice on foreign marketing all came from the board at the close of our period. Labour was increasingly protected in the form of guaranteed wages, the Labour Exchange, and a careful note of the trends in employment. This is no deliberate encomium of the Board, but must inevitably follow the lines of one. To point to deficiencies in what was done is no condemnation of the Board, but of a society which did not require it. As servant of the State it was more than merely adequate.

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CHAPTER III

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ALFRED MARSHALL -  
THE CHIVALROUS SYNTHESIS.

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ALFRED MARSHALL

Marshall's economic writings span the years from 1870 to beyond 1914, and dominate the British economics of the latter half of our period. Therefore a careful treatment of his work is concomitant with his importance within the period, and does not set things out of balance; for it is the fact that in Marshall there is a genuine synthesis of most of the main currents of both British and continental economics, and hence Marshall's work can be seen as genuinely representative of the confluence of the opinions current as he wrote.

Opinion, however, evolved very considerably during the period of Marshall's active career. At its outset, before 1880, the synthesis of ideas brought together by Marshall in his 'Economics of Industry' of 1879 was strictly in accordance with the economics of the still-dominant Fawcett-Mill school.

After his publication of "Principles" he withdrew this volume, and replaced it with another of the same name, but which bore no close relationship to this original work. Hence we will refer to this first work as the Old "Economics of Industry", and the work of 1892 as the New "Economics of Industry". The Old "Economics of Industry" sets out, as Marshall says in the Preface, to be

"an attempt to construct on the lines laid down in Mill's 'Political Economy' a theory of Value, Wages and Profits, which shall include the chief results of the work of the present generation of economists".

That present generation was, of course, Fawcett, Cairnes, Jevons, Cliffe-Leslie, Bagehot and their contemporaries. The text is composed of theories which "have been tested during many years in lectures at Cambridge, and more recently at Bristol."<sup>(1)</sup>

It is in this book that Marshall changes the name of his study from "Political Econocy" to Economics". The "body politic" acting as one entity and taking economic decisions for the community at large, merited the old name, but the data to be described by Marshall are those of competing self-interests and group-interests - and even the term "political" has assumed a meaning in terms of group interests which Marshall believes to be new. Hence he prefers to leave out the word "political", with all its undertones, and simply study "Economics". In studying Economics, the first step undertaken here is to examine the status of an economic law. "Economics is a science, because it collects, arranges and reasons about one particular class of facts". "The subject-matter of economics is wealth", but there must be recognised a distinction between wealth and well-being, the latter of which is called by Marshall "Personal or non-material wealth".

This is a new step forward, in that the welfare of human beings is classed unambiguously as "wealth". Marshall goes on to say that "Labour is productive when it produces wealth, whether Personal or Material". This definition of wealth to include welfare saves the economist

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(1) Marshall professed Political Economy at Bristol until he succeeded to Fawcett's chair.

the intellectual gymnastics undertaken, for example, by Fawcett, as he tried to prove that the schoolmaster is a productive worker. His argument had to rest upon the eventual productive value of the education imparted to the children. Marshall's analytical development allows such a function as teaching to be regarded not merely as eventually useful in the creation of literate workers, but also valuable in the creation of personal wealth. <sup>(1)</sup>

The bulk of 'Economics of Industry' remains, however, a study in the better exposition of the works of Mill and his intellectual heirs. The methodology of exposition, tending much of the time to an almost-chatechismic statement of the successive points of economic doctrine, indicates how closely the work indeed follows the lectures delivered in Bristol. The substance, outlined in an appendix to this chapter <sup>(2)</sup>, forms a fine summary of the apogee of pre-Marshallian Economics. For although the work is that of the latter's tongue and pen, its content barely foreshadows the great changes to be made in his subject by Marshall's later career. It is taken here, and believed to be justifiably so taken, as the statement of Marshall's starting-point for theoretical development. As such it summarises what Economics has come to consist in to that date, and clears the ground for Marshall to begin. He wrote this volume nearly ten years before the meeting of the Royal Commission on the Depression of Trade, and therefore the significant changes which affected the economy and gave rise to the Commission were as he wrote, simply imperceptible points on the future horizon.

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(1) This made attitudes to education much easier. As indicated in the last chapter, the Newcastle Report tended to view popular education in terms primarily of its productive return.

(2) p 156

By the time the Commission met, although his "Principles" did not appear until 1890, Marshall had taken the measure of the changing circumstances of the economy, and also of the increasing pressures upon government and society to provide for wider and higher considerations of welfare for the mass of the population. Marshall had himself read Mathematics as an undergraduate, and then turned to Moral Philosophy. His mathematical background, and his awareness of the poverty of the many lives in the worst areas of the country, led him to the consideration of the ways and means of improvement, and into a study of economics.

As early as 1873, in his first paper, delivered to the Cambridge Reform Club, he is concerned with the problem of "The Future of the working classes", and began:-

"I propose to sketch in rough outline a portion of the ground which must be worked over if we would rightly examine whether the amelioration of the working classes has limits beyond which it cannot pass; whether it be true that the resources of the world will not suffice for giving to more than a small portion of its inhabitants an education in youth and an occupation in after-life, similar to those we are now wont to consider proper to gentlemen".

Skilled labour educates its children, who thereafter move over in large numbers to the middle classes. What of unskilled labour, however?

"That people do habitually sustain hard corporeal work for eight, ten, or twelve hours a day, is a fact so familiar to us that we scarcely realise the extent to which it governs the moral and mental history of the world; we scarcely realise how subtle, all-pervading and powerful may be the effect of the work of a man's body in dwarfing the growth of the man".

It is no wonder that in these circumstances people do not use their "leisure" for improvement. A Parliamentary Commission reported in 1866 that the worst feature of this whole business is that people,

like the brickmakers who often begin the filthy job before they are ten, despair of themselves. One brickmaker is quoted in the report as saying "You might as well try to raise and improve the devil as a brickie, sir".

Marshall considers the need for change well enough proved, and goes on to discuss the ideal situation of its removal. First of all, he denies that to remove these evils you need the "subversion of existing arrangements" which Socialism predicates, the existing arrangements being those "according to which the work of every man is chosen by himself and the remuneration for it is decided by free competition."<sup>(1)</sup>

Having repudiated Socialism, Marshall turns to his own "ideal country", whose first conditions are "It is to have a fair share of wealth, and not an abnormally large population". Everyone is to have an adequate education in youth and adequate leisure throughout the rest of his life. In these circumstances, whatever one's job, one would have time free for the interests and behaviour of a gentlemanly life - and the educational background to appreciate it.

The reduction of labour time, as the abolition of hard toil, would be inevitable results of the progress of invention.

"And what must society do? It is bound to see that no child grows up in ignorance, able only to be a producing machine, unable to be a man." "If the State work for this end, the State will gain".

And the means to the end are not Socialism, but Education. Socialism is understood as Fawcett and Cairnes understood it - the use of the State

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(1) Although this does not strictly apply even before 1880, as Marshall must have been aware.

machine to force a change in the means of administering the production and distribution of wealth. The education of the people is something to be introduced slowly but increasingly into society as the means to pay for it become available. Each new invention requires less labour, and consequently leaves more people free to be educated longer. As invention progresses still further, the hours of labour of the older workers can be reduced, and they will have the free time to act as their long education befits them to act. This is systematic, not revolutionary. The final product is not far removed from that of Socialist ideals in many ways, except that it makes no radical proposals for the appropriation of property by the body politic and before society is really ready for it.

This compound of idealism, observation and a belief in social evolution, continued to underlie Marshall's social commitment throughout his life. But that element of unbalancing idealism which characterises politically active idealists should be avoided if the objective is a scientific view of the social structure. Marshall's sympathy is extended to the working class; in his very first paper of importance he expounds a high ideal covering the whole quality of life. Yet that this is idealistic, and in no sense "scientific", is undoubted. Fawcett's doctrine of self-help, the socially-pervasive dogma of laissez-faire, and Gladstonian finance, are prevalent as Marshall wrote. Utterance against the prevailing tide of opinion from the young academic is no rarity. Marshall, however, was as well aware as anyone of the difference between social idealism, as the motive driving a man into the study of society, and on the other hand the construction of soundly scientific social theory.



E.A. Benians remembered Marshall saying "I should be a socialist if I had nothing better to do",<sup>(1)</sup> and Pigou<sup>(2)</sup> took three quotations from his works to show his motives:-

"As invention after invention has been made, hope after hope has been formed that poverty and extreme hard work will pass away - but hope after hope has been disappointed ..... This state of things must appal every person who thinks; and from time immemorial protests have been raised against a state of society in which such things can be. There are two great questions which we cannot think too much about. The first is, Is it necessary that, while there is so much wealth, there should be so much want. The second is, Is there not a great fund of conscientiousness and unselfishness latent in the breasts of men, both rich and poor, which could be called out if the problems of life were set before them in the right way, and which would cause misery and poverty rapidly to diminish?"

(Lecture 1883)

You must feel all this, yes, but

"Enthusiasm for the ideal in faith, in hope, and in charity is the best of human possessions; and the world owes very much to those who have been thrown off balance by it. But, on the other hand, a responsible student of social problems must accept mankind as he finds them; and must base his estimates on that which is practicable. He must nourish the ideal in his heart; but his actions, his conversations, and even his thoughts must be occupied mainly with the actual: he must resist every temptation to make a short cut to the ideal".

This he re-emphasises in the last quotation we will use

here:

"Students of Social Science must fear popular approval: evil is with them when all men speak well of them. If there is any set of opinions by the advocacy of which a newspaper can increase its sale, then the student, who wishes to leave the world in general and his country in particular better than it would be if he had not been born, is bound to dwell on the limitations and defects and errors, if any, in that set of opinions: and never to advocate them unconditionally even in an ad hoc discussion. It is almost impossible for a student to be a true patriot and to have the reputation of being one in his own time".

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(1) and (2) In "Memorials", 1925.

This is one of the greatest continuing threads in the thought of Alfred Marshall. The condition of life for the many who are to be considered under the umbrella-description of the "working classes" must be improved, as the economy is able to allow for such improvement, but this must never be undertaken at the cost of an improper appropriation of private property. Since property exists, and since its protection is the primary raison d'etre for the State, there can be no question of its appropriation. It is the advance of the economy, and of social wealth, which must provide the wherewithall to such a development.

Further to this the social scientist - and Marshall of course, speaks as an economist - must deliberately avoid considering the means of giving effect to fashionable ideas which his understanding of his data tells him are undesirable for society in the long term. Effectively, it is here argued, Marshall's assertion is that economics is a subject to be undertaken by men deeply affected by humanitarian considerations. But the human race, and the society upon which men depend for protection and subsistence, exist and will exist into the foreseeable future as a continuing feature of the world. It is to the welfare of the continued future human race, as well as to the present electorate, that the social scientist must owe his duty. Mill's idea that individuals "know their own business best" is an essentially short-run idea: It is an old-established truth that "in the long-run we are all dead". The democracy, the people effecting through their governors a Political Economy (in the Marshallian definition of that term) must yield in the economic social scientist's cosmology to society, properly understood and functioning ever more equitably, ever more freely, ever more comfortably,

into the future.

If the Political Economy of any generation robs the society of the future of its capital (by inadequately investing) - or of its natural resources (by consuming all the coal and still leaving a national debt) <sup>(1)</sup> then this is manifestly against the interests of the human race and its society. This is the reason for Marshall's deliberate assertion of a dual standard of activity for economists. As theorists they must serve only society. As men of humanitarian sympathy in their particular generations, they must argue for what improvements in life they see as practicable - there will be no need to search for the things that are desirable, the evils are all too obvious. One of the greatest was the subject of Marshall's next really important paper, "Where to House the London Poor", delivered in 1884.

Here he follows an argument designed to illustrate a problem of great weight, and to offer a solution to that problem without reference to an excessive or economically dangerous State intervention. He begins by tracing the background to the problem. Water power led to a widespread scattering of industry in the upper valleys of rivers, but the introduction of steam power re-concentrated industry in towns. Since this modern urban growth, the development of communications has made it unnecessary that all future development be concentrated in these few centres. The instance proving this point for Marshall is the removal of Salt's woollen factory from Bradford to its own town in the Aire Valley, Saltaire. The factory and the houses established with it are less dingy than those of the town from which the workers came, and although Marshall is aware of the dangers of the concentration of a whole town's industrial

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(1) On the "Coal question", see p. 235.

enterprise in one undertaking, the net result of the move is indisputably advantageous to the workers. Manchester, Leeds and Lyon, are becoming increasingly merchandising centres, as Manufacturing spreads over the surrounding areas- and in Manchester as Marshall wrote, there were more carmen, railwaymen, warehousemen and messengers than there were textile operatives, and nearly as many were engaged in these service trades as in textiles and metal-working taken together. Whilst these cities grow as merchandising centres, the spread of actual manufacturing away from them leads to a lessening of air pollution in the city. Meanwhile, if the spread of industry around the centre is wide enough, then there will be no part of the region where the disadvantages of manufacturing, as represented by air pollution and urban overcrowding, will occur. (1)

This pattern is entirely reversed in London, which has justifiably the position of national commercial centre, but which is subject also (and unnecessarily) to the accretion of large numbers of factories and workshops. Especially in the workshops and domestic industries, which are most common in London, there are all the worst elements of exploitation and misery for the worker. The growth of London has been so great that it has incorporated many villages within itself, which would in other parts of the country have grown as separate towns. The people fall into two categories. First come the best workmen of all types, attracted to the capital by the high wages which their special skills can achieve there for them. Second, to the loss both of

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(1) This is essentially the abolition of the "distinction between town and country" visualised in the Communist Manifesto.

the municipality and themselves, come the depressed and desperate, into the "smoke" to "crouch for hire at the doors of London workshops". Many of these are the degraded descendants of healthy peasant stock, but Marshall adds,

"It is appalling to think how many of the poor of London are the descendents of the dissolute".

"There are large numbers of people with poor physique and a feeble will, with no enterprise, no courage, no hope, and scarcely any self-respect, who misery drives to work for lower wages than the same work gets in the country".

Their degeneracy, it is true, makes them less efficient workmen, but their surroundings and circumstances are a major factor in their degeneracy.

"The employer pays his big rent out of his saving in wages; and they have to pay their high rents out of their diminished wages. This is the fundamental evil".

It does not apply, of course, to the large labour force needed directly in the maintenance of life of the capital. Printers, watchmakers, jewellers, carriage-makers and the rest are able by their skill, and by their necessity to the life of the city, to command a wage adequate for the maintenance of a reasonable standard of living. These classes of workers do not fall into the category whom Marshall is considering in the present paper.

These, for whom he has expressed such deep sympathy, are those engaged for inadequate wages in trades which need not necessarily be carried on in London at all. These are the people who have a prominent place in "recent descriptions of London Life", and they are sometimes skilled in their trades. The clothing trade is the greatest employer of this class of people.

"Of the 150,000 or more hired workers in these trades, by far the greater part are very poorly paid, and do work which is against all economic reason to have done where the ground-rent is high. There are, including employers 70,000 milliners, etc., there are 18,000 female tailors, and 26,000 shirtmakers and seamstresses".

As to any class in between these two groups of workers, Marshall thinks that "most of them have left London", and hence we are left with those capable of self-help to adequate standards, and the others who have just been recognised as a group. "The poorly paid want help", and their removal from London is suggested by Marshall as the best way of helping them. Their removal would, incidentally, leave better conditions for those whose trades necessitated their remaining in London. These people whose jobs are of necessity in London, are subject to epidemics and to a general lowering of sanitary standards by the presence of the pathetic mass whom we are considering. The sanitary laws, so far as they have advanced, have in Marshall's view been concerned with the health of static populations, whereas in fact the dangers to health would appear to be greatest with a migratory population. The metropolitan population as Marshall writes is migratory in a very great degree, one-third of the population was not born there, and one-fifth of those people living who had been born in London no longer lived there. As to the immigrants,

"a great part do no good to themselves or to others by coming to London; and there would be no hardship in deterring the worst of them from coming by insisting on strict regulation as to their manner of living there".

Llewellyn Davies suggests that some districts should be "proclaimed" as especially bad, and a large staff of officers should be appointed rigorously to

enforce every aspect of the law in them, falling heavily upon any newcomer who disobeyed any regulation. This seems to Marshall no worse than banning people from buying tickets to a steamship when it is full, even if the people are willing to take the risk.

Taking the steamship analogy further, Marshall says that although it causes personal hardship to remove the "ticket" of a short-sighted sea captain who runs his ship aground, it is unquestionably a greater hardship to mankind not to do so.

"Those who cannot manage their houses properly, and exercise a due control over the sanitary habits of their tenants, should be fined until they sell them to those who can. But all change must be gradual; it is a mistake to propound regulations which cannot be enforced. The house-room insisted on for each person, and the free space insisted on between houses, should start from a workable level, and increase surely and steadily until a high standard is attained".

For those trades which the capital needs,

"competition for labour would compel rich London to pay, as it can well afford to do, high enough wages to cover the cost of good accommodation".

As to the trades in which the depressed classes work, there is very little capital needed for their operation. The relevance of this will be clear later on. Meanwhile, in their narrow noisome lanes and alleys, people at least know their way about, and have their friends and pastimes. They would probably resent an ill-planned and forced removal to conditions which, although much more salubrious, robbed them of either. The planners of any removal would have carefully to allow for this

difficulty.<sup>(1)</sup> However such a removal, if properly planned, would have vast human advantages. Therefore, the presently hopeless poor should be re-settled in new towns. Marshall has already said that housing standards need at first be only modest, and that those trades to be moved out of London with their employees involve little capital. As the new towns developed a life of their own, it is reasonable to expect that they would attract new industries and evolve a sound and advancing trading structure. The landlords should at first be prepared to accept small rents, and could rest assured that eventually they would be able to obtain a full rent as the town matured. The State and the municipalities involved could subsidise such a move, but it would in fact largely pay for itself.<sup>(2)</sup> Workmens' trains would enable people to visit relatives left in London and to travel about freely, and the communities established would generally offer a broader and fuller life than that offered by any homaeopathic improvement in the condition of the existing slums.

There would then remain the problem of those "who cannot or will not work". Here Marshall is forced to the "hard" doctrine of enforcement for the relief of distress. He says here that, in considering how to attack this problem;

"Probably this will never be done satisfactorily till we have braced ourselves to say that being without a means of livelihood, must not be treated as a crome, but as a cause for uncompromising

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(1) And in modern "New Towns" have not completely resolved it.  
 (2) And thus would not be a complete departure from popular principles of Free Trade.



inspection and inquiry. So long as we shrink from the little pain that this would give, we are forced to be too kind to the undeserving, and too unkind to the unfortunate ..... Till this is done our treatment of the poor cannot cease to be tender where tenderness is the parent of crime, and hard where hardness is unmerited."

Marshall's objective is welfare, and he is not new in that. His means to welfare is by sanitary regulation, and a State-aided but essentially self-supporting re-housing organisation. There is, however, not merely a new urgency in Marshall's attitude, whereby he urges the public authorities to action, but there is also a new conception of the use of the old types of protective legislation.<sup>(1)</sup> The justification for the extant sanitary regulation was to protect the life of the labourer by the enforcement of certain basic Public Health Standards. Marshall wants them to be so applied as to effect a much wider objective, that of helping the slumdweller to an altogether better standard of living. Admittedly, this is to be done by a harsh application of sanitary laws, but the means is here unimportant. The end of those laws is simply the survival of the labourer, and Marshall seeks their application for his improvement as a citizen.

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(1) The urgency is heightened by the rash of awareness of social conditions at their worst: the horrifying exposé of the "White Slaves of England" by R.H. Shepherd described the England of 1897 (Second Edition, Fairfield, London, 1904): Booth had by this time painted "In Darkest England"; and Mayhew's "London" appeared in 1851: in some senses it was one of the last books of curiosities, in others it began modern sociological and socially-committed knowledge of how the "other half" lived - the half with no reason to believe in Free Trade.

We saw in the first paper of Marshall's which we studied that his ideal is for every man to live as a gentleman. The law is based upon the right of every man to life, and the restraint of any force directly attacking life or property - and that is all. Marshall wishes, as we have just seen, to use the laws cast for this purpose for a much wider purpose. Thus although he accepts the limitation of the apparent sphere of legislation to protective and regulative functions, with a right to subsidise some few and carefully-vetted welfare projects, he seeks actually the application of such laws to a much wider purpose. Until the end of our period we will recognise in economic analysis, in the Reports of Royal Commissions, and in the wider world of conventional thought, this dichotomy between the ostensible simply-protective role of the law, and its increasingly-urged application actively to improve standards of welfare.

The right and duty of the economist in his own sphere to be motivated by a concern for human welfare was the burden of the address Marshall gave on taking the Chair of Economics at Cambridge in succession to Fawcett. He began with those comments upon his predecessor which we have seen in our study of Fawcett<sup>(1)</sup>, with their emphasis on the fact that whilst his Economics might have been emphatically "scientific" allowing little concession to the demands of better conditions from the workers, he was animated by a concern for that betterment, and devoted his life to showing how it might in fact be achieved. His economics pointed out that growth of the economy in the long-run would provide all that was necessary for general welfare, and that meanwhile self-help and hard work

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(1) p 44..

alone could be recommended. Marshall then proceeds to express his own conviction that never has there been so much for economists to do, and that in recent years Mill, Cairnes, Bagehot, Leslie, Jevons and Newmarch have all died, whilst of his own generation the admired Arnold Toynbee has died with his work barely begun. Therefore his Inaugural Lecture will deal with the situation in which Marshall takes up his Chair, seeking to show where economics stands, and what tasks most urgently face those engaged upon its study.

Looking back over the century, many critics suggest that economists have been unduly concerned with matters of fact, at the expense of more general and humanitarian consideration of practicalities. Marshall denies this, pointing out that the economists were all very active individuals. If their theory did tend to abstraction, this was because of the influence of "one masterful genius" - Ricardo.

"The change that has been made in the point of view of Economics by the present generation is not due to the discovery of the importance of supplementing and guiding deduction by induction, for that was well known before. It is due to the discovery that man is himself in a great measure a creature of circumstances and changes with them; and the importance of this discovery has been accentuated by the fact that the growth of knowledge and earnestness have recently made and are making deep and rapid changes in human nature".

#### The Political Economists of the Ricardian school

"regarded man as, so to speak, a constant quantity, and gave themselves little trouble to study his variations .... The same bent of mind which led our lawyers to impose English civil law on the Hindoos, led our economists to work out their theories on the tacit supposition that the world was made up of city men."

This caused little harm in the discussion of money or of foreign trade, but if you use the same approach on the relations of the classes in industry, and separate the factor "Labour" from any consideration of the opinions of the men who are workers, you understand how they

"attributed to the forces of supply and demand a much more mechanical and regular action than they actually have; and laid down laws with regard to wages and profits which did not really hold even for England in their own time".

Above all, they did not see that it is "the poverty of the poor" which is

"the chief cause of that weakness and inefficiency which is the cause of their poverty; they had not the faith, that modern economists have, in the possibility of a vast improvement in the condition of the working classes".

The Owenites and Socialists who preached the perfectibility of man "repelled the business-like economists of the age" as surely as they themselves were repelled by their half-digestion of the Economics. Smith, for example, had not been concerned basically to show that government intervention in trade is an undesirable thing (which is what Marshall reckons the Germans mean by Smithianismus) - "his chief work was to indicate the manner in which value measures human motive". Perhaps he did not see this all too clearly himself,<sup>(1)</sup> and it was certainly

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(1) The principal contention on Smith by the present writer is that "Wealth of Nations" is the economic case of Smith's ethics: Marshall's opinion tends to coincide with this.

obscured as far as Marshall can see to those of his successors who approached economics rather from business than from philosophy.

"The outward form of economic theory has been shaped by its connection with material wealth. But it is becoming clear that the true philosophic raison d'etre of the theory is that it supplies a machinery to aid us in reasoning about those motives of human action which are measurable".

The best measuring-medium is money, and this is the one we have, though the theory would be no different if all payments were in new years' honours, and no longer in money. This he expands as follows:-

"The only resources we have for dealing with social problems as a whole lie in the judgement of common sense ..... The fact which Comte seems to have ignored is that the human mind has no other method of inquiry than this; that a complex problem is broken up into its component parts, less methodically indeed but no less completely by common sense than by formal analysis ..... In nearly every important social problem, one of those component parts has to do with those actions and sacrifices which commonly have a money price".

This set of considerations is one of the most difficult for unaided common sense to tackle, and is that with which economics seeks to deal.

"By introducing systematic and organised methods of reasoning, it enables us to deal with this one side of the problem with greater force and certainty than with almost any other side; although it would have probably been the most unmanageable side of all without such aid. Having done its work, it retires, and leaves to common sense the responsibility of ultimate decision".

"With better houseroom and better food, with less hard work and more leisure, the great mass of our people would have the power of leading a life quite unlike that which they must lead now, a life far higher and far more noble".

It is to promote this end that people study Economics, and Marshall has taken his Chair to further the study and its dissemination.

"Why should it be left for impetuous socialists and ignorant orators to cry aloud that none ought to be shut out by the want of material means from the opportunity of leading a life that is worthy of man? Of those who throw their soul into discussion of this problem, the greater part put forth hastily conceived plans which would often increase the evils that they desire to remedy".

The only way to counteract such talk, and its acceptance, is to provide a better and more widespread higher education in Economics. Especially must the Universities turn out first-class economists, and this is Marshall's objective in his Cambridge career, now beginning its greatest phase.

Marshall is still preaching the doctrine of his first paper, which we have seen him since repeat, that man can be ennobled as he has less toil and more leisure. Here, he adds to that a theory of the real meaning and use of Economics, as the science which advises common sense on the wherewithall, when common sense is tackling social problems. The peculiar importance of Economics is that it is often able to say definitely whether or not a project is to be afforded. The other arts and sciences concerned in advising governmental common sense are rarely able so precisely to state their support or opposition. A doctrine of human rights, or of the electoral desiribilities of party political action cannot be calculable so precisely as the economic factors in any issue, although the economic, as

Marshall says, is the most difficult of these questions without the analysis of the economist. This is because everyone has some knowledge of what the electorate will think, of an opinion of what constitute human rights. The economic consideration is a matter not for opinion, but for knowledge and analysis of a specialist kind. If, as happened in the early nineteenth century, there is a failure by economists to explain the fundamental motivation which lies behind their scientific study, it will be found at least to be paralleled by the failure of reformers ~~to~~ properly appreciate the simple facts which economics makes abundantly plain. (1)

No economist has ever denied, then, in Marshall's view, the absolutely fundamental purpose of economic study. That is to offer to common sense, to government, to the intelligent citizen, a scientific statement of what (from amongst the many things whose provision is desirable) society can actually provide for man's welfare, by social action, and where social action will be without effect. But there are arising from this, as has been already heavily emphasised, two complications. The first is that scientific economics has to look to society in the long-term; the second that the democracy of 1868 is only to be expected to demand the goods of life in the lifetime of the individuals making up society. The common sense to which Marshall appeals would ideally provide the democracy with an understanding of this problem. "The Economist" in June, 1889, considered that Marshall had not helped in this respect. When reviewing his address to the Co-operative Congress at Ipswich, they said:

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(1) Robbins' "Theory of Economic Policy in English Classical Political Economy" has again questioned whether this was, in fact, the case.

"Professor Marshall's Address seems to us obscured instead of brightened, by its sentimental tone .... We are entirely friendly to co-operation as a most sensible plan for enabling the public, which buys, to share the profits of those who sell, and to compel the latter to be honest, but we believe in it because it is based on intelligent self-interest, and not because it will extinguish that powerful motive force".

This attitude on the part of the reviewer is strange, for Marshall in this speech merely re-emphasises points made not only by himself, but by both Fawcett and Cairnes frequently before. His Presidential Address points out that co-operation is indeed sound sense for the society member in the way the "Economist" observes. However, this is not all, for Marshall believes that co-operation has a "direct aim to improve the quality of man himself". It is this point of his argument with which the "Economist" has its quarrel, and it proceeds as follows:

"First, the production of fine human beings, and not the production of rich goods, is the ultimate aim of all worthy endeavour. Secondly, he who lives and works only for himself, or even only for himself and his family, leads an incomplete life; to complete it he needs some broad and high aim. Thirdly, such an aim is to be found in the co-operative endeavour to diminish those evils which result to the mass of the people from the want of capital of their own; evils which take the two-fold form of insufficiency of material income, and want of opportunity for developing many of their best faculties. Lastly, the working classes are weak in many ways, but they are strong in numbers".

The stimuli for good ends in society are strong, but not so strong that the "practical politician" can consider the removal of checks upon those who fail to respond to these stimuli. Co-operative societies are a great stimulus to self-improvement by their members, but the many managerial failures which have occurred in producers' co-operatives reveal a need for much more improvement to be made in the personnel who



co-operate in small isolated bodies.

"There are arguments against the complete isolation of such societies, but not in favour of their being consolidated under a rigid centralised government".

The growing success of "the three great features of English social life, trades unions, provident societies and co-operation", is due to the fact that "although guided, they are not controlled by the State".

We saw how Cairnes, with equal vigour, spoke up for co-operation,<sup>(1)</sup> but denied the possibility that good would result from effecting suggestions that government should subsidise the societies. Here Marshall pursues just the same line, telling the co-operator that the improvement of the man himself is involved, in his active participation in the control of a business venture in his own interests and which employs his own capital. Mill's<sup>+</sup> ideas on the "practical education" of the nation in self-reliance and the other qualities of value in conducting the business of life fit also squarely into what Marshall argues. Marshall's speech was delivered, it must be recognised, to a body of co-operators, and not to a group of economists. Nevertheless, he had previously told economists that their whole purpose is to promote man's advancement, and pointed out that Fawcett was heard with sympathy when he declared that self-help was the key to that progress. Co-operation is the greatest example of self-help, with the related institutions Marshall listed above, the Trades Unions and the Friendly Societies. The 'Economist' calls the tone of

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(1) As did L.L. Price in "Co-operation and Co-Partnership" and Fay in "Co-Partnership in Industry".

the speech "sentimental", and it is here that the writer falls down. Marshall was speaking encouragement to practitioners, not analysis to observers, and in this sort of address he felt it necessary to press so closely as was possible to the feelings of the population at large, urging forward in uncomplicated but delightful terms the elements in social activity which appeared most obviously capable of direction into channels consonant with his economic understanding of society's continuing needs.

The next year, 1890, is the year in which he published his "Principles of Economics", and also the year of his Presidency of Section 'F' of the British Association. This office evoked a Presidential Address for Economists, which can be taken in balance with the Presidential Address he gave to Co-operators in showing fully the attitude of his occasional writings at the time of his greatest work's emergence. He begins this address by pointing out the fact that the Classical Political Economist attempted rigorously to exclude all but the purely economic-scientific data from his thought, and was not averse to the results of this analysis being adopted as a creed. Hence when he showed that the growth of the economy was best served by the withdrawal of almost all Mercantilist governmental intervention, this became the basis for a creed. Now, in 1890, Economics tries more fully to represent actual circumstances, including allowances for necessary governmental activity, and there is as a result some apparent loss of clarity. It abhors, above all, any creed based upon its findings: "Such things are now left for the Socialists".

Moving to the study of cases, Marshall considers first the policy of trade protection. This has been repudiated by every English economist for the last 50 years, but it still survives among certain sections of public opinion. Mill's concession that there might be

some case for protection in a new and developing country was regretted by the majority opinion, which was violently in favour of Free Trade, and regarded protectionism as being unpatriotic. The essence of the old Free Trade argument is summed-up by Marshall in the notion that it was

"Implicitly assumed that New England's failure to produce cheap calico had the same foundation in natural laws as her inability to produce cheap oranges".

In fact, the argument of Free Trade versus protection, such as raged in America as Marshall wrote this address, depends upon differing economic analysis. He himself still finds that protection is the less desirable policy, and its abandonment would be greatly to everyone's ~~the~~ advantage.

However, his main concern with the activity of the State in this speech is when he discusses the questions arising out of the recent American anti-trust legislation. Mergers and take-overs create a new type of situation, for a massive concentration of the productive capacity of any industry in a few hands must inevitably cause government to be on guard lest that concentration be anti-socially applied.

"I will then pass on to consider the modern aspects of this question, ever old and ever new, but never more new and never more urgent than today".

He feels, first, that modern analysis tends to justify more State control, but not State management, of industry. The public utilities need to be controlled "as they long have been controlled" because

they are "indivisible", and not susceptible to competitive provision. The form of control is a most fruitful source of discussion. Bureaucratic government control might suit the Germans, and the Americans, too, might find the idea impressive, but Marshall argues that for Britain, even where a utility is State owned, it should be administered by an independent corporation. Whilst a public company finds selection of managers far more difficult than does a small private company, a government department is even worse off in this respect.

"and further, such a department is more liable to have the efficiency of its management interfered with for the purpose of enabling other persons to gain the votes of their constituents on questions in which it has no direct concern; and, as a corrolary of this, it tends to promote the growth of public immorality, and it suffers from that growth".

The State must closely watch those firms where competition is not the regulator of price, but this does not itself imply an application of State Socialism. State Socialism will, however, often appear to be the line of least resistance, for it is easier to establish the control of a government department than to set up a trust or corporation which is truly well constituted. However, the directly-controlled government department has difficulties which the trust once established has not, and therefore it is well worth the trouble of establishing the latter form of organisation.<sup>(1)</sup>

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(1) As has, of course, been done for all nationalised industries, and now for even the Post Office.

Marshall next returns to the contention that Socialism does imply a fundamental change in human nature, before moving to discuss what a sub-heading in his address calls "The Growing Importance of Public Opinion as an Economic Force". "Public opinion acts partly through the government", in shaping legislation by pressure and petition, and all the time the influence of government over economic affairs is growing in extent and efficiency. State action is still behind much of public opinion in this respect, however, and much of economic policy is not attuned to modern needs. At best, the "action of the law must be slow, cumbrous, and inelastic, and therefore ineffective". Public opinion can act and respond more subtly to situations than can government - that is a government which acts by legislating only, which is apparently the whole of Marshall's appreciation of what means of action the government has. (1)

"So far nearly all the younger economists appear to be agreed; but, while some would not be sorry to see small firms displaced by large firms, large firms by trusts, and trusts by government departments, others, in whom the Anglo-Saxon spirit is much stronger, regard these tendencies with very mixed feelings, and are prepared to exert themselves to the utmost to keep government management within very narrow limits".

"Every year it is more manifest that we need to have more knowledge and to get it soon in order to escape, on the one hand, from the cruelty and waste of irresponsible competition and the licentious use of wealth, and on the other hand from the tyranny and death of an iron bound socialism".

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(1) The use of Budgets as economic regulators began after Marshall's death.

And so Marshall comes, almost reluctantly, to a new ground altogether. Free competition tends not to perfect competition, but to "irresponsible competition and the licentious use of wealth" - and this is an evil. Often enough has he opposed the socialist short-cut to a level of equality, as disastrous in the way seen by his predecessors, blunting individual responsibility and the growth of the economy as based upon hard work and self-interest.

The difficulty becoming more apparent in Marshall's middle years, however, was that individual responsibility did not always go far enough. This especially applied to the "new" problems of large-scale unemployment, which were growing. By 1890 the State had to take more formal cognisance of this deteriorating situation,<sup>(1)</sup> and in 1894 a Royal Commission on Labour of which Marshall was a member reported to Parliament. In describing their work, the Commissioners say,

"It will be gathered from the account of the procedure of this Commission, that the range of our inquiry has been very wide. The work undertaken and carried on during the last three years has been of a magnitude and extent unprecedented in the history of Royal Commissions, and we desire to record our opinion that its results are of the highest value, and cannot be measured by the contents of the Report itself".

The Commission in fact studied the whole structure of British Industry, and they believe that the material they have assembled will "prove to be of great value to those who may hereafter either in a public or a private capacity, have to deal with industrial questions".

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(1) In introducing the VIIth Edition of her "Political Economy for Beginners" in 1888, Mrs. Fawcett mentions that a new expression has become common - "the unemployed".

The specific brief of the Commission was to investigate the "questions affecting the relations between employers and employed, the combinations of employers and employed, and the conditions of labour, which have been raised during recent trade disputes in the United Kingdom". The Commissioners interpreted their brief in the form of three questions:

- "(1) What are the leading causes of modern disputes between employers and employed: out of what conditions of industry do they arise; and what is the effect upon them of organisations on either side?
- (2) By what means or institutions can they be prevented from arising, or if they do arise, can they be most pacifically settled without actual conflict in the shape of strikes or lock-outs?
- (3) Can any of these causes of dispute be wholly or partially removed by practicable legislation, due regard being had to the general interests of the country?"

"We have not desired to restrict our inquiry within too rigid lines. At the same time it should be understood that we do not intend in this Review to survey the whole of what is termed the "social question" or to undertake an examination of the fundamental causes of wealth and poverty, or to discuss the remedies by which the evils and misfortunes, not directly connected with or bearing upon industrial disputes can be met. Thus we have felt it our duty to examine proposals put forward for obviating the clash of industrial interests by supercession, wherever practicable, of private employers by public authorities; but it has not appeared within our province to examine in detail those schemes for the employment by public authorities of the temporarily unemployed, which are really connected not so much with the ordinary course of industry as with the extension or modification of the existing poor law".

In this opinion they have not the support of the four leading Trade Union members of the Commission, who from the outset prepared their own Report. Both Reports, however, accept the Review of Evidence which was indeed complete. The plan to be followed here is to examine each Report in turn, and then to discuss the two together, with the implications which they raise.

The Majority Report, when it turns to Recommendations, is interesting in that this heading has under it a heavy weighing of the alternatives, rather than a statement of definite conclusions from the evidence. Hence, although the Recommendations are long, the practical proposals they contain are decidedly thin. They are unable to recommend any "systematic and general establishment of special industrial tribunals ..... We think, however, that there might be some advantage in an experiment of a tentative and permissive character in this direction". Although many witnesses sought a single Department of State to deal with the whole of the government's role in industry, the Commission as such is content to commend the continuing extension of the work of the Labour Department of the Board of Trade. The establishment "by law of a maximum working day of a fixed number of hours does not appear to us to be a proposal which bears serious examination". Nor does a proposal that the maximum day be statutorily fixed for each trade separately.

They have, in fact, only one definite recommendation for the extension of the active interference for welfare of the State.

"We have carefully considered the proposals which have been made by the present Chief Inspector of Factories ..... together with the proposals made by Mr. Charles Booth ..... and we are of the opinion that legislation in the following direction is desirable, viz:-



"We have carefully considered the proposals which have been made by the present Chief Inspector of Factories ..... together with the proposals made by Mr. Charles Booth ..... and we are of the opinion that legislation in the following direction is desirable. viz:

- (1) That within the industries or districts affected by the proposed legislation or by administrative orders under it, all occupiers of workshops (except domestic workshops which we do not think can be dealt with at present) and perhaps also of factories, shall be required under penalties to obtain a certificate from a competent public authority to the effect that the premises used by them are in all respects in a sufficient sanitary condition, and contain sufficient cubic space for the number of persons employed therein, such certificate to be withdrawn at any time if it were found that the conditions were no longer complied with.
- (2) That occupiers should be primarily liable, but that immediate owners, who receive the rent of workshops, should also be liable, if penalties could not be recovered from occupiers, in case of such workshops being carried on without the certificate having been obtained or after it had been withdrawn.
- (3) That all contractors and shopkeepers in the industries or districts in question who should employ out-workers should keep lists of such out-workers, and should be bound to take all reasonable precautions that work so given out was, if done in workshops, only in those which had a proper certificate".

This is the sole recommendation for advance in the State's regulative powers which the majority of the Commission recommend. With the Chairman, the Duke of Devonshire, the signatories of this Report included Alfred Marshall, David Dale, Michael Hicks-Beech, Frederick Pollock, A.J. Mundella,<sup>(1)</sup> and Plimsoll.

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(1) W.H.G. Armytages' "A.J. Mundella" Benn, 1951, provides an interesting example of the development of one of these leading reformists: Pollock, of course, was a "populariser" of the social sciences (as well as a man of distinction), see, for example, his "History of the Science of Politics".

Their "Concluding Observations" repeat again the emphasis Marshall's economics carry, that the evolution of the economy must itself be left to solve most social problems. This attitude was fundamentally unacceptable to the minority, to whose Report we now turn.

For the minority, the present bad relations between employers and employed are

"but one example of the present industrial anarchy. The only complete solution of the problem is, in our opinion, to be found in the progress of the industrial evolution, which will assign to the 'captains of industry', as well as to the manual workers, their proper position as servants of the community."

Meanwhile, the conditions of life for the largest proportion of the workers are so poor as to embitter their relations with their employers.

"Under any conceivable view of social development, these conditions demand the serious attention of the Government, and constitute, in our opinion the most pressing of all the problems of statesmanship".

"We think it high time that the whole strength and influence of the collective organisation of the community should be deliberately, patiently and persistently used to raise the standard of life of its weaker and most oppressed members. We regard this as one of the primary functions of democratic government, whether national, or local, and whilst leaving on one side as beyond our scope such fundamental matters as the nationalisation of the land, and taxation of unearned incomes, we have suggested, in some detail, various immediate practical reforms in this direction. These reforms include:-

- (a) The explicit and widely advertised adoption by the Government and all local authorities of direct public employment wherever this is advantageous, the Eight Hours' day, Trade Union conditions, and a moral minimum wage.

- (b) The extension of the Factory and similar Acts to all manual workers in all trades, and their drastic enforcement in such a way as to discourage home-work, and absolutely prevent industrial depression.
- (c) The securing by appropriate law of an Eight Hours' day for every manual worker.
- (d) The thorough investigation and bold experimental treatment of the problem of the unemployed.
- (e) The provision of adequate sanitary housing accommodation for the whole nation, as well as honourable maintenance for all its workers in their old age.

In short, the whole force of democratic statesmanship must, in our opinion, henceforth be directed to the substitution, as fast as possible, of public for capitalist enterprise, and where this substitution is not as yet practicable, to the strict and detailed regulation of all industrial operations, so as to secure to every worker the conditions of efficient citizenship".

Both the majority and the minority are concerned with the betterment of human life, but disagree basically on whether the State can, in fact, act to equalise welfare to the advantage of the working classes as the economy now stands. An interesting sidelight is thrown on the question which exists between the two groups of Commissioners when Tom Mann, leader of the minority, is questioned as a witness before the Commission by Marshall. Mann declares that his knowledge of Economics is based upon the writings of J.S. Mill, to whom in large measure he also attributes the socialist direction of his opinions. Unlike Mill, however, Mann sees socialist institutions developing in the society as the economy still grows as hitherto. Mill saw socialism as coming only when the economy had largely stabilised its growth and its population. Marshall and Mann then agree in discounting Mill's prognostications that the economy would stabilise itself, and both accept that continued growth

of the economy is most likely. Therefore Marshall questions Mann on how the growth of the economy is to be maintained if socialist institutions are established. He moves to the specific question of how innovation and technological advance will be maintained in such an organisation, pointing out that government factories are not so advanced and commercially aggressive as those in private, self-interested hands. Mann takes this point, and goes on to agree with Marshall that great changes in human nature are needed to make socialism workable. However, having accepted that progress will be slow towards his ideals, he emphasises his belief in its desirability, and indeed in the probability of its achievement. He goes on to point out that this improvement in man's nature will be rather a moral and intellectual improvement than a purely economic improvement, and that he is prepared to see morally "undesirable" literature banned. Marshall comes back on this one, with the argument that if we really know what literature should be banned, we would anyhow be above writing and reading it. Mann takes the point, but repeats his emphasis that the moral and intellectual development of man should be forwarded in every possible way.

As with the development of individuals, society as a whole in Mann's view is in need of governmental assistance for the greatest humanitarian advantages to be achieved. As a long-standing London dockerman, Mann has devised a scheme for a channel to be cut across the Isle of Dogs, which would increase the efficiency of the Port of London, and would assist the regularity of employment at the docks by allowing ships freer and easier access to the port by making them less dependent upon tides. The State is the only authority capable of such an undertaking, through a chartered or in some other way recognised Port

Authority<sup>(1)</sup>. We have seen already that the economists could support such a scheme if its social advantage could be proved, and provided the funds borrowed for its construction were not withdrawn from more socially-profitable investment.

Mann then moves on to express his belief that 10% of the population of Britain is a "surplus" population, in the sense that there are not jobs for them. Mann cannot welcome these people as a potential revolutionary "reserve army" in the Marxist sense - he would prefer to see them in employment. The way to provide sufficient jobs is to reduce the working day at once to one of eight hours, thus making it necessary to employ a greater labour force to maintain the present level of output<sup>(2)</sup>. People would be better citizens if they were all employed and thus independent. They would stimulate economic development by their consumption, and this growth would soon provide a return to the economy fully justifying their original employment.<sup>(3)</sup> The economy thereafter would have to be stimulated to ensure that the provision of jobs kept pace with the growth of population (and with redundancy-creating developments) to ensure that there would be no future development of a "surplus" population.

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- (1) This was, of course, eventually followed in the establishment of the Port of London Authority, but Mann's other hopes were not fulfilled.
  - (2) This would be possible by a shift-system, of course, It would not be necessary, as some silly critics of this scheme remarked, to duplicate capital equipment.
  - (3) This is an almost - Keynesian approach; its sophistication from a trade-unionist like Mann is remarkable, especially as it came to Mann from Mill.

The majority Commissioners were sanguine about social evolution proceeding sufficiently quickly to provide of itself a solution to the great problems they recognised. The minority, Socialists, demanded a more urgent solution, involving the power of the State to effect it. By this time Disraeli was dead, and the Conservative party was led by men who accepted the reformist doctrine. The Liberal party, in its attempt to retain support from the working man and to forestall socialism, accepted a similar reformist position. The evolution of these two parties to that position, and the separate development of Labour politics, is largely due to the recognition of the problems which we have observed. The failure of the two old parties to face them with drastic action, and their hesitancy in allowing for new political principles to solve them by State action, made inevitable the rise of the Labour party as a separate entity. Whilst individual reformist Acts <sup>(1)</sup> might have satisfied individual groups of workers each in given circumstances, it was coming to be recognised that the question of redundancy and re-deployment was not one to be solved by

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(1) After the Commission of Labour, there was an eventual movement by governments of both parties on specific points:

1896 A Departmental Committee was set up to issue "Special Rules" controlling conditions in several trades with a high health-risk, e.g. india-rubber making, wool sorting, leadworks.

1900 Dilke's Bill for Trade Boards to regulate wages in trades where Union activity was undeveloped was unsuccessful, but re-focussed public interest.

1901 The "Factory and Workshop Consolidation Act" opened all trades to inspection, including domestic workshops; provided for fines on employers for accidents due to dangerous machinery where not properly guarded, even on docks, wharves and building sites.

1903 The "Employment of Children Act" absolutely banned the employment of children under 11. No child in part-time attendance at school (as

Continued overleaf.....

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provided for under the 1901 Education Act) was to work in a trade classified as unhealthy, or in any other job ruled as to interfere with his schooling.

1908 A Select Committee found that small masters in the "sweated" trades would in general welcome legislatively-fixed pay-rates, as this would enable them to pay a fair wage without being undercut. (Exactly the argument of the Lancashire Masters in the early years of the previous century!) The Trade Boards Act provided for the establishment of boards for four of the worst trades; the Boards would consist of equal numbers of members of the "two sides" of the industry, selected by the Board of Trade from lists submitted by the "sides" with a Chairman selected by the Board. The first award, made to chainmakers in 1910, raised the average wage from between 5/- and 5/6 a week, to 11/3d.

a policy of "exceptions to laissez-faire" (on the Liberal's part), or by one of paternalist-collectivist measures (by Conservatives). Continually, for the whole of the foreseeable future, new techniques would be displacing men from their livelihoods. The measures of the liberals<sup>(1)</sup> would indeed be effective in answering the special problems of child labour, unhealthy trades, sweating and even (after 1909) in somewhat "humanising" the poor law. But they would not answer this deeper and more fundamental necessity for a social system (inevitably State regulated) which would ensure that the victims of change and development were not innocently rendered hopeless, but were enabled usefully to adjust to the new conditions without loss of personal integrity or selfrespect.

The labourer was now also fully, by his enfranchisement, the citizen. By this power he was able to urge society to admit his needs as such; he did this with such success that he had to be reminded by economists and Civil Servants of the necessity of returning some of the increased national income to investment. Marshall's Economics, in which the needs of the period were specifically recognised, was the great expression of the economist's arguments on the sensible limits of State power to influence economic life for the good of all. Economics, developed recognisably by direct succession from Ricardo, had first of all provided the base for Free Trade and Marxism simultaneously, then it had developed an awareness of the necessary limitation of Free Trade; now it

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(1) "liberals" in this sense to include humanitarian measures enacted by Conservatives and Liberals alike, of course.



had to seek still further grounds on which to argue the merits and the possibilities of social welfare schemes. In this argument the economists' concern for economic stability is paramount, to the extent that many still thought them to be dragging their feet too much on the possibilities of social action:

"It was Ricardo's fate, whilst writing what was intended to be at once an explanation and a defence of the capitalistic system of production, to furnish the enemies of capitalism with their most deadly weapons. Modern Economists have felt it incumbent upon them to modify or reject the Ricardian premises which led to such astounding and subversive conclusions".

The example Mark Hovell<sup>(1)</sup> gives of this attempt, is in Marshall's "Principles of Economics". By stating the social problem, as we have here, then looking at what Marshall wrote, and then looking at what happened in politics in Marshall's great productive years, we will be able to arrive at some assessment of the role of the State in Economics and economy at the opening of the present century, and at the dawn of truly modern Economics.

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(1) Mark Hovell "The Chartist Movement" (1918) Manchester 1959.

However truly "modern" the economics of the first decade present century might be, however, they were written by individuals who were inevitably affected by the spirit of their age, as Marshall's contemporaries would have called it - by the prevailing social system and its ethics as it might be put by the sociologist of a generation later. And Alfred Marshall, as he emerges from his work, was not merely unconsciously affected by the "spirit of his age"<sup>(1)</sup>. Rather did he welcome and embrace its essence, even whilst holding reservations about its many more tragic incidental effects. It is the essence and the reservation together which we have seen struggling for place in the economics written since the youth of John Mill. The essence is not that ideological laissez-faire which we have seen economists continually attempt to reconcile with the idea of theoretical abstraction, and with the necessities of a weak humanity. It was in the last quarter of the century that the great popularity of Samuel Smiles' work presented a form of that ideology to the masses - not as an economic doctrine, but rather as a creed of social conduct. It would appear that the hundreds of thousands of copies of Smiles' works were in overwhelming bulk given to the working classes (and especially to the clerks, shopmen and supervisory staffs whose children and successors formed the basis of the Sunday school prizewinning classes). They were handed out as a "reward" to those who by persistency

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(1) See G.F. Shove: "The Place of Marshall's Principles in the Development of Economic Theory" E.J. 1942: this is primarily analytical, but sets the context usefully.

in attendance at such institutions as Sunday schools and "young men's cottage lecture classes" indicated their educability in conformist aspirations to success in the existing social order. Smiles' doctrine does not attempt the job which Mallock set himself, for he is not telling the donors of Sunday-school prizes the reasons for their purchase of them, and the reasons why as masters and local party committee-men they should operate a reformist policy. Smiles is putting the straightly "moral" case, and it has close affinity with a bowdlerised social Darwinianism.

At the beginning of "Thrift" ~~(\*)~~, Samuel Smiles tells a "Fable." A grasshopper has spent a merry summer, but when winter sets in, he begins to starve, and finally goes to the beehive to beg. The bee at the door tells him "those who do nothing but drink, and dance, and sing in the summer, must expect to starve in the winter". - End of fable, end of grasshopper, end of the qualities which make up the notion of "humanity". Humanity means two things, however. It does mean charity and sympathy, but it also implies self-respect, and fulfilling to the best one's promise as a human being. This is the humanity with which Smiles is concerned. His first concern almost altogether disallows the humanity of charity for the unfortunate - on the grounds that a man should recognise that improvidence weakens his own constructive humanity and robs others of the profits of their stronger constructive endeavour:

"The thrifty build houses, warehouses and mills. They fit manufactories with tools and machines. They build ships and send them to various parts of the world. They put their capital together, and build railroads, harbours and docks.

They open up mines of coal, iron and copper; and erect pumping engines to keep them clear of water. They employ labourers to work the mines, and thus give rise to an immense amount of employment.

All this is the result of thrift. It is the result of economising money, and employing it for beneficial purposes. The thriftless man has no share in the progress of the world. He spends all that he gets, and can give no help to anybody. No matter how much money he makes, his position is not in any respect raised. He husband none of his resources. He is always calling for help. He is in fact the born thrall and slave of the thrifty".(1)

The wage-slave is presented as being a slave because of the weakness of his character (2) not because of the weakness of his real social and economic position. If he only realised it, self-help (2) in the form of saving, co-operative enterprise, business courage and hard work, would free him from his slavery. Then he would best be able to fulfil his social duty (2), both to the family and society, by living the worthy life of a free man, and not passing from the thralldom of wage-labour to the stall-fed servitude of the poor-law.

Only by improving his circumstances himself can the individual live a better life. And the real riches of life, of course, are not all material:

"The right way to raise wages, therefore, is to raise, not merely the Standard of Comfort or of wants, but the Standard of Life which includes activities as well as wants".(3)

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(1) Thrift, pl0.

(2) "Character", "Self-Help" and "Duty"(all published by John Murray) are Smiles' three other works on this line.

(3) Marshall, p vi of Introduction to the Second Edition of "Principles".

Thus trade union activity, by which the thralldom of the worker to his master can be made easier by the award of higher wages, is only tackling half of the question. And indeed, if the strength of humanity in the sense of high character is what man's aspiration should centre upon, then the other aspect of humanity should be recognisably in second place. (1)

"I have always held that poverty and pain, disease and death are evils of greatly less importance than they appear, except in so far as they lead to weakness of life and character; and that true philanthropy aims at increasing strength more than at direct and immediate relief of poverty.

And now that democratic economics are so much more popular than they were a generation ago, now that the benefits of socialistic and semi-socialistic action are so much more widely advertised, and its dangers so much underrated by the masses of the people, I think it is more important to dwell on the truths in Mill's Liberty than on those in his Essay on Socialism."

Thus there is carried into the economics of this century an element of the ideological system whose best-known exponent was Samuel Smiles. (2) Marshall is not to any significant extent promoting the 'Doctrine of S. Smiles' as such, but this understanding stems from similarly-observed social attitudes. Samuel Smiles is a social theory teacher and a propagandist, Marshall a social scientist. Both have to recognise that their works will probably affect future social reformers,

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- (1) Letter of Marshall to Helen Bosanquet, 28-9-1902, on p. vii of "The Strength of the People" (by H. Bosanquet) Iled. MacMillan 1903.
- (2) In his Inaugural Lecture at Sheffield, Professor Geoffrey Bownas pointed out that the first book published in Japanese after the full opening-up of Japan was Smiles' "Self-Help": this was seen as the way to success: it toured Japan as a play.

and even more immediately recognise that they will be read by the social reformers of the day. Smiles is read as fit fodder for the aspirants of the Sunday Schools. Marshall is read as the leading exponent of scientific Economics. Thus whatever the similarity of attitude, as expressed on the question of character and social provision of welfare, the use to which they will be put, by the social reformer and by the reformist is entirely different. Economics is a matter of means and of wherewithall. Social reform is concerned with the whole quality of human life, and must go about improving that quality in the proper way - which is where Marshall and Smiles come together again. (3)

"I hold that the poor must be raised by the artisan class; and that the first duty of the social reformer is to study the points of view of these artisans whose life and character are noble".

This nobility was the nobility of Smiles' characters, as modified by Marshall's more realistic humanity, as emphasised in the earlier papers already examined. The widened T.U.C. of the first decade of this century, and the Labour Party itself, were organisations in which the "better" artisans were established in a position to help the rest of the working classes - or such is, at least, one acceptable aspect of these organisations.

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(3) Letter of 2-10-02 from same to same.

Their socialism made Marshall's anxiety that Mill's libertarianism be well remembered relevant, in his view, to the new movements in the new century.

In his "Principles" the task of stating the scientific understanding of Economics, and of applying it in accordance with his general weltanschauung, took Marshall through several Editions of the work, whose wide variations and continual development makes possible the Marshallian economist's claim that "there is nothing in subsequent economic theory which is not presaged in some part of one of the Editions of "Principles".<sup>(1)</sup> The revision of the first volume, indeed, kept Marshall from ever completing his promised continuation of the applications of his "Principles". Guillebaud's admirable work makes any survey of this evolution irrelevant.<sup>(2)</sup> What is of more utility for the present purpose is an examination of what Marshall himself culled as being the important points of his "Principles", in its popularised guise as the New "Economics of Industry".

This common core, which runs through "Economics of Industry" and all editions of "Principles", concerns us in its relationship to the economic competence ascribed to the State, the executive agency of Society. Of the work over all, it was agreed that:

"By definitely establishing the theory of value as the central theory of Economics, and by tracing the fundamental ideas, on which it is based, into their various applications, the Principles of Economics seems, like the Wealth of Nations

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- (1) Statement quoted by Prof. E. Allen, of the generation of his teachers, and repeated in substance in Joan Robinson's "Economic Philosophy".
- (2) The excellent twin volumes of the Variorum Edition are so well-known (and deservedly so) that it would be mere duplication of common knowledge to worry further this point.

a century ago, to mark an epoch in thought, and to do so by introducing afresh the conception of utility".

"In restoring unity to the Theory of Value, Professor Marshall has also imparted unity to the whole of economic science".<sup>(1)</sup>

Within this, the work considered the due place of the State, and the economic role of executive society. To this aspect of the work, as stated in "Economics of Industry", we now turn.

On the second page of the book,<sup>(2)</sup> a summary note states that "poverty causes degradation", and on the opposite page its twin asks the question "Is poverty necessary?" The first sentence of the book tells us that "Economics is a study of man in the ordinary business of life." The third sentence tells us that "Man's character has been moulded by his everyday work", and on the heels of this come the two statements with which I began. Hence from the outset the orientation of Marshall's Economics is made unquestionably clear. The answer to the question as to the necessity of poverty depends "in a great measure upon the facts and inferences, which are within the province of economics, and this it is which gives to economic studies their chief and their highest interest".

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- (1) L.L. Price's "Economic Journal" Review of "Principles", March 1892, reprinted his collection "Economic Science and Practise" Methuen, 1896.
- (2) The "New " Economics of Industry". MacMillan 1892: IV ed. 1914: 82,000 copies sold by Marshall's death.



Man is neither more rapacious nor more selfish than he was in past ages, nor is he less honest. Let us leave Marshall to point out the

"conditions under which the modern industrial life of England were developed; the desire for material comforts tends towards a ceaseless straining to extract from every week the greatest amount of work that can be got out of it. The firm resolution to submit every action to the deliberate judgement of reason tends to make everyone constantly ask himself whether he could not improve his condition by changing his business, or by changing his method of doing it. And lastly, complete political freedom and security enable everyone to adjust his conduct as he has decided that it is his interest to do".

As he goes on to trace the rise of merchant venture, and the division of labour, he reveals the terrible evils which resulted for working men from the changes. The working classes therefore appealed for a return to the old regulated trade system which had operated before economic "take-off".

"These efforts could not but fail. The old regulations had been the expression of the social, moral and economic ideas of the time; they had been felt out rather than thought out".

After their collapse, the economy was able without impediment to enter a period of the most rapid growth. This was not without its price, and as Marshall comments, "It has been left for our own generation to perceive all the evils which arose from this sudden increase of economic freedom". As things are in 1890-92, real wages have demonstrably risen, and most prices have fallen, from their level at the date of the repeal of the Corn Laws. Even more important, the national product has so increased that

"we are no longer compelled to subordinate almost every other consideration to the need of increasing the total produce of industry". Thus there is now coming into sight the possibility of some fulfilment of collective aims, and this promise must not be betrayed by either revolution or reaction.

Economics in recent years has also noted one important spontaneous tendency against human well-being: "how liable to change are the habits and institutions of modern industry". This is what was noted in the chapter where we saw the new problems of depression, and which greatly exercised the Royal Commission on Labour on which Marshall was sitting in 1892 - the problem of redundancy with each technical advance, with the decline of each supplanted industry, and with the smallest fluctuation in demand.

The "Economic History" Marshall asserted in his "Principles", and thus in its companion volume, did not pass unchallenged. The argument about the accuracy of his historical observation, however, though it delighted some contemporaries to attempt to proclaim Marshall's fallibility, has no real relevance for us here. What is important is that Marshall begins his analysis with an attempt to show social evolution as something which "strides the centuries", and which, by setting present times firmly in that context, can at least begin its necessary exercise in scientific detachment. Yet before he proceeds further with his analysis, Marshall states the contemporary questions which any system of ideas offering itself as an "economics" should face.

They are concerned with the happiness and well-being which will result from the increase in the wealth of the various classes of society; with the burdens which this or that taxation system will impose on

the community, and what revenue will come to the State from such a system; how far the efficiency of any class is impaired by the inadequacy of its income - these and the questions like them are the business of the economist. Around them lie another set of questions - how should the exercise of economic freedom be limited so as to increase its good and diminish its undesirable results; taking as read a desire to equalise the distribution of wealth

"how far would this justify changes in the institutions of property, or limitations of free enterprise even when they would be likely to diminish the aggregate of wealth";

"what business affairs should be undertaken by society itself acting through its government";

"Is it necessary to retain in full force all the existing rights of property, or have the original necessities for which they were meant to provide, in some measure passed away?"

Hence a broad front, Marshall feels that the economist has a right and a duty scientifically to discuss the implications in the economy of any of the questions he has raised. These questions, and many like them, are current topics of concern. Their final solution is not the problem of the economist - his place is simply to assist in the decision by stating what will be the effects of this or that policy in operation. Thus his analysis is still orientated in form to the general depiction of the processes of the economy, although its value is emphatically seen in its assistance in answering of these wide and important questions.

As we proceed to the analysis proper, we see at once that a different attitude dominates the concepts under investigation. Jevons' concept of "final" utility is married with work by von Thünen and other continentals, and represents a new description of the supply and demand process.

"The price of a good will measure the Marginal Utility of the commodity to each purchaser ..... we cannot speak of marginal utility in general, but only with reference to some individual purchaser".

In the market for any article, or "good", "the demand rises with a fall in price, and falls with a rise in price". The extent of the rise or fall depends upon the elasticity of demand.

"The elasticity of demand in a market is great or small according as the amount demanded increases much or little for a given fall in price, and diminishes much or little for a given rise in price".

The chief motive for providing the goods demanded by the market is the "hope of reward", the pecuniary rewards of successful business enterprise.

The Factors of Production are considered under chapter headings like "The Fertility of Land", as opposed to simply "Land", and the chapters are concerned with the marginal analysis and the laws of increasing and diminishing returns, right from the outset. The "Supply of Labour" is a section as much concerned with the increase of the health, strength, skill and efficiency of labour, as with the increase in numbers

of the labour force as a whole. To Marshall

"it seems prima facie advisable that people should not bring children into the world, till they can see their way to giving them at least as good an education both physical and mental as they themselves had(1) ..... The general adoption of these principles of action, combined with an adequate provision of fresh air and healthy play for our town populations, could hardly fail to cause the strength and vigour of the race to improve, and we shall presently find reasons for believing that if the strength and vigour of the race improves, the increase of numbers will not for a long time to come cause a diminution of the average real income of the people".

The growth of production depends upon the investment of such a proportion of the national income each year as will enable those using the invested funds to expand their plant, and thus their employment of labour. Those who invest their money do so not to benefit the economy, but themselves. The intention is to draw a return as an income, in old age if not immediately, though occasionally the benefits of the investment might even fall to one's heirs rather than to oneself. In any case, the investment is undertaken either for the addition it will provide to one's income, and thus to one's security, or for the benefit of one's family. Provident societies and co-operatives broaden the basis of this pattern, and allow even those with small incomes to invest in this way.

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(1) In a lecture at Toynbee Hall on Sept. 10th 1855, Marshall said "it would be a calamity if we English by limiting our numbers, allowed foreigners to have a larger share than ourselves in populating the world" and went on to discount the danger of over-population at home. Keynes in "Memorials" quoting "The Malthusian" of October 1885.

As production grows it becomes increasingly capitalised, and this process is furthered by every advance in technology. This demands a skilled and adaptable labour force for the industry, and also effects changes in the structure of industry itself. The high capital cost of modern plant cannot be met by small-scale production, and therefore concentration of production in large units is inevitable. There is also a concentration of production of certain goods in regions whose manufacturing industries are almost all engaged in making that one good. This permits great economies, because you can have specialist banks and service trades, but also has dangerous effects if the demand for that one item ever declines. Along with this danger comes another, foreseen by the Royal Commission on the Depression, but rather discounted by them. As world trade becomes more competitive, without a broadening of Free Trade, Britain's position might become less easy, and result in a slackening of the rate of growth. This remains a problem for the future, to be faced when it arises, but also to be looked-for as a coming threat. (1)

Marshall proceeds from this point to his analysis of the mechanism of supply and demand, where for our purposes it is not necessary to follow him. After that analysis, however, he discusses the "Influence of Progress on Value", and here we come to a part of his exposition which is highly relevant to our study.

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(1) The rate of growth was already significantly below that of a generation earlier (Dean and Cole: "British Economic Statistics").

An underdeveloped economy has a very slight field for the expansive employment of its capital and labour resources, due to the fact that these are almost exclusively employed in the provision of bare subsistence for the population. There is little opportunity for such a country to join in world trade by importing and exporting. However, the economically developed countries need raw materials, and if the "new" economy can provide some material needed in world trade, this provides a first step for it out into the world market. The capitalists of the developed countries might be prepared, indeed, to invest directly in the supply of the raw material of the "new" country. This leads to a sudden opportunity for a section of the "new" country's population to find wage-employment in the production of the material for whose extraction foreign capital is available, at a wage far in advance of their former income at bare subsistence level. As an increasing number of men become wage-earning labourers, the wage-level might fall as the initial premium on wage-labour would disappear. Then would arise a class of skilled labourers, who would eventually begin to operate factories making up the raw material into the finished product. The previously-developed economy would no longer have any great advantage over the "new" economy, unless the "old" economy were able to use the backlog of technological knowledge, and its better-established capital reserves, to keep ahead in the quality of its product and its service to customers.

Whether in an economy an "old" or a "new" manufacturing economy, the working class has an improvement in its general conditions with each improvement in technology. Marshall himself believes that it is easy to overstate the unemployment and hardship involved in any

technological advance, although its incidence is undeniable. Over the whole economy, the bulk of an increasing population finds employment, although there is undoubtedly sectoral and seasonal unemployment, often of serious proportions. The "standard of comfort" of the working classes will, says Marshall, rise commensurately with the "standard of activities". The way to improvement is to maintain high productivity, and innovation in production must always be implemented. Wants might advance more rapidly than the supply of satisfaction, and this can only result in a lowering of the level of achieved satisfaction. Hence Marshall opposes the idea of any statutory decrease in the working day. Only if the level of production is maintained or increased can the working day be reduced and a given standard of living be maintained or improved. Otherwise, a pressure for reduced hours is a pressure for reduced output, and goes on to be a pressure for necessarily reducing real wages.

Leisure, the increase of which comes from decreased hours of work, is only an advantage if it is well spent. Longer schooling is only desirable if it is useful in after-life. Ample leisure for parents is a desirable thing if it is applied for the good of their children - but none of these can be enjoyed if the reduction in the time one spends in labour leads to a reduction of output. This leads necessarily to a discussion of the aims of trades unions. Marshall's thesis here is that their claims are only sound when they do not endanger the standards of life of other groups of labourers, and will not make the trade in which the men are employed themselves, either uncompetitive or unprofitable. Provided these issues and necessities are borne in mind, the unions can



progress for their members towards higher and better standards of life and work, with full and general public support.

It is, of course, very easy to find hints of this orientation in Marshall's predecessors. The Old "Economics of Industry"; even more definitely, foreshadows some of this structure. But any such comparison is eventually found to be concerned with small aspects of the study of Economics, of which every study owes much to its predecessors. Marshall's novelty, in 'Principles' and thereafter, is to state an Economics which is entirely outside the context to which he sees "Political Economy" bent. This new Economics of course builds on old views of land, Labour, Capital, Rent, Interest, Wages, supply and demand, input and output, value, price and profit. But contextually these are offered anew, and differently, outside the short run social interests. They are seen in terms of movements on a scale against which a generation of electors are a very transitory factor, yet the problems of that generation of men are never to be allowed from the front of the individual Economist's mind. His Economics consists largely in stating them. But stating them in their due context as he sees it, not as the rabble-rousing orator would see it.

This point was more fully discussed by Marshall when he gave the first address to the Cambridge Economic Club in October, 1896.<sup>(1)</sup> Criticism had more effect upon Economics as he spoke than it had had thirty years before, when he took up the study of the subject. This had the effect of making economists more tentative in their statements, and came

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(1) "The Old Generation of Economists and the New" Quarterly Journal of Economics, 1897.

largely from the "new German school of history". However, a more real and important reason for the doubts of economists in their own analysis was "the rapid changes which were taking place throughout the whole Western World in the economic structure of society, and the tone and temper of political thought".

The study of the history of human experience in economics, in social reform, in experiment of social reform,

"Offers us ..... great aid towards estimating the direction and the rate of growth of human nature in the future, and especially that side of human nature which is most important for us to understand, when considering daring modern schemes for social reform".

The older generation of economists, in attempting to make up rules from tendencies, were sound up to a point, but their work is characterised in Marshall's view by less of the scientific method than was necessary for their work to have the maximum value.

Qualitative analysis has achieved a great deal.

Accurate quantitative analysis awaits the rising generation of economists.

"Here a distinction must be made between the relative weights which people do in fact assign to the various things which concern their physical, their mental and their moral well-being, and the relative weights which, as philosophers and moralists, we may think they ought to assign to those things ..... We must not picture to ourselves an unreal world as it might, or ought to be, and make schemes for it. That way lies social madness, leading to a failure of hot aspirations and thence to a cold reaction. Our first duty as economists is to make a reasoned catalogue of the world as it is; and never to allow

our estimates as to what forces will prove the strongest in any social contingency to be biased by our opinion as to what forces ought to prove the strongest. A chief part of the work which lies before the economist of the twentieth century is to make that estimate - not well, for that is impossible - but somewhat less badly than it has been made hitherto ..... For indeed, as Fortrey said two centuries ago, 'Private advantages are often impediments of public profit; for, in what a single person shall be loser there endeavours will be made to hinder public gain; from whence proceeds the ill success that commonly attends the endeavours for the public good; for commonly it is but coldly prosecuted, because the benefit may possibly be something remote from them that promote it, but the mischief known and certain to them that oppose it; and interest more than reason commonly sways most men's affections'.

Thus Marshall defines the areas in economic investigation which will most need attention in the next few decades. The problem is that which has exercised economists for a long time - the problem of how far the welfare of man is practicable, and how far his welfare can safely be promoted by the State. With the advance of the economy, more is sought from it, often in advance of what it can reasonably be expected to yield. Marshall hesitates to admit for the State, or for the pressure groups of the working class (such as Trade Unions), any great advantage as social organisms affecting the economy. It is still, for him, the case that the advance of welfare must be strictly defined in terms of the progressive development of the forces which will naturally tend towards the heightening of standards of human welfare. If the increase of national income still exceeds the rate of population increase, then by the simple operation of the economic system man's welfare will be promoted. Only where monopoly, anti-social restriction of competition, and the insanitary degradation of humanity are active can government reasonably and constructively interfere in economic affairs.

The pressure for the increase of the activity of the State beyond this point continually increased, and Marshall was not afraid to face this development. His opposition to the increase of the sphere of State activity we have seen as connected closely with his fear that under any extended State regulation or control productivity would fall, and therefore real standards of welfare would fall too. Marshall is concerned that it is real standards of welfare which must be established, and in his last major paper in our period he returns to the point with unabated determination. His contribution to the Economic Journal in 1907, on "The Social Possibilities of Economic Chivalry", was described by Keynes as one of "A.M.'s very best occasional works".<sup>(1)</sup> Its title and cast of thought are interesting, for Marshall is still seeking to leave to an improved mankind much of the welfare provision which the socialist expects of the State.

"Parliaments all the world over now spend more than half their time on economic issues, and probably no other serious subject gives so much employment to the printing presses that work for periodicals and general literature ..... There has been a similar but less complete convergence as to social ideals and the ultimate aims of economic effort".

The age in which he writes is not so wasteful and harsh in general, as it appears all the time to some, and some of the time to all. The wages of the young have risen more than womens' wages, and these have risen more than men's wages - so it is not any attempt to attract

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(1) In "Memorials", MacMillan, 1925.

those who have the vote which is involved here. So, too the provisions which the State has made, are concerned rather with children, and with women, than with men, and thus the motives for the action which has been undertaken by the State are not entirely concerned with the electoral self-interest of the parties in power. <sup>(1)</sup>

"Chivalry in business includes public spirit, as chivalry in war involves unselfish loyalty", and thus Marshall introduces the idea of economic chivalry. Some people have made themselves rich by very doubtful, sometimes by positively evil means, but for the most part success in business really represents the triumph of ability backed by hard work. Bureaucratic government control, and the control exercised over the affairs of the large trust company, blunt much of the enterprise of their employees, for the man who is able to conduct a successful business, if he acts chivalrously, on his own, is able to benefit society far more.

"Economists generally desire increased intensity of State activity for social ameliorations that are not fully within the range of private effort:" Says Marshall, "But they are opposed to that vast extension of State activities which is desired by collectivists".

We no longer "wallow in the mire of laissez-faire", but the Wesleys, Owen, Scott and Dickens, Wordsworth and Tennyson, Carlyle and

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(1) But Marshall would probably not deviate far from a strictly Reformist position.

Ruskin, Newman and Morris, Queen Victoria and Gladstone<sup>(1)</sup> have

"co-operated with technical progress to enlarge the scope for the beneficial intervention of government since Mill's death even more than during his long life. Government has now many new large and subtle resources for finding out where it can do more harm than good."

Then comes the peroration of this paper, which in itself represents the essence of the ground which is to be faced in the twentieth century:-

"Thus a new emphasis is given to the watchword Laissez-Faire- let everyone work with all his might, and most of all, let government rouse itself to do that work which is vital, and which none but government can do efficiently.

"For instance, public authorities are just beginning to awake to the urgency of their duties in regard to the mapping-out in advance the ground-plans of which cities should expand - a task more vital to the health and happiness of coming generations than any other which can be accomplished by authority with so little trouble, while private effort is powerless for it. So I cry Laissez-Faire:- let the State be up and doing, let it not imitate those people who have time and energy enough to manage their neighbours' households, while their own is always in disorder."

Economic chivalry is necessary to make free enterprise orientated towards the promotion of man's welfare, which is best served by the promotion of economic growth, itself best served by free enterprise. Hence Marshall closes our period with a re-statement of the economic thought which comes in a consistent thread from Mill to Fawcett

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(1) This "pantheon" is not composed entirely, or even principally, of conscious or deliberate collectivists.

at its opening. He has noted many areas where the State can do more good than harm, but all such areas fall within, or very near to, the areas which Mill himself allowed as permissible for State activity. Education, the sanitary planning of towns, the control of monopoly public utilities, the care for the old and sick, provision of bare subsistence for those not productively employed - these are the areas where Mill saw it as permissible, even necessary, for the State to act. Marshall calls for wider State activity within these areas, including if necessary State control (preferably, as we saw, through corporations rather than actual departments of State) of some industries where competition is impracticable.

Over the economy at large, however, the State must leave the ultimate provision of welfare to the forces of self-interest, which provide the best guarantee of economic growth. Trades Unions can be relied upon to exert pressure for the bettering of living standards for the workers, and the rules which the raising of living standards must follow have been repeatedly emphasised in Marshall's writings. Provided these fundamental rules of free competition are followed, any extension of State activity for the protection of any under-privileged group is welcome to Marshall.

The great pressure of the age is for wider State provision than seems to Marshall consistent with maintaining the rate of growth which can sustain these provisions, and hence his emphasis must be on the limits which are practicable. This emphasis is, however, misleading as to the direction of his fundamental thought and objective. We have seen repeatedly how he emphasises his concern for the advance of human welfare at the highest possible rate, and even more often in his thought and that of

his predecessors, we have seen this tied in with discussion of the rate of growth, and the proposition that this is greatest under free competition. The pathetic "residuum" of the towns and cities, the unemployed and unemployable living in utterly deplorable conditions, must first be eradicated by a rigid application of the sanitary laws coupled with a provision of jobs and houses in new towns planned to a national pattern. Then all can participate in the fruits of a growing national product, of which an increasing proportion can be spent on wages, public welfare undertakings, and thus the overall betterment of the conditions of human life.

The role of the State in all this is decisive. No longer is its unique power visualised as a probably-overbalancing interference in the economy. Provided the State acts in the manner which the economist is able to suggest - preserving the level of its national product - it can by the very widest activity promote human welfare. So long as free competition allows self-interest chivalrously applied to maintain the growth of the economy, it is impossible to discern the limits to its action for the betterment of society.

This is the ultimate development of an economist's idealist-inspired activity to reconcile the real, lasting long-term needs of society with the desires of the present generation. Sound analysis, intelligent assesment, chivalrous conduct by all exchangers, and the opportunity for a fuller and better life for men is greatest now and into an indefinite future. The economic analysis which a freshman in almost every university is taught is almost purely Marshallian. The Keynesian revolution offers better modes of considering State activity in its long-term context



as balanced against the demands of the moment. Post-Keynsianism has not significantly questioned the lines laid here by Marshall. Whatever the depth of the economist's commitment to his fellow men, however sentimental his speeches on occasions where he encourages his fellows, when he is writing as an economic scientist he must very strictly write of the social and economic situation in its fullest (and thus most abstracted) context, and offer advice (if it is demanded) aware of his obligation to truth.

Truth for the economist means a correct analysis of the stage of evolution which the economy has reached, this in turn depending upon his having the best data on the state of the economy available to him. Marshall's belief is that, as the twentieth century gives it to him, the economist will ever more precisely be able to advise. Gone is any need for a ~~political~~ ~~economy~~. Economics, absolutely sound, would offer truth for the sober consideration of the body politic.

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ALFRED MARSHALL:

ANNEXE I

THE FIRST "ECONOMICS OF INDUSTRY" of 1879.

There has been considerable reference to the "systematic" study of the economy represented in the analytical passages of the writings of the economists whose work we have already examined. Perhaps the last and purest analysis in this tradition is that of Marshall's first publication entitled "The Economics of Industry" which was after the publication of his "Principles" withdrawn from sale, and replaced by a very different analysis under the same title. This first book went through two editions and a total of eight impressions between 1879 and 1888, before it was declared redundant by the author himself.

In a brief Preface Marshall declares the objective of the book to be "an attempt to construct on the lines laid down in Mill's "Political Economy" a theory of Value, Wages, and Profits, which shall include the chief results of the work of the present generation of economists". Thus it is a deliberate collation of the theories considered in the last two chapters, and is based upon theories which "have been tested during many years in lectures at Cambridge, and more recently at Bristol". Thus Fawcett was in the Chair at Cambridge when these points were discussed, and Cairnes also was in his prime. Hence the collation of accepted ideas assembled here can be considered as representing adequately the study of

the workings of the economy accepted in the period between the "Political Economy" of J.S. Mill and the shift in thought crystallised in Marshall's own "Principles".

Marshall's decision to change the name of his study from "Political Economy" to "Economics" is first explained. The "body politic", acting as one and taking economic decisions merited the old name of the study, but the data described in the economic writings of Marshall's time, are the data of sectional interest, and indeed even the term "political" has assumed a meaning in terms of sectional interest. Hence for accuracy in describing the overall system, Marshall prefers to use the term "economics", and to leave out the overtones now associated with the word "political". This explanation is followed by another, that of economic laws and their status. Economics is a science, because it collects, arranges and reasons about one particular class of facts. "A law of science states, that a certain result will be produced whenever a certain set of causes are present".<sup>(1)</sup>

"The subject-matter of Economics is wealth", but there must be a distinction between wealth and well being, the latter of which can be called "Personal or non-material wealth". "Labour is Productive when it produces wealth, whether Personal or Material".

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(1) In a footnote at this point Marshall says "There has been a controversy as to whether Economics is a Inductive or a Deductive science. It is both, its Inductions continually suggest new deductions; its Deductions continually suggest new Inductions.

And before we move on from primary definitions, there is just one more point, that "consumption can have no further claim to be productive than that it supports the labour which is productive".

We now move to the agents of production which are considered first in a general round-up, and the more fully one by one. The agents of production are basically "Nature's forces and man's force, man's force being generally most efficient when it is so applied as to control and direct nature's forces, rather than to counteract them". Man's efficiency in production depends upon his physical strength, his knowledge and mental ability and his moral character. On this last Marshall emphasises that mutual confidence of traders, employers and employed, indeed of all engaged in economic activity, is essential for any economic development. "Finally, industry cannot attain full freedom and efficiency unless, as Mill says, it is protected by the Government and from the Government".

From this point we immediately proceed into the analysis of the agents of production, taking first Capital, which "is that part of wealth which is devoted to obtaining further wealth. Capital consists in Wage Capital (the "food, clothes, shelter etc., which support labour") and "Auxiliary capital", which "is that which aids labour. It consists of tools, machines, factories and other buildings that are used for trade purposes, railways, canals, roads, ships etc., also raw materials". Capital is either "circulating" or "fixed capital, but if an unduly large proportion of the capital of the country is put into auxiliary capital either as fixed or as circulating capital, the wage-earners will suffer. The railway mania of the 1840s is cited by Marshall as a case where this

happened but he points out that its long-run effect is to increase the whole capital, and especially the Wage-Capital, of the economy.

There is a general argument to be made that "It is not in the long run good for trade to prevent goods coming freely into the country so as to cause an artificial demand for some home productions". Nor is it good within the country to try and protect some industries by legislation, to the detriment of others. Marshall here cites French legislation to protect domestic as against factory industries. Marshall states categorically that "We shall find that many of the most important practical conclusions of Economics are contained in the statement:- Regulations which prevent men from doing whatever they are best qualified to do cannot benefit the country as a whole, whether they are made by Governments, by Professions or by Trade Unions". Capital, the fixed and the circulating wealth of the country, whether applied as ~~Wages~~—Capital or as "auxiliary" capital, must be allowed to distribute itself as those administering it think best, as regulation tends to have less effect in promising growth than does free development.

From here Marshall moves on to "seek for the law of fertility of land, the law of the increase of population, and the law of the growth of capital. The latter two laws depend on the first, which goes by the name of the Law of Diminishing return". This Law is stated by Marshall in the following terms: "An increase in the amount of capital (or to speak more generally, in the amount of effort) applied in the cultivation of land causes in general a less than proportionate increase in the produce raised". This is to be extended ~~to~~, for example, to the cost of motive-power, which is likely to be subject to diminishing returns for the

period of each successive technique, as technological revolution, once it is established and has set new initial costs, will be subject to diminishing returns. As to population, "we see that the Law of Population is that:- A rise in the average income of any class of people causes either a rise in their standard of comfort, or an increase in the numbers of marriages and births in that class. A rise in the standard of comfort is almost sure to increase the percentage of children who grow up. Therefore a rise in average income almost always increases and a fall almost always diminishes the rate of growth of population".

Here Marshall considers the Poor Law. The terms of his discussion are biased in favour of indoor relief only being given from the rates to all but those found by guardians and a committee of charities to be of sufficiently good character to seek work at the earliest opportunity, and not to use the rates or charity for the avoidance of work. Obviously excluded from these conditions are the old, ill and otherwise incapacitated, who could not reasonably be expected to work.

The provision of jobs and incomes depends largely upon the growth of the economy, and Marshall turns his attention next to the growth of capital. This depends on "the power and will to save". The power to save "depends upon the amount of wealth out of which saving can be made". The wealth of the country is the land, and the capital available from the past, with the extent labour force. The efficiency of labour, and of those who apportion the capital to production in this or that field, will determine the rate of growth of capital, and this efficiency is to be considered under the heading of the organisation of industry. As to the will to save, Marshall says that there are five main conditions which make

for the will to save. These are the intellect, which enables one to see possibilities; the affection for the family which is the reason for the wage-earners in it to save; the hope of rising in the world; the social advantages attached to wealth, and political and economic security in the society where the investment and saving are to be made.

The chief source of investable income was, under the agricultural system and into the merchantile and industrial period, the rent from land, from which saving could be made. When people move into the merchantile sphere, Marshall points out, they have to provide incomes for their old age very often. If a man wants £400 a year, he needs to invest £8,000 at 5% or £10,000 if the rate of interest is 4%. This investment the provision for old age, is one case where lower rates of interest provoke greater saving. Likewise if the rate of interest is very high, merchants will be able to retire onto the fixed income from a given investment earlier, thus withdrawing their potential trade for the country from the market. Thus in some aspects there is advantage in lower rates of interest, from the point of view of capital accumulation, but it is Marshall's opinion that these are less than the incentives to large investors provided by a high rate of interest. The important thing really is to find the rate of interest at which both sets of advantages are in balance.

Turning to the organisation of industry, Marshall sketches the rise of the economy to the period of his writing, and moves on to point to the localisation of industry, his first case being Lancashire cotton. In a localised industry like that, the factory system rose, with a vast rise in auxiliary capital as compared to wage-capital. Just as land has been enclosed in estates, so capital has of necessity become

concentrated in industry. Poor Laws force the workers always into the economy as a labour force, and whilst "large capitals have the best chance of becoming larger" , "small capitals are in great risk of becoming smaller." Labour, capital and entrepreneurial ability are all pretty highly mobile, and tend ~~ending~~ to the equalisation of profits and of wage-rates "in all trades which involve equal risks, discomforts and exertions; and which require equally rare natural abilities and are equally expensive training".

The trained employee, specialising in a small part of a complex production, is wasted where not applying his special skill just as a machine lying idle is wasted. The chief function of the entrepreneur is to make full use of labour and machinery in a profitable way. For the profitable use of machines and skilled men large-scale production is necessary. This provides both economies of State within the factory and stimulates necessary subsidiary industries. With limited liability, huge firms have grown apace - but with them, usually in the service/ trades, have grown up vast numbers of workshops under small masters. Marshall draws from the overall pattern two laws:-

"The Law of the Division of Labour, which may be stated thus:- When the demand for a commodity becomes very large, the process of making it is generally divided among several distinct classes of workers, each with its proper appliances, and each aided by subsidiary industries."

It leads the way to The Law of Increasing return, which is:-



"The division of labour tends to diminish the difficulty of making a commodity, and therefore to increase the return obtained by a given amount of effort.

The total difficulty of producing a commodity of any kind is generally governed by the concurrent action of the Laws of Diminishing and Increasing return".

From one case to the next it is a matter of technological advance or stagnation as to which predominates.

In agriculture, Marshall sees the tendency, with the rise of the steam-tractors and agricultural machinery, to the greater concentration of agriculture, as peasant farms are clearly too small for mechanisation. The import of food from new countries is making the farm a less attractive investment than the factory. Large, legally settled estates militate against both peasant proprietorship and efficiency in large operation. Marshall himself hopes to see land reform, and peasant proprietorship with machinery co-operatively held by groups of farmers. Such is his 1879 treatment of the agricultural question.

He now turns to the analysis of supply and demand. The analysis comes under the heading "Normal Value" for:- "the condition of a thing which would be brought about by the undisturbed action of full competition is called its normal condition." A "market" defined, "for a ware, "is a place where there is such competition among buyers, and also among sellers that the ware cannot have two prices at the same time". Marshall accepts Adam's Smith's definition of value as "value in use" or "value in exchange". In either case a good will be offered for sale or for purchase at a "price", which is a stated number of metal coins of fixed size and weight established by government. Although the value of these coins will change with

the value in exchange of the metal with other goods, it is assumed in this exposition of supply and demand that the value of the currency in terms of other goods will be constant.

The utility (or value-in-use) of any good to a man depends partly upon the quantity of the good he already has. Taking flannel as the example, Marshall postulates a man buying twenty yards at one shilling a yard. The utility of the last yard bought is greater to the man than the expenditure of that final shilling spent elsewhere. "In other words, a shilling just MEASURES the utility of the twentieth yard, the final yard, which he buys. To use Mr. Jevons' happy phrase, the FINAL UTILITY of a yard of flannel to him is measured by one shilling".

From this Marshall adduces the law of demand as follows:-

"The amount of a commodity which finds purchasers in a market in a given time depends on the price at which it is offered for sale; and varies so that the amount demanded is increased by a fall in price and diminished by a rise in price. Its price measures its final utility to each purchaser, that is the value in use to him of that portion of it which it is only just worth his while to buy".

Turning to the Supply side of the model the "Expenses of Production of a thing in a market are the sum of the prices of the efforts and sacrifices which are required for its production there: or in other words the sum of the expenses which would have to be incurred by a person who should purchase them at their market prices". These include, naturally, expenses of management and depreciation on fixed capital. The final Law of Normal Supply Marshall renders as follows:- "Every

producer of a commodity calculates the price at which he will be able to sell it, and the Expenses of producing it. He thus determines whether to increase or diminish his production. If there is free competition, that is if he is not acting in combination with other producers, he increases or diminishes his supply according as the price of the commodity seems likely to be greater or less than its Expenses of Production. Thus he is led by his own interests to act in the same way as he would if his only object were to regulate the amount produced so that it could just be sold off at a price equal to its Expenses of production".

In just ~~ap~~osition to this is the Law of Normal Value, stated as "The normal value of a thing in any market, or, that value which would on the average be brought about by the undisturbed action of free competition among its producers, is equal to its Expenses of Production there. Whenever the value is below this level, forces are brought into play which tend to raise it; whenever it is above this level, forces are brought into play which tend to lower it. The value of a commodity is in equilibrium and has no tendency either to rise or to fall when the amount produced can just be sold at a price equal to its Expenses of production".

Turning to the Rent of Land, Marshall makes another main definition. "The Law of rent then is:-

If a farmer applies as much capital to his land as he profitably can, his rent is what remains after deducting from his total produce the return to his last dose multiplied by the number of doses applied. "According to Ricardo's theory of rent, as interpreted by Marshall Rent is rather determined by the Normal value of produce than a determining factor in the Normal value. Hence the expenses of production can be seen as distributed to wages and to profits, when followed back

through the whole chain of transactions involved when rent has been left aside from the strict considerations of expenses of production. "The whole net annual income of a country consists of all those commodities and conveniences of life which are produced during the year, after making allowance for replacing the auxiliary capital that is consumed or worn out during the year. " This is paid as wages to labour, profits to capital, rent to landlords, and taxes to the State.

Again these returns are the subject of stated laws. The Law of Rent we have seen above, The Law of the Normal Rate of Interest is:-

"When the economic conditions of a country have been nearly uniform for a long period of time, the supply of capital is such, that the rate of interest which can be obtained for it is that which has been required to cause this supply to be forthcoming; and the rate thus determined is the Normal rate. The rate is in equilibrium when it is just that at which the whole supply of capital can find greater employment".

The Law of Normal Wages states that:-

"The amount of the Earnings-and-interest Fund, and the way in which it is divided into the shares of interest and earnings being already known, the wages of each trade depend on the way in which this latter share is sub-divided. The Normal wages of a trade are therefore determined by the relation in which its wages (or more strictly, its Net Advantages), must stand to those of other trades, in order that the supply of labour in it may be kept up, and this depends on the difficulty of the work to be done in it, on the expensiveness of the general and special education, and in the natural qualities, physical, mental and moral,

required in it:

Trades in the same industrial grades generally require an equally difficult and expensive education, and have equal wages. The lower the grade of a skilled occupation, the higher is the rate ~~of~~ which its wages bear to the expenses of preparing for it".

The Law of the Earnings of Management's cast in just the same way:-

"The Normal supply of each kind of business power is that to which the field of employment will just afford the Earnings of Management which are required to call forth this supply; and the rate of the Earnings of management so determined is the Normal rate for this order of business power".

The system so far seen is the predecessor of the perfect competition analysis. It is entirely similar ~~on~~ its major points with the basic analysis of Mill, and the intervening economists up to the date of Marshall's writings. Consistent with his predecessors is the last section of his book, where the foregoing analysis ~~is~~ of "Normal" value is replaced (or perhaps more accurately supplemented by) an analysis of the determinants of market value, which make this different from the "normal" value of what later became "perfect competition".

The first diversion from the "normal" value is that caused by changes in the value of money. The Royal Commission to whose work the next chapter on institutions will turn was concerned, to find a means of showing values which was not dependent upon the fluctuating money prices of goods. Marshall's first point in looking at purchasing power of money is the most obvious - that money based upon the precious metals

fluctuates in value with the supply and availability of the metals themselves. Also in the discussion of the value of money we find Marshall discussing the credit cycle, where he quotes Lord Overstone's description. "First, we find (the economy) in a state of quiescence - next, improvement - growing confidence, - prosperity, - excitement, - over-trading, - convulsion, - pressure, - stagnation, - distress, - ending again in quiescence".

Market fluctuations are considered separately in the next chapter. Fluctuations in the price of goods like corn is due primarily to a failure of farmers to adjust supply to demand year by year (leaving out of consideration, of course, bad or unusually good harvests). Daily fluctuations of corn prices are due principally to dealers miscalculating on demand in their short-run purchasing. Manufacturers are seen at this stage by Marshall as rapidly adjusting to price changes. Houses, slower to build and comparatively long-lasting goods, are subject to great price fluctuations with population shifts. More complex still is the case of a highly-capitalised industry such as coal. Prices will have to rise far to make it worthwhile to sink a new shaft. They will have to fall far for a heavy investment such as a mine to be abandoned. Yet there is great fluctuation in the demand for coal for iron-ore mining. The demand for iron fluctuated in the years 1879-1888 (the "life" of this book), as we shall see when we look at the Great Depression of 1884-6. This fluctuation, the strongest symptom of a new situation, is described here in its manner of rising and falling, but is not seen as a cycle. There are price differences too, from region to region which must be noted, but which are explicable in terms of cost of transport, industrial inertia (not so named by Marshall) and immobility of Labour.

Marshall then turns to his penultimate investigation, that of Monopolies and Combinations. A monopoly price is simply described as a price above the expenses of production. This might be caused by a single firm or a combination of firms. Trades Unions, whose total membership Marshall sets at 1,250,000, exist to act for the higher wages, shorter hours and better conditions for workers, with many Friendly Society activities also undertaken. The effect of Trades Unions on wages must be considered in the terms of Marshall's analysis as dependent upon the fact that wages are labour's share of the wages-and-profits fund. If the rise in wages taken from this fund inhibits its growth in the future, then wages are raised to the ultimate detriment of those pressing for their increase. If, however, it is possible to raise wages generally without stagnating growth of the wages-and-profits fund, then the rise in wages should be made. However, unions seem not to consider this, and a fight to increase wages either by taking a larger share of the wages position of the fund, or by risking stagnation of the economy by taking too much of the fund as wages, then this must be prevented.

For his final chapter Marshall moves on to pin high hopes on co-operation. Here, in common with Fawcett and Cairnes he sees that, if widely established and adequately run, co-operative enterprise is the road to avoidance of the worst problems of industrial discord. And this completes the correlation of economics from Mill to the "Principles" In so far as there ever was a "neo-classical synthesis" of Economic Thought, it is this little book which Marshall wrote with his wife in which it is represented.

As with many such attempts, where a long pattern of thought has been distilled into a lecture course, tested, and published, new problems arose which led to the redundancy of the book. Marshall, four years after a large impression of the book had been issued in 1888, replaced it by an entirely different volume of the same name. His occasional writings over the period of the currency of this book faced the new problems. His new "Principles" of Economics completed the pattern into which his old standard work could not fit. It is to those problems that our attention was addressed in considering the whole span of Marshall's work.

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ALFRED MARSHALL

ANNEXE II

THE RESPONSE TO UNEMPLOYMENT

BEFORE 1908

In 1886, the Local Government Board, in recognition of the changing meaning of unemployment, issued a circular establishing a new principle of provision for the unemployed who were so because of the depression of trade. These were not to be considered in the normal sense as candidates for normal Poor Law Relief. The requirements of the "respectably unemployed" were summarised in three points, they wanted:

- (1) Work not involving the stigma of pauperism
- (2) Work which all could do, regardless of their normal occupation
- (3) Work which did not endanger the jobs of any persons in normal employment.

In addition the work must not be such or so organised as to in any way hinder the return of those engaged upon it to their previous occupation, or to a new job. The precedent for the provision of such work had been firmly established in the provision of public works during the Lancashire "cotton famine" during the American Civil War, to

which works most Lancashire mill towns owe their public parks.

These are the first provisions made for this newly-recognised class of the "respectably unemployed". Despite admission that an unemployable "residuum", as well as these casually unemployed groups existed, economists were unsure about the treatment which should be given to the sections of the community who are unable to keep themselves. The old are a special case, and are thus perhaps most easily considered, as Marshall did, writing on "The Poor Law<sup>a</sup> in Relation to State-Aided Pensions".<sup>(1)</sup>

"The great men who prepared the 1834 Report set themselves to consider, as they were bound to do, not what was the most perfect scheme conceivable, but which of those plans, which was not radically vicious or unjust, was the most workable by the comparatively untrained and uneducated officials on whom they had to depend".

Thus Marshall discusses the foundations of the 1834 Poor Law Report, a document much abused in some quarters as severe beyond reasonable extremes. It was found by those who drew up the Report that where relief under the Old Poor Law was made less pleasant than the worst of jobs, then only those unable to take even these worst jobs could be expected to seek relief. Thus the prosperity of the area was raised, because the rates were less strained by the provision of liberal relief than in places with less discrimination, and also because there was in the people of such areas a tendency to the utter avoidance at all costs of relief, and a contrary tendency in fact to hard work. Hard work raised prosperity, raised wages in its turn, and made the alternatives, work and relief, even further apart, provided the latter was firmly held-down. This was to be the new national system.

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(1) "Economic Journal" Vol. II

"Just as on a battle-field a surgeon may amputate a limb which he would have tried to save if he had had the appliances and the leisure of a well-appointed hospital, so 'in the present condition of the country' the Poor Law reformers chose a cruel remedy, because on the whole its kindness was greater than its cruelty, and nothing kinder was then practicable".

Thus the law still in force as Marshall writes was cast. Into this system grow the old, whom we are considering here. Basically the "old" may be defined as those over 65, although many, through no fault of their own, are infirm beyond capacity to work before this. For these people it is easy to accept an income from a Provident Society in which they have invested, and comparatively easy to accept a living from children they have brought up. It is harder to apply to charities, and accept their munificence. It is hardest of all to submit your whole affairs to the scrutiny of the administrators of the Poor Rates.

There is some case for those over 65 being made separately eligible for a pension without scrutiny of their means, or for a different principle for the administration of relief to these people. Outdoor relief is generally rightly the means to be avoided, where it means the able-bodied living and breeding in their own homes. These should find relief only in the austerity of the workhouse. For the old, something could be done in the way of outdoor relief. Thus the Old Age Pension idea is not a bad one. Marshall offers 16 points for consideration, in the establishment of more effective relief for the old, which it will be profitable to list and examine:-

- (1) Are the principles of 1834 designed for the then prevalent situation, or are they absolute principles? For Marshall they represent a type of system only defensible "as practical exigencies". This being so, "have those exigencies not largely passed away?"
- (2) Providence on a modest scale is discouraged by the existing system, for if a man has an annuity with a provident society for a few shillings a week, which is not sufficient to keep him, he will lose it all to the authorities of the place if he has to go onto relief, and therefore his small provision does him no good, and he might as well have not saved for his old age.
- (3) Sensible outdoor relief to those who can ALMOST live on their savings would encourage providence.
- (4) All who can afford seem to give to charities, so would it not be better instead to have a consolidated contribution through the rates?
- (5) There is a precedent for using charity on a smaller scale in an integrated system, where the precedent of the use of State money in this or that case might be dangerous. Another Speenhemland must be avoided.
- (6) The relief is for the working classes, but they have no & say in its administration. This is an anachronism which
- (7) could become increasingly unhealthy.
- (8) Would not the working classes enthusiastically help in this field, if allowed to, as they do in every other social movement?
- (9) The Poor Law as it is, is too soft on the improvident, and too hard on the provident. Working-class members of the Poor Law administration might better assess cases on their merits than the exclusively middle-class administration of the day.
- (10) The participation of the better members of the working-class in the administration of the Poor Law would be particularly valuable in protecting children, enabling them to grow up better than was presently the case in their homes.

- (11) Charity organisations should be drawn into this consistent pattern.
- (12) This would reduce the internal costs of administering relief and charity, leaving more cash for actual relief works.
- (13) To give a pension at 65-plus from the taxes with no shame, might come queerly after all the shame of applying for relief of the present sort between 60 and 65. This anachronism is one which cannot be allowed to arise, and it will if you give a pension to the old and don't change the rest of Poor Law administration.
- (14) How many people over 65 in 1892 can prove their date of birth? As an administrative point this, which must be settled.
- (15) Most of the people would not be touched by a voluntary pension scheme in the state of the world as it is.
- (16) Rankin has proposed that those who do join a provident scheme of some sort, should be aided by their being able to apply for outdoor relief throughout their lives. This is nonsense to Marshall.

Old-age pensions cannot be done by a voluntary scheme. Nor can you give special facilities to members of voluntary schemes, if they are casually unemployed in their working lives, on the ground that they will not be dependent on the State later. Thus you have to have free national pensions for all, if pensions are decided upon. For the rest of the question as to how you provide for the rest, Marshall goes on to "offer a few more remarks on the subject of State aid to those in need."<sup>(1)</sup>

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(1) "Poor Law Reform" Economic Journal 1892.

"in my previous paper I questioned the JUSTICE of the attempt to abolish out-relief in the present condition of the working classes, for that is the point which interests me most; but the practical politician is bound to consider the PRUDENCE of the attempt".

Rosanquet, writing in the same volume of the "Economic Journal" maintains the "hard" line - people needing relief should all go to the workhouse. There should be no exception; the State's officers cannot know all the facts which would be necessary to operate an out-relief system effectively, helping the genuinely unfortunate and avoiding giving assistance to malingerers. Marshall is not so sure of this: "the efficiency of the public machinery ... has risen in degree with the process of time". The cost of relief has not risen; national income is four times what it was in 1834; expenditure on the poor law was less in 1891 than in 1834. Thus the burden would not be too great, and it would be even less if some of the better type of working men were made Guardians, as he had suggested previously:

"To the foresight, moderation and public spirit of the working classes we must trust for much of the sympathy and the force needed to assist and to discipline the Residuum out of existence".

Thus, although contributing to discussion on pensions for the old, Marshall did nothing for the involuntarily unemployed which promoted the interests of that class. Beveridge produced his study of "Unemployment: a Problem of Industry" in 1908, and it is to that study we must turn to come up to that date in the analysis and definition of this problem.

The provision of "relief works" for the unemployed, by local authorities and others, represented the first attempt to deal with the problem, and Beveridge noted that West Ham had taken recourse to these works every winter from 1902 to the time of writing. The point of such works, however, as will be understood from their origin in the "cotton famine", was not regularly to provide for those unemployed in a seasonal fluctuation of trade, but at the most for those unemployed at the low points on the trade cycle. The fact that there were people who every year needed relief work, rendered a system for special provision in times of extraordinary strain useless for the purpose. As a system for regular provision year by year, it has great flaws. Of its nature the work must be unskilled, or many of the "deserving" would be unable to do it. Men were paid trade union rates, not dependent upon the smallest test of efficiency, and the whole thing operated simply as general relief, with only nominal work required. Often the local authorities found it difficult to find jobs which their own labour or that of their regular contractors could not do. Therefore a few jobs were often farmed out two or three days a week to different men, to provide relief, and in one London Borough in 1904 the mechanical brooms were withdrawn to provide jobs for street-sweepers. Beveridge thus indicates the impropriety and absurdity of these schemes for the relief of unemployment by the provision of public works by local authorities at the ratepayers' expense.

His attention turns next to the special charitable funds which had attempted to deal with crises of unemployment, in confining his attention just to London he listed the following:

EMERGENCY RELIEF FUNDS IN LONDON

1860	£40,000	Estimate of sums raised	Direct temporary relief
1867	£15,000	Mansion House Fund	Direct temporary relief
1885	£78,629	Mansion House Fund	Direct temporary relief
1892-5	£2,500	Mansion House Fund	Temporary test work at Abbey Mills.
1903-4	£4,000	Mansion House Fund	Colony relief works.
1904-5	£51,904	London Unemployed Fund	Mr. Long's Scheme
1905-6	£63,435	London's share of the Queen's Unemployed Fund	Applied to schemes under the Unemployed Workmen.

The first three, with improving administration, represent simple largesse to the unemployed. The scheme of 1892 was specific. The scheme of 1903-4 represented a new departure in that work with accommodation was provided away from London. Wives and families were supported on grants averaging 23/6d a week, varying with the size of family. Visits to the wives and to seek work were limited, originally to once a fortnight and later to once a month. It was hoped by those running the scheme that its disabilities would limit applications, but within the first month so many applications had been received that all were checked to ensure that applicants were men until recently fully employed, and discharged due to depression. Four months after the end of the scheme it was found that of those employed under it, 26% had recovered regular jobs, 36% had had casual or irregular jobs, and the remaining 38% had been unemployed since the end of the relief works. It was now high summer, the time of fullest employment, and the magnitude of the problem no longer remained in doubt.



Following a meeting of Mr. Long, President of the Local Government Board, with the Metropolitan Guardians on 14th October 1904, a scheme was established for the concerted relief of the unemployed in London. Joint Committees were established, composed of representatives of Borough Councils and Boards of Guardians, who were to distinguish first between "those who were respectable men temporarily distressed owing to inability to obtain employment", and "those who should be regarded as ordinary applicants for Poor Law Relief". The concern of the committees was with the former, who were to be relieved "by recommending them to Borough Councils for employment, by affording facilities for the interchange of information between applicants for work and employers, and by recommending them for employment upon special works" undertaken by a central Committee representative of the Joint Committees and the Local Government Board. Up to 31st March 1905, 26,000 men had been relieved in this way, whilst not more than 11,000 other cases had been registered with the Committees, and adjudged to be cases for Poor Law relief.

The Unemployed Workmen Act of 1905 followed up and generalised the semi-official scheme of 1904-5. It provided for the establishment of "distress committees" in urban areas with a population in excess of 50,000, to administer relief on similar principles

"if satisfied that any such applicant is a person honestly desirous of obtaining work but is temporarily unable to do so from unexpected causes over which he has no control and that his case is more capable of suitable treatment under this Act than under the Poor Law".

The forms of assistance under the Act are:

- (1) Aiding emigration
- (2) Aiding removal to another area
- (3) Providing or helping to provide temporary work "in such manner as they think best calculated to put him in a position to obtain regular work, or another means of supporting himself".

Of those responsible for the Act Beveridge says,

"They viewed Trade Depression, in fact, as a chasm through which men might slip to the abyss of chronic pauperism below and they wished to construct across it a bridge of temporary relief".

Tom Mann's evidence to the Royal Commission, backed up by the figures collected by Beveridge and appended to that evidence<sup>(1)</sup> show that unemployment is not an occasional development to which measures of relief of the type treated hitherto can apply. Beveridge in 1908 put the matter as follows,

"Unemployment arises because, while the supply of labour grows steadily, the demand for labour, in growing, varies incessantly in volume, distribution and character."

The "maintenance" of huge stagnant reserves of labour in varying extremities of distress" has been seen by Beveridge as by Marx, the latter with hope, perhaps, but the former certainly with deep misgivings. The solution of the problem as outlined by Beveridge was undertaken in the next couple of years,

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(1) p 125<sup>to</sup> 7.

as will be shown in a later chapter of this study. (2)

The pattern Beveridge proposes is not significantly different from that urged by Tom Mann on the Royal Commission of 1894. The situation it seeks to solve is no different from that recognised by the Commission of 1886 and the Essay by Nicholson of 1878. The delay largely depended on the proof of the problem, which Beveridge supplied, and the evidence which he adduced on the failure of other measure of a palliative nature emphasised the need for a new, and more determined and more fundamental approach. The individual labourer must not lose his freedom, whether it is exercised personally or through a trade union. Nor must the functions of the Labour Exchange in promoting the mobility of labour exceed the limits of advice. There is no departure, then, from the principle on which we entered the period. State provision of what the economy could not of itself provide was recognised in the brief given to the Commission of 1886. Security of livelihood in unemployment could be provided even where stability of employment could not, and could only be provided by the State. Hence we have here a continuous development based upon an unchanged principle. Individualism ends the period as triumphant as it was at its opening. Collective activity in trade unions and the rest is voluntary,

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(2) But Seebohm Bowntree in "The way to Industrial Peace" (T.Fisher Unwin) argued as late as 1914 for the provision of public works (especially land reclamation and afforestation) geared in scale to the numbers of unemployed.

in law and ideal even where not in fact. Free contract by freemen is not impeded by their insurance against a temporary inability to find a contract of employment, and is assisted by the information available at the Labour Exchange. Nothing is changed, fundamentally, but in the form and activity the positive promotion of these ends has replaced the "negative" attitude involved in their surrender to the vicissitudes of an economic system with a built-in tendency to redundancy. Hence in pursuance of a single end the State has first shed off and then taken on more completely the protection of labour, and in what W.S. Gilbert would have called "a most ingenious paradox", had done so without overt departure from a simple principle.

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CHAPTER IV

"DISTRIBUTION"

In the quarter-century before 1914 came the genesis of the Welfare State,<sup>(1)</sup> but this system was not much more the ideal of the Marxist or Utopian socialist than it was the Utopia of Samuel Smiles. The system, was, in very large measure, a triumphant balance of reformism and working-class moderation. As early as 1879 it was widely held that:

"It is not least among the numerous claims of the English workmen as a body to the favourable appreciation of the public that they have never been led astray by those theoretical denunciations of property which culminated at Paris in the commune ..... the debates of our Trades Union Congress should be read in parallel columns with the mad declamations at the Congress of Socialists in Ghent". (2)

That Marshall believed this due to the "anglo-saxon spirit"<sup>(3)</sup> we have already seen, as we have observed Marx's view<sup>(4)</sup> that in England, perhaps, revolution will not be necessary. L.L. Price on the same tack in the eighteen nineties was to write that:

"The genius of the English Character may be more adapted to moderate and gradual social reform based on past experience of fact than to extreme proposals, however logical and complete may seem their theoretical foundations. And if it be urged that this is nothing more than the exposition of a truism, it is at least a truism which seems in danger of neglect at the present time." (5)

This continuing opinion was, if anything, strengthened by the tactics of the Fabians (and thus, in the limited extent to which the Fabians influenced them,

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(1) As this is generally understood to modern historians.

(2) Thomas Brassey, M.P. "Foreign Work and English Wages" Logmans, Green 1879.

(3) See p 119... (4) See p 19....

(5) Price "Economic Theory and Practise" Methuen 1896, p 3.

of working-class politics). In the eighties ~~was~~ politics seemed little concerned with the needs of the unfortunate. Writing his History of the Society in 1918,<sup>(6)</sup> its secretary, Pease, was to say:

"Thirty years ago politics were only intermittently concerned with social problems. On the whole the view prevailed, at any rate amongst the leaders, that government should interfere in such matters as little as possible. Pauperism was still to be stamped out by ruthless deterrence: education had been only recently and reluctantly taken in hand: factory inspection alone was an accepted State function. Lord Beaconsfield was dead, and he had forgotten his zeal for social justice long before he attained power. Gladstone, then in the zenith of his fame, never took any real interest in social questions as we now understand them. Lord Salisbury was an aristocrat and thought as an aristocrat. John Bright viewed industrial life from the standpoint of a Lancashire millowner. William Edward Forster, the creator of national education, a Chartist in his youth, had become the goaler of Parnell and the protagonist of coercion in Ireland. Joseph Chamberlain alone seemed to realise the significance of the social problem, and unhappily political events were soon to deflect his career from what then seemed to be its appointed course".

Into this imaginary or real political vacuum, young men projected their own speculations, and from it they drew on the scientific discoveries and propagandists of the day, to make emphasis of their disparity with the views of the older generation. Darwinianism, as carried over by Spencer and Huxley, offered a complete break with old mens' views of man and his universe.

"cut adrift as we were from the intellectual moorings of our upbringings, recognising, as we did, that the older men were useless as guides in religion, in science, in philosophy because they knew not evolution, we also felt instinctively that we could accept nothing on trust from those who still believed

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(6) "History of the Fabian Society" reprinted Cass 1963.

that the early chapters of Genesis accurately described the origin of the universe, and that we had to discover somewhere for ourselves what were the true principles of the then recently invented science of sociology". (1)

Sociology was not for long seen as the Key, however. Comte was a pre-Darwinian, and his Utopianism was hardly satisfactory to young men who "wanted something fresh, some new method of dealing with the inequalities of wealth". (2)

But the young men who wanted this "something fresh" wanted to obtain it lawfully:

"this tremendous revolution was to be accomplished by a political method, applicable by the majority of voters, and capable of being drafted as an Act of Parliament by any competent lawyer". (3)

As to the origin of the idea that revolution might be "constitutionally" brought about:

"From Henry George I think it may be taken that the early Fabians learned to associate the new gospel with the old political method". (4)

Mill had spoken in favour of Socialism (or of Communism, the words being interchangeable at that date), and thus the paragon of economic theory was

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(1) p 18: See also P.D. Marchant "Social Darwinianism" Australian Jnl. Polit. Hist. III p.46, where Bagehot is seen being impelled by Darwinianism to a view of society not dissimilar to Stuart's.

(2) p 19.

(3) Pease p.20.

(4) p 21.



not hostile, Pease does not think that Owen much influenced the early Fabians - his writings did not impress, his projects had failed, and the spiritualism of his later years cast doubts on the soundness of his ideas in general. CoOperation generally was seen as having only limited application, and profit-sharing schemes were regarded as the sickly children of a misplaced idealism. Marx was not important to the Fabians in their early days either, for the first British Marxism was that of Hyndman's SDF with which they had little to do. Christian Socialism provided recruits for Fabianism, who recognised the woolly nature of its views the more they investigated society, and who thus helped the collapse of specifically-Christian socialism. Thomas Davidson himself was "The occasion rather than the cause of the foundation of the Fabian Society", and Ruskin's medievalism repelled.

"The occasion" was a discussion of Davidson's view of a society which, in a state of high economic development, operated a communistic system. The society itself based its tactics on those of its namesake, Fabius Cunctator, whose attrition of Hannibal's forces lasted a very long time, but assured eventual total victory. The difficulty is, of course, deciding what sort of attrition is best planned and practised, and what is to be the basis for decision on the time to strike. In the period of attrition, steps would continually be taken towards the betterment of the population's standards of life; but the economic problem of infinite numbers of possible improvements, and strictly limited resources, applied as much to Fabians as to anyone else. Tract Number One illustrated the nature of the social problem as the Fabians saw it, and Number two offered the basis of an answer. But all must be done in

accordance with a social strategy which would do most good with least concomitant harm to all dependents of the economy.

Between the first meeting in October 1883 and the end of 1886, the majority of the great first-generation Fabians had come together. In 1885 they saw the Social Democratic Federation run its own candidates in the General Election, and learned two lessons from this. The established parties were obviously afraid of this development, even though its vote was derisively small; and the outcry of honest radicals against the use of "tory gold" in the SDF campaign made it clear that no socialist movement would get far if compromised with the conservatives of the Conservative party.<sup>(1)</sup> In 1886-7 means of political action were discussed as a matter of urgency, and the Fabian Parliamentary League of 1887 sought to encourage socialists to vote for the individual candidate most amenable to socialism. It was not yet considered practicable to run socialist candidates as such for election, and indeed some did not consider this desirable at all. William Morris was at this time urging socialists to educate their fellows and to wage a propaganda war:

"Whereas no parliamentary party can exist without compromise and concession ..... it would be a false step for socialists to take part in the Parliamentary contest." (2)

But the choice of most socialists was in favour of direct parliamentary-political action. And it was felt that among the active working class, too, the idea of socialist Members of Parliament being

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(1) The conservative-minded Liberals were "safer" for this purpose, even though as much opponents of socialism as the Tories.

(2) Quoted Pease p.67.

returned specifically as such was now definitely dominant. Webb thought that:

"Like John Stuart Mill, though less explicitly, (the English Artisan) has abandoned mere political Democracy for an almost complete socialism". (1)

But this acceptance of the working man as a believer in "almost" complete socialism involved an inevitable acceptance of the danger which Morris implied. When the Labour representation committee was formed in 1900, Pease was one of the twelve Executive members; he represented 700 Fabians; each of the Trade Unionists on the Executive represented some 100,000 members. This ~~and~~ was allowed, in Pease's opinion, so as to strengthen the Socialist element in the new party, as it became in 1903. Yet at this time there were still Fabian Liberal M.P.s: after 1906, Labour had 29 members of whom four were Fabians, and three Liberal Members were Fabians. (2)

The new party found its own policy difficult to decide. Externally, Socialists like Blatchford were arguing: (3)

"The laws today are defences of the foolish rich against the ignorant and hungry poor. The laws today, like the laws of the past, make more criminals than they punish".

and were getting a hearing. Within the party, Keir Hardie argued:

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(1) Webb "Socialism in England" p 129.

(2) Pease Chapter 8.

(3) "Britain for the British" Clarion Press 1902 (175 pages - 3d) p 258. In "Merrie England" Clarion & Walter Scott, 1895 Blatchford argued that the "Manchester school" claim to be practical, but only use those parts of the available social data which fit their premises.

"To dogmatise about the form which the Socialist State shall take is to play the fool. That is a matter with which we have nothing whatever to do. It belongs to the future, and is a matter which posterity alone can decide. The most we can do is to make the coming of Socialism possible in the full assurance that it will shape itself aright when it does come ..... As for progress and development under Socialism, these may be safely left to care for themselves" (4)

The methods to be used were those of social democracy: Shaw wrote of the decision to adopt this inevitably slow process: (5)

"Let me, in conclusion, disavow all admiration for this inevitable but sordid, slow, reluctant, cowardly path to justice. I venture to claim your respect for those enthusiasts who still refuse to believe that millions of their fellow creatures must be left to sweat and suffer in hopeless toil and degradation, whilst Parliaments and vestries grudgingly muddle and grope towards paltry instalments of betterment..... Unfortunately ..... an army of light is no more to be gathered from the human product of the nineteenth century civilisation than grapes be gathered from thistles. But .... if we feel anything less than acute disappointment and bitter humiliation at the discovery that there is yet between us and the promised land a wilderness in which many must perish miserably of want and despair; then I submit to you that our institutions have corrupted us to the most dastardly degree of selfishness".

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(4) Hardie "From Serfdom to Socialism" pp 96-7.

(5) McBriar p 19. In his "Social Reform" (published Murray, 1914) Mallock's criticism of the Fabians includes a comparison of labour conditions 1801-1910 which is, of course, entirely favourable to 1910. If this is the result of a century of misery and exploitation, as the Webbs' Histories purport to show, then Mallock does not mind more of it.

This slow process was, however, on every front with due weight moving society forward to a new practical justice. The economists wrote widely on social questions, outside the strict formulae of their economic studies<sup>(1)</sup>; politicians accepted the march of demands and events; the manifest wealth available to be enjoyed by some sections of the community, and the continuing if slower growth of national wealth overall, made welfare for all ever more apparently an attainable goal<sup>(2)</sup>:

"The Political Economist has ceased to resist, counselling merely circumspection and moderation; the Practical Reformer is driven by the impossibility of otherwise adequately dealing with social evils into the same direction . . . . The industrial evolution, as usual, preceeds and accompanies the political, and all social tendencies point to the same end . . . . a progressive socialism, the full extent of which no man can yet see".

By the Conservatives and Liberals alike:<sup>(3)</sup>

"It was increasingly realised that the problem was a political one; many, under existing conditions of economic development, could not support themselves adequately against all the trials of life, and means had to be devised to provide protection".

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- (1) Jevons' "Methods of Social Reform" MacMillian 1883 considers inter alia Amusements of the People; Libraries; Museums; Married Women in Factories; Cruelty to Animals; Railways and the State; Experimental legislation on the Drink Traffic; and post-office savings. J.S. Nicholson produced an analysis of "Strikes and Social Problems" Black 1896, among many similar titles.
- (2) Webb "Socialism in England" pp 132-3.
- (3) M. Bruce "The Coming of the Welfare State" Batsford, 1961.

The Labour movement had accepted this more fully and longer; they came to the practical question in reverse, asking virtually "how much of that which is necessary must be postponed for lack of means?" When the "First Labour Minister" asked this genuinely, however, the curse of the twentieth century fell upon him:

"For the final condemnation of Burns will not really be that he set himself to side-track Labourism into the camp of Liberalism ..... his uncondoned condemnation will be that all the high hopes he professed to cherish when he took office were blasted, because he fell into the hands of the permanent officials, the bureaucrats who proved cleverer and more persistent than himself, and that consequently he developed into the most reactionary President of the Local Government Board in our history, so reactionary, indeed, that he earned the praises of Mr. Walter Long for carrying through policies that that Tory ex-President of the Local Government Board would never have dared to attempt.(4)

William Morris had warned of compromise and its dangers, as had Mill's disciple Morley on a less-directly practical plane.<sup>(1)</sup> Burns' "surrender" to the bureaucracy, however, was unexpected to those who had not observed that point of Disraeli's, that "this is a very hard country to move". These manifestations of this were of two kinds, besides sheer bureaucratic inertia, and both are perceptible in the interview

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(4) Burgess "John Burns" Reformers' Bookstall, Glasgow, 1911 p xvii.

(1) The "Essay on Compromise", a vigorous assault on the dilution of principle in order to push through an immediate point of policy.

which Gladstone gave to a deputation of campaigners for the eight-hour day, in 1892. The point was put to Gladstone that labourers very generally felt that: "they did not participate in all the advantages" which materially accrued to society as a result of their labour. Gladstone's reply is in reported speech: <sup>(2)</sup>

"Mr. GLADSTONE asked if they had ever happened to see the matter put in another shape, namely the fact that the steam power in this country alone was equal to the manual power of the whole human race throughout all the world."

He believed absolutely that this was the result of investment, itself the result of thrift. The reward for thrift needed to be ensured even more than the reward for labour, for its power to feed and clothe men was as great as the mere muscle-power of the world. In the doctrine of Samuel Smiles, Gladstone placed his confidence.

Much later, the conversation came to brass tacks: <sup>(3)</sup>

MR. PEARSON "How far do you think our proposal is practicable, sir?"

MR. GLADSTONE "You musn't ask me. It is a very serious thing for a man in my position to say that I think anything practicable at all. The moment I say that, people will say, 'Then why don't you propose it'."

PEARSON "That is exactly what we do say".

GLADSTONE "Don't you think my hands are full enough?"

PEARSON "But perhaps you might drop something less import?"

GLADSTONE "But it would be a little difficult to say what could be dropped. If you are satisfied that this Eight Hours' Question ought to take precedence of all others, then I say "God speed to you", but you must look to some man who is of less age than I am for your purpose."

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(2) p 48 and (3) p 57 of "A shorter Working Day", by R.A.Hadfield and H.deB. Gibbins, one of the Methuen "Social Questions of today" series, published in 1892.

Here Gladstone finally rests on the plea of old age; he has no argument to advance against the point, and is out of touch with the subtle reformism of his colleagues. One young Liberal, later to achieve distinction in the party, Richard Burton Haldane, had in 1887 written a "Life" of Adam Smith<sup>(1)</sup>, in which he implicitly represented the reformist doctrine as being consonant with Smith's own ideas:

"if he was an advocate of the doctrine of laissez faire, it was not as a deduction from any abstract principle. He saw that the state interference of the time was bad, and he wrote his book with reference to his time".

In a different time, by implication, a different dispensation can properly be implied, without denying Smith a glorious role in social evolution. J.S. Nicholson argued from this same basis, as theorist rather than politician, in an "evening discourse" to the British Association at Oxford on August 13th 1894:<sup>(2)</sup>

"The socialism of the nineteenth century has taken the place of the social contract of the eighteenth, with this difference, that it seeks to foretell the future instead of explaining the past. The socialists suppose that at some indefinite time the people will again meet in a national assembly and tear up the old contract, and frame a new one according to the principles of natural justice. The attempt may be made, as it was a hundred years ago, but that it will succeed is against the teaching of history".

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(1) R.B. Haldane, M.P. "Life of Adam Smith", Walter Scott, 1887, p.152.

(2) J.S. Nicholson "Historical Progress and Ideal Socialism" A.&C. Black 1893, Book IV Chap.I.



The teaching of history would be that in taking Smith, who looked to past and contemporary evidence, as a prophet, social thinkers would make a great mistake. A similar mistake would be made if socialism were seen as a panacea for the "social question", for as Mallock was there to tell the world: (2)

"There are always social questions, but there neither is, nor ever can be, any social question. Every reform is a question of detail - of careful and circumstantial modifications ..... the following general statement is almost universal in its truth - that should a man wish to identify the points in the social system which are unalterable, he will find in them the very points which socialists and similar reformers most desire to alter".

And as Mallock also emphasised, production, distribution and exchange would be impossible in a modern context without "top management", which happens to be capitalist. In writing of "How the Future and Hopes of the Labouring Classes are bound up with the prosperity of the classes who exercise Ability" (3) Mallock invests "ability" with characteristics almost half-divine, equating "ability" more or less with the economist's quality "enterprise", but arguing that its role as the impressario of wealth-creation is uniquely important. (4) Arguments about the distribution of the wealth created by

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(2) Mallock "Classes and Masses" A & C Black, 1896, p 139

(3) Mallock "Labour and Popular Welfare" A & C Black, 1893, Book IV Chap I.

(4) The acceptance by many working class leaders of this principle that self-help must at least be demonstrated is exemplified many times in the nineties, as in a conference on "Land, Co-operation and the unemployed", held at Holborn Town Hall in October, 1894. The proceedings were published by J.A. Hobson, "Co-operative Labour upon the Land", Swan, Sonnenschein, 1895.

human enterprise involve some assessment, in the main, of the contributions made by the various producers involved, masters and men, extractors, manufacturers and vendors.

Here is a problem: clearly it is a nonsense to suggest that extractive and productive labour alone should be rewarded with the full price of their product as wages; but:-

"Although we deny that everything is due to labour, we admit that income received is no proof of income produces". (1)

Incomes are unequal, and it is only by chance that this or that group might approximate in its income to an exact receipt of that value added to a man's product by the individual's labour. But this is only the beginning of the problem, for

"To spend income is not to consume wealth"<sup>(2)</sup>

in that if a man gambles his wages away, he is not materially (or even, many would argue, morally) benefitted by having had the wages at all. Economics, according to William Smart, is not very good on the question of "pure consumption", but this he thinks important: discussion of wages is of money put into mens' pockets, and only when they spend it do they start to consume. The wages fund theory was dead before Marshall wrote his first "Economics of Industry", really, though Cairnes argued for it in 1874:<sup>(3)</sup>

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(1) Wm. Smart "Studies in Economics" MacMillan 1895 pp 255-6.

(2) Smart p 269.

(3) S & B Webb "Industrial Democracy" revised in one volume Longmans, Green, 1902, pp 617-8.

"The economic text-books written since that date<sup>(a)</sup> deal with it, if at all, only as a historical curiosity, and the theory of distribution which has taken its place, far from negating the possibility of raising the condition of the wage earners, does not even afford a presumption against wisely-directed Trade Union action. But the discoveries of the economists have penetrated only slowly into the public mind, and most of the current opposition to Trade Unionism is still implicitly based on the old theory".

(The footnote (a) cites as the "textbooks" Marshall, Nicholson, Gunner, Mavor, Smart and Symes).

Thus, not merely in opening-up the field of Trade Union activity, but also in every respect where incomes are concerned, it is no longer received dogma that the wages-fund is fixed and thus the question as to what is labour's due becomes important. But here the reformist imperative and the Fabian strategy meet. Man wants the comfort of security almost certainly more than the luxury of caviare. He needs thus continuity of employment, a secure old age, and relief of misfortune which does not carry the pauper stigma. Then he wants sufficient (then elaborate) food, clean (then fashionable) clothing, adequate (then tasteful) house and furnishing. Revolution is disruptive of security, and almost certainly also for a shorter or longer period disrupts production - in a sophisticated economy this could be disastrous.

The tendency of Fabian tactics, when the enemy is seen as human misery, is to combine with reformists in arranging stable concessions. Mallock is much more the mentor of Harold Wilson's government's practise, however deep might be the Fabians' theoretical paternity. The masters of the anti-socialist publishing world, Murray, published in 1910 "The People's Progress", by Frank Ireson. Here it was argued that socialism means the enforcement of two monopolies:

First, Parliament would be the "Sole seller of Commodities, thus denying to every man, woman and child in the country the boon of an open market in which to purchase the requisites of life".

Second, Parliament would be the "Sole Buyer of Headwork and Handwork, thus depriving all employees of the boon of an open market in which to sell these services to the best advantage".<sup>(2)</sup>

"In both these monopolies it is proposed that the will of a mere human majority shall attempt to outride and override a law of nature. Anti-Socialists have no doubt as to the disastrous result of such a contest, and their mission is to prevent it from ever taking place".

Anti-socialists as thus defined are fighting a shadow - the monolithic State there drawn is no part of any viable socialist programme ever offered in Britain. Even they can acquiesce in Reformist-Fabian reform, which is what the Welfare State in practise comes to be all about. If a politician, or civil service advisor, is of the right, every faculty reinforces the reformist argument. If he is of the left, Fabian tactics marry him easily to the reformists in energetic partnership.<sup>(3)</sup>

And all the time, formal economics is scientifically adding to the sphere of its competence, and contributing advice to the partners. Marshall's successor, A.C. Pigou, published his "Wealth and Welfare" in 1912. On its title-page it quotes Charles Booth: "Discontent, to be effective, must be shot with the colours of hope", and it is dedicated

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(2) The People's Progress. F. Ireson, Murray 1910, p 143.

(3) A "handbook for speakers and candidates, the "Case against Socialism" was prepared by Capt. Jessel, and prefaced by A.J. Balfour for publication by George Allen & Sons in 1908. On "State Socialism versus Collectivism"

(3) Footnote continued

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tory candidates were to point out:

"The fact that a very limited measure of State management of the means of distribution and production has, in a few instances, under the present system succeeded, in no way justifies the contention that similar success will also attend the Socialist State.

Today high salaries capable of securing the exercise of ability are paid to managers and to superintendants. In the Socialist State the principle of Equality would constitute an insurmountable barrier to the payment of any such salaries . . . . . Socialism, therefore, has first to postulate that ability will give its best services without the stimulus of any real incentive.

That this is NOT the case all past experience goes conclusively to prove."

This, of course, applies to Lords Melchett and Beeching, as it does to the leading managers in Eastern Europe.

to Marshall, whom it consciously follows. Chapter III is an emphasis of the absurdity of the "corn" theory of classical distribution theory; the stuff of subsistence and of welfare is not homogeneous, indeed it is infinitely variable. The technique of index-numbers enables this hurdle to be surmounted, and a sensible way of assessing real wealth and real wages is possible. Economic welfare means fulfilling three main ends:

- (1) Efficiency - the maximisation of the national dividend, then
- (2) equity in its distribution, and thereafter
- (3) a means of assuring that unemployment is as low as possible.

But this general question leads ~~to~~ Pigou to the consideration of its most important aspect, the variability of real earnings, both over the whole economy and for the "representative working man". The welfare of a community is maximised if depression is eased away, and if individuals have stable employment. As to methods, in this pre-Keynsian world, the argument of pages 146-7 runs as follows:

If firms with full order books put out work on contract to less successful firms in allied trades, rather than expanding their own plant, this will assist the other firm, and mean that there is less trouble to the firm when orders fall off - they simply keep the work that remains in their own factories.

This obviously only applies where some sectors are doing well whilst others are not. Normally depression and boom, with variation in intensity, spread over the whole economy at once. This is to be avoided by choosing for a society such industries as least depend on variable factors, such as harvest and world demand.

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(1) A.C. Pigou, "Wealth and Welfare", MacMillan 1912.

This is the systematic part of the study, and it is thin if albeit interesting. The last chapter seeks to summarise where a reduction in the "variability" of a trade will (and where it will not) affect the "variability of the real income of the representative working man"<sup>(1)</sup> and what the State can do about this:

If we pass behind the distorting veil of money, and recollect that resources, which come at any time into the hands of the people in control of industry, are devoted to three purposes - immediate consumption by entrepreneurs and capitalists, storage, and the purchase of labour engaged to produce goods for the future. With this conception clearly before us, we can no longer suppose that the labour-purchase fund available at any time is something rigidly fixed; it can, obviously, be enlarged or contracted by the transference of resources between it and the two funds designed respectively for consumption by entrepreneurs and capitalists, and for storage. Such transference may be effected in times of depression without necessity of any transference being made in the aggregate, if resources are borrowed by philanthropists or by the State in bad times and repaid with interest in good times ..... a part of the resources thus borrowed would be taken from funds, which would normally have been devoted by private persons to investment involving the purchase of labour. Another part, however, would be taken from funds which would normally have been stored, and from funds which would normally have been devoted by private persons to consumption". (2)

Pigou believed that he was rather airing problems than solving them, and devoted the bulk of his attention to the means of avoiding "variation" in employment of men and resources. If it were to be demonstrated that a national corporation would do this better than free enterprise for any industry,

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(1) A.C. Pigou, "Wealth and Welfare", MacMillan 1912.

(2) Pigou pp 477-8.

it should be taken into national hands. This applies to housing as much as to the production of steel, and is patently not concerned with nationalisation for socialistic dogmatic reasons. Pigou as a social scientist conscientiously sets about his work. Emil Davis asserted in 1914:

"The task of the last century has been the production of wealth; that of the present century is the distribution of wealth". (2)

and Pigou represents the development of scientific economics which accorded spontaneously with that demand. (3)

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(2) "The Collectivist State in the Making", Bell, 1914, pxvii.

(3) It is by deliberate choice that the counter-argument of J.A. Hobson is omitted. Hobson's disagreement with accepted economics was complete, both scientifically and on the plane of social comprehension. Hobson obviously merits much work, but as his vigorous propaganda continued into the nineteen-thirties, it is not inappropriate to leave him out of consideration of this aspect of economics in this period. That he did offer a rival (never-to-be-accepted) economics is indicated by J.B. Crozier in his "Wheel of Wealth" Longmans, Green, 1906, "it is my conviction that were all the works of the orthodox economists from Adam Smith to the latest representatives of the academical schools thrown overboard once and for all, and a fresh start made from the works of Mr. Gunton and Mr. Hobson, - as in Astronomy from Copernicus and Kepler, - the world of nations to whom the true solution of the problems of Political Economy, and especially that of Free Trade and Protection, is of the most pressing and vital importance, would be the better for it. For so long as the Universities of the world continue to turn out yearly thousands of young men, - many of whom in after life are to control its Council Chambers, its Parliaments, and its Press, - imbued with the principles either of the old orthodox Economy or the latest academical variations of it, the result must be in my judgement, and as the whole of this volume is a laboured attempt to prove, much the same as if the Technical Institutes and workshops of the world were to turn out a race of believers in the theory and practise of perpetual motion".



ANNEKE: BUDGETS 1860-1914.DEFENCE, EDUCATION AND WELFARE.

The estimated budgetary surplus in the year of the Cobden treaty would be some £1,190,000, and Gladstone proposed that this should be extended by further revisions of the tariff. The duties were abolished on butter, eggs, cheese, nuts and tallow, surrendering a revenue of £1,000,000. This would give further freedom to the economy, and greater growth. Income-tax could then justly be retained, in its proper function as "buffer" for the revenue. In fact, it was proposed that income-tax be raised by 1d., to 10d., but this would give a revenue exactly equal to the paper duty, whose abolition was refused by the Lords. Apart from the paper duty, and nominal tariffs on corn and timber, the duties which remained were frankly for revenue, and had no protective function.

Hence the budget of 1860 marks the completion of Free Trade. The income-tax is retained, but with its justified position maintained on the same basis. The payment for government is based upon taxes on consumption, and supplemented by a tax on incomes. The taxation of trade is entirely withdrawn, to prevent any inhibition of the growth of the economy upon which all progress depends.

A bad harvest was largely responsible for a deficit in the year 1860-61 of £2,000,000, but increased consumption of all items justified Gladstone's scheme of the previous year, and an estimated surplus of £2,000,000 for the next year enabled him to cut the income-tax down to 9d.,

and to remove the paper duty. In 1863 income-tax was reduced to 7d., and the tea duty fell to 1s. In 1864 the income-tax fell another penny, and the sugar duties were revised. In 1865 income-tax fell to its lowest-ever level at 4d., and the tea duty was cut to 6d. In 1866, the year of Palmerston's death and the Government's fall, the timber duty of 1s. a load was removed. Over the years 1861 to 1866 expenditure had been reduced from £72,792,000 to £65,914,000, a triumph for Gladstone's principle of economy.

The objective successfully accomplished by Gladstone in his eight successive Budgets was to provide government with its revenue from taxation levied at the points least likely to inhibit economic growth. The economy had itself been expanding rapidly over the period on a wave of speculation, and in May 1866 the collapse of Overend and Gurney, a city banking house, caused a large-scale financial panic. The effect of this crisis was to stabilise the over-careless investment of funds, but in the short run it called into question the stability of the economy. Disraeli's budget of 1867 provided for an increase of £1 million in expenditure, and at the same time estimated a surplus of £1,250,000 which was to go to the reduction of the debt. The deep thinking which had been the result of the Overend and Gurney failure led to the repayment of the debt becoming a problem of some urgency. In 1867 Mill as M.P. for Westminster had pointed out that national resources were not inexhaustible, and that the basis of British industry was coal. Therefore the debt should certainly be repaid before the exhaustion of Coal Reserves. Jevons had written in similar terms in the "Coal Question" in 1865, and the problem exercised Marshall in the earlier years of the next century. Meanwhile a further charge was unexpectedly to be

met by the government when an expedition<sup>(1)</sup> had to be sent to Abyssinia to release British prisoners whom the King had refused to release after long negotiations. The estimated cost of the expedition was £3,500,000, and to meet this the income-tax was raised by 1d. The actual cost of the expedition in the end was £8,750,000, and so in the next year the income-tax had to be increased by a further penny.

Following the election of 1868, Robert Lowe was sent by Gladstone to the Exchequer, with a determination to enforce economy under the banner-headline of "retrenchment". Army and navy reforms improved service efficiency at reduced costs, but one result of the 1868 Reform Act was to increase the concern of the Members of Parliament for the health and education requirements of the widened electorate, which from then onwards led to expenditure increasing on a larger scale than had previously been anticipated. In Lowe's first budget, that of 1869, the income-tax was reduced by a penny, and the revenue for the year increased by a revision of the dates for the collection of taxes. The revenue that year exceeded income by £3,500,000, but in his 1870 Budget Lowe remained cautious. He reduced the income-tax by another penny, and halved the sugar duty. He consolidated stamp-duties, making them less onerous. The Franco-German war made

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(1) Doubtful of reaction at home to a jingoist action of this sort, troops were first sent from protectionist India, thus committing Britain to the action.

defensive preparations necessary to satisfy popular fears and the Government obtained a vote of credit of £2,000,000. Meanwhile, trade boomed for Britain, who gained all the advantages of her neutrality. Nevertheless, the attitude of the Chancellor remained pessimistic, and in the next year he proposed the increase of revenue to meet an estimated deficit of £2,700,000. He proposed a tax on matches which would raise £500,000,<sup>(1)</sup> and increased death duties. There remained a deficit equal to between 1d. and 2d. increase in the income-tax, and after an unsuccessful attempt to introduce the levying of income-tax as a percentage of income rather than at a rate in the pound, he increased the tax by twopence. The falling-off in trade after the war upon which Lowe had based his calculations did not take place, so the 1872 Budget, again in a boom year, provided for the removal of the twopence from the income-tax, and the halving of duties on coffee and chicory. Increasing returns from remaining tariffs in the continued boom led to a surplus in the year 1872-3 of £5,895,000, enabling Lowe in the next year to reduce the income-tax to 3d., and to again halve the sugar duties. The award to the United States for damage done by the British-built Confederate cruise~~r~~ Alabama was paid for out of the year's income, as was the £800,000 cost of the Ashanti War. Lowe's continued caution was a result of his expectation that following the war the trade of Britain would radically fall off. The failure of that expectation resulted in great odium

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(1) This was Jevons' suggestion.

attaching to the Chancellor, whom Gladstone transferred to the Home Office, himself taking over the Exchequer. In January 1874, Gladstone decided to call a General Election, and issued an address to his constituents which based his election fight on financial policy. The estimated surplus for the year 1873-4 was five million pounds, and he proposed to use it to repeal the income-tax, to remove the taxation on "an article of popular consumption", and to assist with "imperial" taxation in the cost of local government, subject to reform of local government organisation. Disraeli did not take issue with any part of this policy, and fought the election on the wider-appealing policies of welfare and foreign policy, and won.

Disraeli's return to office had two principal elements militating against the ideals for policy upon which Gladstone had stood. The platform of the Conservatives, welfare and a more active foreign policy, was necessarily dear. Also, the falling-off in trade expansion which Lowe had anticipated now began to be felt. The 1874 Budget, presented by Stafford Northcote, retained income-tax at 2d. in the pound, redeemed Gladstone's promise by totally abolishing the duty on sugar, and provided for greater government assistance to local authorities in paying for the county police forces and the care of the insane. In 1875, with the depression well set in, a surplus of only £417,000 was put into a new sinking fund. In 1876 intensified depression made it necessary for Northcote to increase the income-tax by a penny to cover declining returns from the remaining duties, and in 1877 the tax had to be increased by twopence more to meet rising costs of the military establishment as the "Eastern Question" approached a crisis. In that year, too, imports threatened to exceed exports in value and the crisis of trade was noticed in a way never before so

completely recognised. In 1879 costly troubles were encountered in Afghanistan, Egypt and South Africa. In 1880, Northcote's last Budget provided for an expenditure of £82,076,000, with a surplus of £184,000 estimated, which had already been turned to a deficit by the time of Gladstone's return to power in the middle of the year.

Gladstone in this situation introduced supplementary estimates, changing the malt-tax to a beer duty, raising the price of publican's licences and increasing the income-tax by a penny. The surplus on the year as a result of these measure was £933,000, and in the next budget the penny was again removed from the income-tax, and the probate and legacy duties were increased to provide another £500,000. In 1882 a vote of credit for £2,300,000 to meet the Egyptian War had to be met by a threepenny increase in the income-tax, and strained relations with Russia due to the conflict of interests in the Middle East led to a military expenditure in 1884 of £11,000,000 and a deficit in that year of £15,000,000. The budget proposals for 1885 were for an increase of the income-tax from 5d to 8d, a rise in the succession and beer duties and increased duties, too, on spirits. Gladstone was defeated, but the Conservatives before their own subsequent defeat carried a budget with similar provisions. After the 1886 Budget, presented by Harcourt, the Home Rule crisis brought the Liberal Unionists and Conservatives into coalition. Their first Chancellor, Randolph Churchill, resigned when he found himself unable to enforce economy on the government. Goschen replaced him, and for the next six years his budgets were presented in a more buoyant state of trade, uncomplicated by external crises. After 1889 the new Naval Programme made heavy demands, and provisions had to be made for free education in 1891-2, but with the increasing

prosperity of the country the existing tariffs and duties were able to meet the bulk of the rising expenditure.<sup>(1)</sup> A surplus in 1887 was applied to the creation of a local loans fund, and local authorities were given the proceeds of certain taxes, to ease the burden of the rates. Goschen was well aware that the narrow basis on which the revenue was founded had inherent dangers, but whilst the yield from the taxes was adequate, little could be done. In 1892, when the income-tax was reduced from 8d to 6d in the pound, the revenue from alcoholic beverages alone amounted to  $\frac{1}{3}$  of the revenue of £90,000,000.

The Budgetary and financial history of our period so far, however, shows the movement towards this narrow base for taxation, whose justification is the belief that growth of the economy is best promoted if there is no tax upon trade as such. Taxation was narrowly based upon consumption from incomes, and directly upon incomes, the latter tax being variable to the needs of the situation. This policy was followed, as we have seen, by both the parties when in power, and was entirely consistent with current economic principle.

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(1) And indeed, it is worthy of notice that the "Great Depression" seems to have had an entirely insignificant impact on Chancellors and their calculations, as already indicated when we looked at the Royal Commission's view.

(ii)

The year 1894, in which the Royal Commission on Labour made its Report, and during which year Gladstone's fourth administration finally reached the "£100,000,000 Budget", is the year from which a new principle in National Finance and government expenditure can be seen clearly developing. The growth of naval expenditure constituted a growing recognition both of the importance of the empire to trade, and the importance of securing communications over the high seas in the event of a war which could threaten trade. More importantly, from this year State provision in the fields of welfare and education is recognised as a permanent charge upon the nation which is unlikely ever to diminish. State provision necessarily involves increased expenditure. We have already seen that it grew vastly in education in the earliest part of the century, and we will now follow the extension of education, as one of the major charges upon government.

Following the establishment of the County Councils by Act of Parliament in 1888, it became possible for these bodies to establish institutions for technical and secondary education, and a growth of these two types of school was continuous to the turn of the century. A Royal Commission in 1896 recommended the establishment of a single central educational authority, which was effected by the Board of Education Act of 1899. The second main recommendation of the Commission, in favour of Education committees of Local Authorities replacing the School Boards, was effected under the Education Act of 1902. This Act was largely framed by a Civil Servant, Sir R. Morant, along with Arthur Balfour, and established the



basic system of Education for the remainder of the period here under review.

Its main provisions were that:-

Local Education Authorities were to be responsible for the provision of elementary and higher education.

"The L.E.A. shall consider the educational needs of their area and take such steps as seem to them desirable, after consultation with the Board of Education, to supply or aid the supply of education other than elementary, and to promote the general co-ordination of all forms of education".

A new aid grant was payable to local authorities in respect of the "number of scholars in average attendance" in schools maintained by them.

The increased cost of education under the Act, accepted by both major parties as desirable, was a considerable factor in the rising expenditure throughout the last two decades of the period under review. It was not, however, the greatest item in expenditure.

The Budget of 1894, at the extant rate of taxation, would produce a deficit of £4,500,000. A revision of defence expenditure cut this to £2,379,000, and to meet this Harcourt examined the "great staple branches of the revenue". In 1893-4 Goschen's fears of the narrowness of the field from which revenue was drawn appeared to have some foundation, as the yield had been less than was anticipated. Hence Harcourt proposed first a revision of the death duties, which in that year would yield an estimated £1,000,000 and in subsequent years between three and four million pounds. This left a deficit of more than a million pounds which it was proposed to meet again by an increase in the income-tax and a rise in spirit and beer duties. An estimated surplus of £291,000 was

exceeded by nearly £500,000. Thus in the budget for 1895 Harcourt remitted the increase in the duty on spirits, and the other taxes remained the same when Lord Salisbury's government took office in June.

The surplus achieved in 1895-6, a year of improving trade, was £4,210,000, which under the Naval Works Act of 1896 was apportioned to the dockyards and other naval works. Sir Michael Hicks-Beech proposed in his budget of 1896 to halve the rates on agricultural property, making up the loss to the rates out of State grants drawn from the Estate duty. This protection for an industry was a new departure, and meeting severe opposition was carried only for a five-year period, although in continued agricultural depression it had to be renewed. The achieved surplus over the year was £2,473,000, which was, in accordance with the precedent of the previous year applied to the purposes of the Military Works Act. There were no remission of taxation, and the bulk of the Budget statement and debate was taken up with expressions of national pride at the progress of economy and society over the sixty years of the Queen's reign. The surplus for 1897-98 was £3,678,000, of which £2,500,000 was put to the purposes of the Public Buildings Act. The continued high surplusses made tax concession a popular demand, met by the reduction of sixpence a pound in the tobacco duty, and new abatements on income-tax for those with incomes between £400 and £700 per annum. There was over the year a modest surplus, and a deficit estimated at £2,600,000 was expected for 1899. £2,000,000 was to be diverted from repayment of the debt, and £600,000 raised by increased stamp duties and revised wine duties. Then, in October, came the Boer War.

Parliament was summoned for October 12th and

the Chancellor was able to report that since rising trade indicated that there would be a budgetary surplus of £3,000,000, only £7,000,000 more would be required by the government for the war. It was regarded in the light of a punitive expedition, which would be over by the spring. The conquest within a few weeks of the Transvaal would enable the government to demand an indemnity from that rich province which would repay the cost of the war, and therefore all that was required was a loan of £8,000,000. As the income-tax was already eightpence in the pound, and as tariff extension could only (in accepted theory) impede trade, no alteration in taxation was proposed. By February it had become clear that the war was going to have much graver consequences and be a much longer affair than had been supposed, and a further vote of credit of £13,000,000 was required by the government. By that time it was estimated that the deficit on the year 1899-1900, with the anticipated deficit on 1900-1901 (without increased taxation) would amount to some £60,000,000. An early budget was introduced on March 8th. It provided for a distribution of the cost of the war between loans and taxes, income-tax rose to 1/-d in the pound, and duties on spirits, tea and tobacco were increased, adding a total of £12,317,000 to the revenue. The rest of the costs were to be met by a special war loan of £30,000,000 and a renewal of the £8,000,000 loan of the previous year. Hicks-Beech deliberately avoided finding any new basis for taxation, as the situation was one of emergency and not of a normal increase in the demand for governmental income. The cost of the war rose continually, however, and in July £13,000,000 and again in December £11,000,000 had to be borrowed over and above the budgeted loan. It became clear, too that the Transvaal would by the end of the war be so wasted and depressed that indemnity on a massive scale would be impossible.

A December election confirmed the government in power. The Budget of 1901 allowed for expenditure of £187,602,000 and anticipated a yield from taxation of £132,255,000 - leaving a deficit of £55,374,000. The cost of the war did not entirely account for the excess of expenditure over income, and so the Chancellor proposed a new basis for taxation. Free Trade was still inviolable, and so no tariff on manufactured goods from abroad was possible. Hicks-Beech wanted a highly productive tax on "some article of universal consumption which is very cheap". He decided upon a tax of 4s.2d. a ton on sugar, to yield £5,000,000 and added to it an export duty on coal of 1s. a ton, with an estimated yield of just over £2,000,000. The coal interest protested that this would harm all but Welsh steam coal, which had a monopoly of its type, and concessions to their demands lost £800,000 of this estimated income. The old standby, income-tax, was raised by another twopence, and £40,000,000 was to be raised by an issue of Consols. The next year, the last of those carrying a large war expenditure, Hicks-Beech anticipated a revenue of £147,785,000 with a deficit of £45,000,000. Income-tax was again increased, by a penny, and a "new" source of revenue was found in the levy of a registration duty on corn abolished by Lowe in 1869. The tax, to run at 3d per hundredweight on corn and 5d on meal and flour, was severely opposed by Free Trade interests as laying a foundation for imperial preference. The Government, and the Chancellor in particular emphatically denied the suggestion, but the basis for a severe future dispute was laid by this imposition.

The replacement of Salisbury by Balfour led to Ritchie succeeding Hicks-Beech at the Treasury. He estimated that the cost of the war had been £217,000,000 and that of this £92,000,000 had been raised in

Consols, £30,000,000 in the War Loan, £24,000,000 in Exchequer Bonds and £13,000,000 in Treasury Bills. Ritchie estimated that with war taxes and trade continuing at the present level, there would be a surplus of income over expenditure in 1903-4, and in his Budget he provided for tax remissions. Income-tax was lowered from 1/3d to 1ld in the pound, and the corn duty was removed. This last provision provoked a crisis. In August 1902, there had been a conference of Colonial Prime Ministers, at which on August 11th there had been carried a motion suggesting that Britain use the corn duty, as the Free Traders had accused the government of intending to use it, as the first step to establishing a system of imperial preference. Chamberlain, assuming that this was accepted by the government, was astonished on his return from South Africa to find the remission of the duty among the provisions of the Budget. His protest failed to affect the provision, but he did not resign. On May 14th, Balfour told a protectionist deputation that Imperial preference was not yet practicable. The same evening Chamberlain, in a speech to his Birmingham constituents, expressed his belief in colonial preference, with, if necessary retaliatory tariffs against foreign goods. He then went on a series of visits to major manufacturing areas, extending his protectionist arguments. Criticism of this policy increased, and the breadth of his proposals to different audiences led to inconsistencies, which he was defied by his opponents to rationalise. On September 18th Chamberlain resigned. Also, on the same day, the leading Free Trade members of the Cabinet, Ritchie, Lord George Hamilton and Lord Balfour of Burleigh also resigned, followed some time later by the Duke of Devonshire. Balfour attempted to hold the rest of his Cabinet together by leaving the question open to wait upon events, but the

absence of any clear party line was a fruitful cause of dispute, and the weakened party was allowed to diverge widely on the question.

By the spring of 1904, the effects of the post-war relaxation of the economy were being felt in the depression of trade. This was intensified by a slackening of the rate of growth during and since the war, caused largely by the amount added to the debt which would otherwise have been commercially invested. Due to the general depression, Austen Chamberlain, the new Chancellor, had to face in his first budget a deficit of £5,415,000 from the previous year. £2,800,000 was taken from Exchequer balances, and £1,000,000 from the Unclaimed Dividends Account. An estimated deficit of £3,820,000 for 1904-5 was to be met by a penny on the income-tax and a twopenny rise in the tea duty. These yielded a surplus on the year of £1,414,000 which was set to the repayment of temporary advances. Trade was increasing again, and the naval estimates were reduced by £3,500,000 leading to an anticipated £2,972,000 surplus, which was able to allow for removal of the twopence from the tea duty. The rest of the surplus was to be set to debt redemption. This was the last Conservative and Unionist budget in our period. The Liberals were returned to power, and Asquith presented his first budget in 1905. There was a surplus from the previous year of £3,466,000 which was applied for debt redemption. With an estimated surplus of £3,000,000 Asquith abolished the coal export duty, dropped the tea duty from 6d to 5d and left the income tax at 1s. in the pound, establishing a Commission under Sir Charles Dilke to examine the possibility of applying a graduation and differentiation pattern of income-tax collection.

The budget of 1907, following a surplus of £5,399,000 in 1906-7 had an estimated surplus of £3,433,000. In disposing of

the surplus Asquith pointed to three principles: firstly, an effort must be made to reduce the debt, secondly, provision must be made to attack in "the unconquered field of social reform," and thirdly, the money for both must be raised within the Free Trade system. Graduation of income-tax was found possible by the Commission, and was to be affected. A surplus on the year of £1,500,000 was to be retained in a sinking fund, and the surplus in future years was to pay for Old Age Pensions. The pensions were in fact provided for in the next year's budget, delivered by Asquith although he had recently been succeeded as Chancellor by Lloyd George on his becoming Prime Minister. The surplus achieved in the previous year was £4,726,000 and the changes in the income-tax had proved "not only practicable, but smooth and easy in operation". The estimated surplus before concessions for 1908 was £4,901,000 and Old Age Pensions were to be paid from January 1st 1909. They were to be a non-contributory grant from the Exchequer, costing in that year an estimated £1,200,000 and thereafter about £6,000,000 each year. Other concessions were a reduction of the sugar duty from 4/2d to 1/10d per cwt, with an estimated loss to the revenue of £3,400,000. There was a planned surplus of £241,000 but falling trade led to a deficit of more than a million pounds.

The provision of the old-age pensions out of revenue by the State followed the pattern for all other State provision, on education and in other fields. In the assistance to local authorities for sanitary and welfare projects, State provision was a recognised principle. There was one issue upon which much time and trouble was spent, and which was proved in 1908 to be unsusceptible to treatment by simple donation from the funds at the disposal of State and local authorities, and that was

the problem of unemployment.

Our study of the Poor Law showed us that the "principles of 1834" were in large measure re-established in the earlier years of the twentieth century, and the Royal Commission of 1905-9 was instructed to examine:

- "(1) the working of the laws relating to the relief of poor persons in the United Kingdom.
- (ii) the various means which have been adopted outside of the poor laws for meeting distress arising from want of employment, particularly during periods of severe industrial depression.

and we have seen the material which was available to them, as assessed by Beveridge. The Majority and the Minority had no diversity of opinion as to the nature of the problem with which they were dealing, and the following classification of the unemployed, from the Minority Report, is consistent with the judgement of the Majority:

- (1) Men from permanent jobs discharged as a result of innovation, the failure of the firms in which they have been employed, or industrial depression.
- (2) Men whose employment is seasonal, as in the building trades.
- (3) The under-employed, typified by casual dock labour.
- (4) The unemployable.

The "simple method which eighty years ago, was sufficient to cope with able-bodied pauperism in agricultural districts" and which the Poor Law represented, was not in the opinion of Majority or



Minority of the Royal Commission acceptable for the relief of unemployment in 1909. The provision of relief works for the unemployed, by the donation of sums and creation of jobs, was as we have already seen similarly unacceptable. The Report of the Majority includes a list of recommendations whose general sense is identical with the recommendations of the Minority, and the Majority exposition which we will follow was paralleled in the other Report. They proposed the following provisions as means of solving the great problem of unemployment:-

### 1. LABOUR EXCHANGES

The Creation of a nation-wide system of these offices takes first place in both reports, and the rest of their recommendations are dependant upon the administrative efficiency of these offices. The Majority emphasised that the Exchanges would assist the mobility of labour, and present an entirely accurate account of the state of employment week by week. The Minority saw the "highest utility" of the Exchanges in de-casualising many jobs. For the Majority de-casualisation was ~~an~~ best effected by officers of the Board of Trade in conference with employers and representatives of employees, and the Minority wanted strong powers for the individual employment Exchange in enforcing de-casualisation.

### II. THE EDUCATION AND TRAINING OF THE YOUNG FOR INDUSTRIAL LIFE

The Majority recommended that:

"in order to discourage boys from entering occupations which no prospect of permanent employment, there should be established, in connection with the Labour Exchange, a special

organisation for giving boys, parents, teachers and school managers, information and advice as to suitable occupations for children leaving school".

The leaving age was proposed by the majority at 15, with exemption for boys learning a trade, but also with a right for schools to recall boys until they were 16 if they entered a job with only slight prospects. The Minority wanted a prohibition of all employment under 15, with compulsory half-time work and education up to the age of 18.

### III. THE REGULARISATION OF EMPLOYMENT

Local authorities should distinguish between regular works, and irregular works undertaken in times of bad trade.

### IV. UNEMPLOYMENT INSURANCE

Although the Minority were rather in favour of State Insurance than of a scheme of voluntary insurance through Trade Unions, they conceded the merits of the Majority Scheme for a national compulsory provision of unemployment insurance. The Majority proposed that an inter-Departmental Committee should investigate the possibilities of schemes, take advice from the existing friendly societies and others operating unemployment insurance schemes, and then present a national plan.

Such were the basic recommendations of the Royal Commission on the Poor Laws in respect to unemployment. The Reports were

signed in February, <sup>(1)</sup> 1909, and by the end of the year the Board of Trade (President, Winston Churchill) had promoted the Labour Exchange Act of 1909. Sir H.L. Smith, Secretary of the Board of Trade, described in his 1910 Presidential Address to Section F of the British Association the basis on which the inter-Departmental Committee which he was leading was preparing the scheme for national insurance against the eventuality of unemployment.

- (1) "The scheme must be compulsory; otherwise, the bad personal risks against which we must always be on our guard would be certain to predominate.
- (2) The scheme must be contributory, for only by exacting rigorously as a necessary qualification for benefit that a sufficient number of weeks' contributions shall have been paid by each recipient can we possibly hope to put limits on the exceptionally bad risks.
- (3) With the same object in view there must be a maximum limit to the amount of benefit which can be drawn, both absolutely and in relation to the amount of contributions paid; or, in other words, we must in some way or other secure that the number of weeks for which a workman contributes should bear some relation to his claim upon the fund. Armed with this double weapon of a maximum limit to benefit and of a minimum contribution, the operation of the scheme itself will automatically exclude the loafer,
- (4) The scheme must avoid encouraging unemployment, and for this purpose it is essential that the rate of unemployment benefit payable shall be relatively low. It would be fatal to any scheme to offer compensation for unemployment at a rate approximating to that of ordinary wages.
- (5) For the same reason, it is essential to enlist the interest of all those engaged in the insured trades, whether as employers or as workmen, in reducing unemployment by associating them with the scheme both as regards contribution and management.

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(1) The Webbs' propaganda of the Minority view tends at times to obscure the Majority opinion, which it implicitly regards as unenlightened and irrelevant.

- (6) As it appears on examination that some trades are more susceptible to be dealt with by insurance than others, either because the unemployment in these trades contains a large insurable element, or because it takes the form of total discharge rather than short time, or for other reasons it follows that, for the scheme to have the best chance of success, it should be based on the trade group, and should at the outset be partial in operation.
- (7) The group of trades to which the scheme is applied must however be a large one, and must extend throughout the United Kingdom, as it is essential that industrial mobility as between occupations and districts should not be unduly checked.
- (8) A state subvention and guarantee will be necessary, in addition to contributions from the trades affected, in order to give the necessary stability and security, and also in order to justify the amount of state control that will be necessary.
- (9) The scheme must aim at encouraging the regular employer and workman, and discriminating against casual elements. Otherwise it will be subject to the criticism of placing an undue burden on the regular for the benefit of the irregular members of the trade.
- (10) The scheme must not act as a discouragement to voluntary provision for unemployment, and for that purpose some well-devised plan of co-operation is essential between the State organisation and the voluntary associations providing unemployment <sup>benefits</sup> for their members".

The establishment of the Labour Exchanges in 1909, the establishment of a Committee to cogitate on the lines just described and draw up a scheme of unemployment insurance; the payment in the previous year of Old Age Pensions; the rising costs of education - all these represented a new departure in government provision. The Poor Law provision for those contracting into it, (and out of society in consequence), was regulated by the State, but paid for by a poor-rate. Aid to schools and local authorities from the State has been seen developing over our period, as the necessity for provision on a wider scale for the recognised needs of the population were acknowledged. There is no new principle even in Smith's speech, as the "loafer" is still to be excluded, the scheme encourages self-

help, and makes provision for those genuinely desirous of work but unable in the industrial economy to obtain it. State provision was the new practise, but the principle that this must not limit the responsibility of the individual was as strong as ever.

Within this context of general principle, however, the new practice of the government in making direct provision on a massive scale, not administered by school board, local authority, guardians or charitable trustees, is of the greatest importance. The budget we have seen rising progressively with greater provision in grants-in-aid to local authorities, guardians and others for welfare projects. The only directly expended portions of the budget have been on the maintainance of the administrative machine, and the forces. The income-tax, most notably, and the duties on consumption goods, have risen and fallen with the demands of foreign policy and military adventure. The slow steady rise of provision for the above-mentioned welfare projects has been associated with a growth in consumption of the standard taxed items, and by some upward revision of inheritance duties. Now in 1909, suddenly not only has £6,000,000 to be found for Old Age Pensions, but also the national system of Labour Exchanges has to be paid for, and insurance against unemployment is government policy awaiting early implementation. The provision is still for the genuinely impotent, education, and the "worthy" unemployed, but is now made at a new level, that of direct State-administered State provision, without intervening local trustees and voluntary service.

Thus in presenting his budget of 1909 Lloyd George declared that it is a War Budget, a budget providing finance for "implacable

war against poverty". This is no expedition to last just six months of the year, and to be paid for by an indemnity screwed from the enemy.<sup>(1)</sup> This war against poverty necessarily predicated State provision for home affairs at an unparalleled level, over a long period.

The provisions of the Budget therefore went beyond the needs of the coming year 1909-10. The existing revenue would in the year yield £148,390,000 leaving a deficit, against the planned expenditure, of £15,762,000, to be met by reduction of the fixed charge of the debt (by three millions), and changes in the taxes. The income-tax was described no longer in terms of a means to relief in other fields but as "the anchor of our financial system". The standard rate was raised to 1/2d in the pound, but stayed at 9d for earned incomes under £3,000 and a new super-tax at 6d in the pound on incomes over £5,000 was imposed, based on personal declaration and expected to yield £2,300,000. The death duties were increased, with an expected yield of £2,800,000, the stamp duties were increased to produce £650,000 and the duties on alcoholic drink and tobacco were adjusted to add £3,500,000. The main contest ranged round land taxes, however, which were intended to tax at a rate of 20% the "unearned increment" in the value of land when it changed hands, or at the death of its owner.

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(1) This re-emphasis that the "war" on poverty is not a campaign for the poor against the rich carries Reformism into the "head cornerstone" of the Welfare State.

The Lords rejected this provision, which was a part of the budget,<sup>(1)</sup> and a general election confirmed the government in power, though with a reduced majority. The budget received the Royal Assent on the anniversary of the date of its presentation. The 1910 Budget, carried eventually in tandem with that of 1909, estimated a surplus of £309,000 after removal of the "pauper qualification" which had until then excluded some of the aged from drawing Old Age Pensions. The rising cost of employment exchanges and education were mentioned by the Chancellor, who gave no concessions in taxation. In 1911 it was reported that over 1909-11 there was an achieved surplus of £5,607,000 of which a sum of £1,500,000 was spent on the building of sanatoria and a quarter of a million pounds spent in the development of Uganda. There were no major changes in the 1911 budget, in May of which year Lloyd George introduced his National Insurance Bill.

Based on the principles we have seen expounded by Smith, the provisions were for a standard fivepenny stamp being affixed each week by employers into the "unemployment books" of all their staff. The contribution of the employee was half of the price of the stamp, which was to be deducted from wages by the employer. For more casual employment a two-penny stamp was to be affixed for each single day, a fourpenny stamp for two days, and the weekly rate for three or more days. The State was to contribute one-third of the sum contributed by industry. Benefits were to be 7/- a week

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(1) Though the rejection was based on the assertion that the registration of Land Values was a new measure of State control, and not in the strict sense a financial provision, and thus not covered by the Lords' conventional non-interference with Finance Bills.

for up to 15 weeks, with no benefit in the first week of unemployment, and a proviso that no more than one week's benefit would be obtained for every five weeks' contributions. The other half of the Insurance Act was for the provision of Health Insurance, to which we will turn later. On the operation of the scheme, the First Annual Report upon it by the Director of Labour Exchanges drew the following conclusions:

"First, compulsory State insurance against unemployment in scheduled trades appears to be administratively practicable. No insoluble difficulties have presented themselves as regards the definition and test of unemployment. Some sort of demarcation of the insured trades has been effected.

"Second, compulsory State insurance can be introduced without destroying voluntary insurance. The amount of voluntary insurance has, indeed, been enlarged rather than reduced by the compulsory scheme.

"On the larger question of how far the benefits of this scheme will go towards preventing distress from unemployment, in bad times as in good, judgement must for the present be suspended. The next depression of trade will show".

The first 61 Labour Exchanges were opened on 1st February, 1910, and by 1913 the insurance scheme was operating through 414 offices.

The origins of health insurance, even without investigation of freemasonry, take us back into the origin of such bodies as the Order of Oddfellows, the Free Foresters and the Druids. The development of these and other friendly societies was continuous throughout our period, but there was no general provision for sickness and the costs involved in medical care. By the Act of 1911, health insurance was made compulsory on all those with an income of less than ~~£~~160 a year. Sir Robert Morant, who had been responsible



for drafting the Education Act, was responsible for the provisions of the scheme, as first Chairman of the Insurance Commissioners. Dr. J. Smith Whittaker, for the past nine years Medical Secretary of the British Medical Association, became Vice-Chairman. Under the Commission, local committees in Counties and County Boroughs organised the "panel" system, and the provision of medical benefit through local practitioners. The committees were also responsible for the payment of sickness, disablement and maternity benefits to those who contributed through the Post Office rather than through an approved society. The approved societies co-operating under the Act included trade unions, friendly societies and industrial and co-operative societies.

The operation of the scheme, involving some 15,000,000 people, was delayed by the insistence of the British Medical Association on a fee of 8/6d without drugs and appliances. The government scheme provided for 7/-d and the societies then paying practitioners only gave between 4/-d and 4/6d. By January 1913 more than 10,000 doctors were prepared to operate the scheme at the government rates, and the B.M.A. climed down. The majority of hospital beds remained under the Poor Law for another twenty years, but the "out-relief" formerly awarded was replaced by a system of self-help, enforced and assisted by the State, which also contributed one penny for every insured person for medical research.

The provisions of both schemes emphasised a twofold principle. First and most important, self-help remained a first principle. Secondly, the State was prepared by the nature of modern society to recognise that the individual is subject to both unemployment and sickness, against the risk which he might not be able with the best will in the world to provide.

The compulsory provision he was forced to make, coupled with State assistance, enabled the creation of a new conception of human welfare. Against the accidents of life, the worthy were to be secured. If that security was less than that of the healthy man in a job, it was still believed, there would remain the impetus to care for oneself, and the impetus also to economic activity. This is a sophisticated re-statement of the principle of "less-eligibility", from which principle no complete departure has yet been attempted.

A surplus of £6,545,000 was achieved in 1911, and put to debt redemption, the naval programme and further schemes in Uganda. No changes were made in taxation in 1912 or 1913, in which year £1,000,000 of the surplus from 1911 was used to "balance the budget", producing a surplus of £185,000. The estimates for 1914 were for an expenditure of £210,455,000 whilst revenue without increased taxation would yield only £200,655,000. The deficit of £9,800,000 was to be <sup>met</sup> by stiffening of the income-tax and of death duties. Thus the annual expenditure, over the years 1894 to 1914, had doubled. Military expenditure was vast, due to the armaments race with Germany, but now significant was the proportion of the national revenue being directly expended upon the welfare schemes administered both through local authorities and directly by the State.

Two consistent threads remained unbroken in 1914, however. The first of these was that taxation must not hit funds which might be invested, such funds, in Gladstone's phrase, being allowed to "fructify" in the economic process, as growth was the recognised means to all progress. Secondly, the provision for the citizen, except for the old and the sick, must depend upon his responsibility as a working (or willing to work)

"economic man". Although the mode of provision was changed with the times, the remarkable consistency in its declared principles is unbroken in 1914.

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V

CONCLUSION

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The "century of the distribution of wealth" became in the very year that Emil Davis wrote, the century of the dissipation of wealth in war. With the war of 1914 was ended for good the dogma of Free Trade, and in 1926 Keynes gave his explanation of why this was. The achievement of the classical period he admires greatly, as an achievement. (1)

"The early nineteenth century performed a miraculous union. It harmonised the conservative individualism of Locke, Hume, Johnson and Burke with the Socialism and democratic egalitarianism of Rousseau, Paley, Bentham and Godwin".

This, in very general terms, and subject to qualifications not here important (2) is true, Keynes however went on to say: (3)

"The language of the economists lent itself to the laissez-faire interpretation. But the popularity of the doctrine must be laid at the door of the political philosophers of the day, whom it happened to suit, rather than of the political economist".

and the rest of his short study demonstrates that this position would no longer be reasonably supported by Economics.

That this was true, for the years after the Napoleonic war, there can be no doubt. However, and this qualification is important, Keynes's impression, that the popular dogmas of Free Trade were not supported so rigorously by Political Economists as by political writers of some undefined other sort, is not what the evidence of the "Classical"

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(1) J.M. Keynes "The End of Laissez-Faire" L & V Woolf, 1926, p 10.

(2) The qualifications result from the detailed examination of the current of ideas referred to here, in the separate Ph D dissertation on that period prepared by the present writer. (3) Keynes p 18.

period would suggest. Certainly Cobden, Bright and their ilk carried the dogma of Free Trade into the realms of what looks, retrospectively, not unlike pantomime; they treated protectionism melodramatically. But the firm basis, on which their case was built, was the belief of political economists in their own rules, and in the necessity that the masses be brought to understand them, and in understanding to come to acquiescence in circumstances about which nothing could safely be done. The task of the generation of economists here reviewed, especially exemplified by Fawcett and Marshall who were the dominant figures, was to modify the understanding of the economy in which people were to be educated, and then to assure so far as was possible that this knowledge was disseminated.

The task was carried on into this century by Marshall, and by A.C. Pigou. The latter's small popular book on "Unemployment" represents both a summary of the position to which economists' understanding had advanced, and an example of the educating efforts of economists. The nature of the problem is well known already, by 1913, but the statement contains novelties<sup>(1)</sup>:

"There is no fixed work-fund open to the working people of any country. By damming up a source of supply of some commodity, we may increase the employment available for the workers in a particular occupation, but we cannot directly increase the employment available for workers as a whole. That result may, indeed, be brought about indirectly, but only on condition that our action has led to the development of a more fruitful source of production - only, in short, if it has not restricted the ~~output~~ of established workers but has, on the contrary augmented it."

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(1) A.C. Pigou "Unemployment", based on "Wealth and Welfare" and "The Principles and Methods of Industrial Peace"; Williams and Northgate (Home University Library) 1914. p 49 My emphasis except "not".

There being no guaranteed fund of jobs, it is observed that by protecting, say, Lancashire Cotton from the imports of Hong Kong, the government might well indirectly help other trades - provided the cotton industry were, in its own operations, efficient.

In the longer term, and for the purposes of analysis, assuming a stationary state of the economy: <sup>(2)</sup>

"If, in any community, wealth - and, therefore the demand for labour - were to increase, while the accepted humanitarian minimum of wages remained the same, unemployment would necessarily diminish; and if the humanitarian minimum rose while the community's wealth remained the same, unemployment would necessarily increase".

This is purely Malthusian. <sup>(3)</sup> There remains the problem of why this trouble of unemployment seems to come in cycles: <sup>(4)</sup>

"The answer is as follows: the quantity of resources that a community is prepared at any time to devote to the purchase (at a given wage) of labour, to be set to work on the production of future goods, is roughly equivalent to the quantity that it is prepared to devote to investment. This depends upon two things, the available real income of the community and the choice that those who have control of it make between investment and other uses - uses of which, from the

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(2) p 66.

(3) Malthus' aim being taken as persuading men so to limit their numbers as to achieve the humanitarian standard of living the chose, by setting their supply to obtain that price by market mechanics.

(4) pp 113-4 Myomphasis.

present point of view, the most important is the simple storage of commodities in warehouses and shops, where they await future consumption. Generally speaking, any expansion in a country's real income is likely to lead to an increase in the aggregate wage-fund; and so also is any tendency towards optimism in the conception which business men entertain of the prospects of investment".

The reverse tendency will obviously obtain if there is doubt about the fruits of investment, or a contraction of real income.

Cycles occur, and bad times come as the cycle takes a downward sweep: <sup>(1)</sup>

"Of a million pounds borrowed by governmental authorities in bad times - either directly, or through private firms stimulated to such borrowing by bounties - and expended in the employment of labour, not all represents a net addition to the demand for labour. A part of the million pounds, however - and there is reason to believe, a not inconsiderable part - does represent a net addition; and this is all that is required to overthrow arguments of the kind employed by the Transvaal Indigency Commission".

But care must be taken: <sup>(2)</sup>

"convincing testimony was given on behalf of the Firewood Trade Association that the adoption of wood-chopping as the task at the Labour Homes of the Church Army, as well as in many workhouses, had definitely resulted in ruining independent wood-chopping firms, in throwing many men out of employment and in reducing some to actual pauperism".

Despite such difficulties and dangers, however: <sup>(3)</sup>

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(1) p 174; the Commission had, of course, denied the efficacy of investment in employment of the unemployed.

(2) p 177. Evidence to the Poor Law Commissioners of 1907-9. (3) p 182.



"Public authorities, like private persons, but in a much higher degree, have it in their power to lessen unemployment by making a slight sacrifice of convenience or of money interest, in order to render their demands steadier than they tend, in the ordinary course, to be."

Especially, they can ensure that any jobs requiring casual labour are done, if they can be "held" until such times, in times of high unemployment.<sup>(4)</sup> Industrial retraining is much to be commended; deterrent conditions, however, must face the idler if all other "assistance" to force him to find employment is unsuccessful.

Such a statement assumes much State activity, and it further assumes that the State is continually aware of the level of unemployment, and that central and local government alike take occasion to assist in ending unemployment so far as they are able. The extent to which they are able depends on their ability to do so - by raising money and by knowing what to do, and this in turn largely depends on their willingness to do so, which is a question of morals and politics as of Economics. The Economics is the bridge between the two, perhaps, but it must rest on them; no mechanism is usefully postulated if no one will build or run it.

Joan Robinson, writing on Economic Philosophy,<sup>(5)</sup> suggests that neo-classical Economics was concerned with the metaphysical

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(4) pp 180-181. Pigou discusses deterrence of idlers pp 237 ff.

(5) Joan Robinson "Economic Philosophy" Watts, 1962.

discussion of "utility", as much as it was concerned with ethical points on the subsistence of man, and that both were subordinate to economic analysis. Probably viewed from the point of view of the evolution of Economics, the utility concept is the important philosophical legacy of the marginalists, however weak it might appear when demonstrated as a circular argument. The much stronger thread of feeling which this study has sought to demonstrate, also occurs in the age of "neo-classicism". Fawcett was proud of his efforts as Postmaster-General to interest the masses in their own salvation; Marshall was sentimental to his Co-operative Congress; almost all their colleagues, too, accepted the necessity of their popular educators' role. The substance of their education was a Political Economy, evolving into an Economics, which taught that the State not merely could respond to the demands of the electorate that social evils be attacked, but that it should do so. Lloyd George's "implacable war" on poverty, provided it was carefully balanced with the necessity of assuring the national income and investment, had the full support of economists only half a century after John Mill had last asserted the paramountcy of the Free Trade principle, and less than half a century after the completion of Free Trade in the "Cobden Treaty" of 1860 with France.

There were, of course, difficulties and reservations. The pressure of socialism was regretted by many, and resented by some, but the need to remind owners of property and its would-be expropriators of their social obligations was not only felt by men like Bishop Gore. <sup>(1)</sup> Many works of reformist doctrine have been omitted here -

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(1) Lectures on "Property, its Duties and Rights" MacMillan, 1913: Bishop Gore, Hobhouse, A.D. Lindsay, Vernon Bartlett & A.J. Carlyle.

it is sufficient to record that this pattern of vigorous propaganda at least balanced that of the much less well-off labour movements. Fundamental doubts about the principle of Free Trade had been voiced by many thousands besides Joe Chamberlain, before the war came<sup>(2)</sup>: Jevons' old worry about the national debt and the impossibility of paying it once coal ran out remained a current question to the end.<sup>(3)</sup> The strand we have been studying here, too, was in flux throughout the period under review, as it has always been. Marshall, asked about the role of government in the economy, asked<sup>(4)</sup>:

"Do you mean government all wise, all just, all powerful, or government as it now is?"

And this is about the root of it. Both the Economics which analyses the society, and the government which is effecting social changes, are imperfect instruments. In the period under review, both were (in general) "day by day and in every way getting better and better".

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- (2) Marshall told the Unionist Free Trade League (Letter in Memorials) "About thirty years ago I became convinced that a protective system, if it could be worked honestly as well as wisely, might on the whole benefit countries in a certain stage of industrial development, and that set me on the enquiry whether a Free-trade policy was wholly right for England. I have pursued that inquiry ever since, and have gradually settled down to the conclusion that the changes of the last two generations have much increased the harm which would be done to England by even a moderate protective policy, and that free trade is of more vital necessity to England now than when it was first adopted".
- (3) Marshall wrote to the Times newspaper on the "Coal Question" in 1901, when a tax on the export of coal had been proposed as a war measure. As a limitation on Free Trade it had been criticised, to which Marshall said Free Trade is not "based on absolutely a priori reasoning." On the contrary, it is based on the study of details". On this particular detail "My doubts have never been resolved; but I admire the courage of the Chancellor".
- (4) Recollection of Benians in "Memorials".

## B I B L I O G R A P H Y

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This is, of its nature, a study of textbooks. Papers from journals have the name of the Journal below the title; all other entries are books. Roman numerals refer to the Chapter in which a book is named. Footnotes throughout give publication details, which are not repeated here. Textbooks which are not themselves materials of study are marked with an asterisk.

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ARMYTAGE	*	A.J. Mundella, V
ARNOLD		Lectures in Modern History I
ASHLEY	*	The Economic Organisation of England
BAGEHOT		The Postulates of English Political Economy Lombard Street
BEER	*	A History of British Socialism
BELL	*	History of Economic Thought, II
BEVERIDGE		"Unemployment", III
BLATCHFORD		Britain for the British, IV Merrie England", D
BLAUG	*	Economic Theory in Retrospect
BOOTH		In Darkest England
BOSANQUET		The strength of the People, III
BOUCKE	*	The Development of Economics
BOWNASS		Japanology into Japanese Studies (Inaugural Lecture) III
BRASSEY		Foreign Work and English Wages, IV
BRINTON	*	English Political Thought in the Nineteenth Century.
BROWN	*	The Board of Trade and the Free Trade Movement 1830-1842, II
BRUCE	*	The Coming of the Welfare State, IV
BRYCE	*	Studies in Contemporary Biography
BURGESS		John Burns, IV
CAIRNES		The Slave Power, II Character and Logical Method of Political Economy, II Principles of Political Economy, II Essays in Political Economy

- CANNAN \* Review of Economic Theory
- CARLYLE Past and Present, I
- CHAMBERS \* The Workshop of the World, I
- CLAPHAM \* Economic History of Modern Britain
- CLEMENTS British Trade Unions and Popular Political Economy, 1850-1875, II (E.H.R. XIV)
- CROZIER The Wheel of Wealth, IV
- CUNNINGHAM The Rise and Decline of the Free Trade Movement  
The Gospel of Work
- DANSON The Wealth of Households, II
- DAVIS The Collectivist State in the Making IV
- DOBB \* Political Economy and Capitalism  
\* Studies in the Development of Capitalism  
\* Capitalist Enterprise and Social Progress
- FARRER The State in Relation to Trade, II
- FAWCETT, H Manuel of Political Economy, II  
Lectures etc., on Social Questions, II
- FAWCETT, M. Tales in Political Economy, II  
Political Economy For Beginners, II
- FAY Co-Partnership in Industry
- FRANCIS "The Opinions and Policy of Palmerston", I
- FRASER \* Encyclopedia of the Social Sciences
- GEORGE Progress and Poverty, II  
Social Problems, II  
Property in Land  
The Land Question  
The Science of Political Economy, II

GIDE & RIST	*	The History of Economic Doctrines, II
GIFFEN		Essays on Finance, II
GORE		Property, its Duties and its Rights, V
GRAHAM		The Social Problem, IV
GRAY	*	The Development of Economic Doctrine
HANEY	*	History of Economic Thought
HADFIELD & GIBBONS		A Shorter Working Day, IV
HALDANE		Life of Adam Smith, V
HARDIE		From Serfdom to Socialism, IV
HEIMANN	*	History of Economic Doctrines
HOBSON		Co-operative Labour Upon the Land, IV
		The Evolution of Modern Capitalism IV
		Free Thought in the Social Sciences IV
		The Science of Wealth IV
HOVELL	*	The Chartist Movement, III
HUTCHINSON	*	Review of Economic Doctrines, 1870-1929
HYNDMAN		England for All, II
INGRAM	*	History of Political Economy
IRESON		The People's Progress, IV
JESSELL		The Case Against Socialism, IV
JEVONS		Methods of Social Reform, IV
KEYNES		The End of Laissez-Faire, V
LIPSON	*	Economic History
MALLOCK		Property and Progress, II
		Scientific Socialism, II
		The New Republic, II

- MALLOCK  
(Continued)
- Social Reform, IV
- Classes and Masses, Iv
- Labour and Popular Welfare, IV
- MARCHANT
- Social Darwinianism, IB  
(Australian Jnl. Politics & History, III)
- MARSHALL
- Principles of Economics, III
- Inaugural Lecture, II
- Remedies for Fluctuations in General Prices, II
- The Future of the Working Classes, III
- Where to House the London Poor, III
- The Economics of Industry, First Version, III
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III
- Presidential Address to Section "F" of the British  
Association, III
- Poor Law Reform, III
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- The Old Generation of Economists and the New, III
- The Economics of Industry, New Version, III
- MAYHEW
- "London Life etc., I
- MORLEY
- Essay on Compromise, IV
- MYINT \* Theories of Welfare Economics
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- NICHOLSON
- Tenant's Gain not Landlord's Loss, II
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- Strikes and Social Problems, IV
- The Effects of Machinery on Wages, II



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- PEASE History of the Fabian Society, IV
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- Unemployment, V
- The Principles and Methods of Industrial Peace, V
- PRICE, Bonamy Practical Political Economy, II
- PRICE, L.L. Economic Theory and Practise, IV
- \* Political Economy in England
- Co-operation and Co-partnership
- RATHBONE & PELL Local Administration, II
- ROBBINS The Theory of Economic Policy in English Classical Political Economy III
- ROBINSON \* Economic Philosophy, V
- ROGERS Cobden and Modern Political Opinion, I
- ROLL \* History of Economic Thought
- ROWNTREE The way to Industrial Peace, III
- RUSKIN Essays on Political Economy, I
- Unto this Last, I
- RUSSELL, John The English Government and Constitution, I
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- On Education, 1896
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- SENIOR "Outline of the Science of Political Economy, II
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- SMART Studies in Economics, IV
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- SMILES Lives of the Engineers
- Thrift, III
- Character, III
- Self-Help, III
- Duty, III
- SMITH, H.L. The Board of Trade, II  
Presidential Address to Section F of the British Association, 1910, IV
- SOMMELL Malthus, Physiocracy and the Commercial System, I (E.H.R. VII)
- STEVAS \* Walter Bagehot
- STARK \* A History of Economics in its relation to Social Development
- STEPHEN The Life of Henry Fawcett, II
- TOYNBEE Wages and Natural Law, I
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- TUCKER \* Progress and Profits in British Economic Thought
- WALKER Political Economy, II
- WEBB, S. & B. Industrial Democracy, IV  
Socialism in England, IV
- WHITTAKER \* History of Economic Thought.