

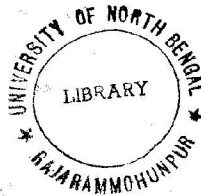
SELF AND SOCIETY

The Recovery of  
Citizenship

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# The Recovery of Citizenship

## I.

THE scale of modern civilisation has of itself done much to deprive the citizen of his freedom. He cannot hope, in populations of the modern size, that his own voice will be clearly heard. To want effectively he must be part of an organisation wide enough and significant enough to be able to make its impress upon political authority. The citizen to-day is lost who stands alone. It is as part of a group that he secures the power to fulfil himself.

But even as a member of a group, citizenship is not necessarily available to him. The more ample the size and functions of the modern State, the less opportunity has the average citizen to take an important share in the disposal of its business. The number of those who can occupy office, whether central or local, is necessarily fractional; and political significance will come to most, as Rousseau saw, only at election time. Nor can it be said that the parliamentary process is as educational for the multitude as it was in the past. Much of its discussion centres about problems of a technical character, the appreciation of which depends upon sustained intellectual effort. And so wide are the regions over which it must necessarily travel that the average student of affairs will be hard put to it if he depends

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upon the proceedings of a legislature for his grasp of the flow of affairs. Few indeed are the big subjects which a Parliament has time to discuss with any fullness; many are the themes, some of them of first-rate importance, which it cannot hope to discuss at all. The first business of a Parliament, moreover, is decision; and it is, above all, so organised as to compel it to decide. Our politics, as Lord Balfour has said, are an organised quarrel in which the necessary pressure of party organisation limits the intensity of illumination which may emerge. It is only the specialist who is not baffled by the bewildering variety of issues which confront him, and even he is not seldom at a loss from ignorance of the wants of that constituency it is his business to satisfy.

Our economic organisation only increases the complexity. Here, for the most part, the lever upon which the machinery depends is that of profit; and it is the inevitable consequence of its nature that it should be indifferent to the moral aspect of its methodology. For in studying the demands of the consumer the business man inquires not whether the demand ought to be made, nor how it can best be supplied. He is concerned only with such a technique of response as will, in the circumstances, assure him the largest profit. And in a society like our own, the main characteristic of which is economic inequality, it follows that the insistent demand is not that which has the greatest claim to satisfaction, but that which has the greatest economic power behind it. It is the will of this demand which shapes the whole

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fabric of the State. Inequality at the base breeds inequality at the apex of the social pyramid. The consumer becomes the prisoner of the profit-maker. He must take what he is given. He cannot himself, in a profit-making world, even hope to control the economic process of which he is a part. His wants must fit themselves to what the profit-maker believes will be good for himself. Consumption is not, like production, something of an art. It is an acceptance of enforced alternatives in which profit is visible to the producer. Industry, which should be the servant of the consumer, is, in a context of this kind, his master. For what it brings to his wants is not an attempt so to satisfy them as to make the process of demand the creation of a way of life. What it brings is necessarily an attitude to consumption which strips it at the outset of all which might induce to psychological adequacy.

The chaos which distinguishes this aspect of our economic life is the price we pay for a social system which has two outstanding features. The first is the grim fact of inequality. Our people is still, as in Disraeli's time, divided into the two nations of rich and poor. We have still, broadly speaking, a different way of life for each, since men think differently who live differently. And because our process of consumption is highly individualistic, because, that is to say, we make no organised effort to supply ascertained demand from the angle of social benefit, there is nothing in the satisfaction of wants that has spiritual principle inherent therein. No

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one who watches the operation of institutions can doubt that the act of consumption creates a type of living. But no one can doubt, either, that unless the act is conscious and so organised that, as it functions, it releases the personality of the individual citizen, it loses its civic aspect as a consequence. The less it realises itself as permeated by the possibility of a spiritual content, the more it becomes the mere tool of the profit-maker. And the more it is in the power of profit, the less can our command of the forces of nature result in a well-ordered commonwealth.

Anyone who compares the quality of citizenship in ancient Greece with that of our own day cannot help but perceive a certain loss of spiritual energy. And this loss, it may reasonably be argued, is essentially the outcome of our failure to plan our civilisation. We have believed that the mere conflict of private interests will, given liberty of contract, necessarily result in social good; and we have forgotten, because the simplicity of bare political equality obscures the real factors beneath, that liberty of contract is never genuine in the absence of equality of bargaining power. Such equality demands, as its primary condition, the presence of combination. Without, for instance, the unity of striking force which the trade unions have accumulated, they would have lacked altogether the power to readjust the more obvious inadequacies of the wage relation. Without combination among employers, the consequences of a world-wide economy could never have been faced. Even in so small a body as the national

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legislature, there is no longer any room for individual action; it is upon the combination of like-minded men, coherently organised and rigorously disciplined, that results depend. Yet in the sphere of the consumer, atomism is still the rule and combination the exception. What action has been taken to mitigate the consequences of this excessive individualism, as in the supply, for instance, of pure food, has been governmental and not voluntary in character. The consumer, in fact, has done little or nothing to control his environment. He does not announce his wants; he waits for the profit-maker to discover such of his wants as it is worth his while to supply. But since the quality of his citizenship largely depends upon what there is for him to consume, ignorance of his wants means, in a high degree, the absence of a civic context to this aspect of his life. The things he purchases do not come to him as part of a process deliberately conceived to enlarge his personality. He has no place in the process of supplying his demands. He may ask without assurance of response. He has no share in the government of industry, no effective part in the maintenance of its standards. He cannot set its direction nor control its consequences. He is not adjusted to that realm of supply in which his demands are supposed to master the event.

Such an atmosphere would, perhaps, be less serious could the average producer hope for an industrial organisation in which due emphasis was laid upon the creative aspect of his personality. Our own day, indeed, has seen a revival of interest in this view.

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Syndicalists and guild-socialists have combined to condemn an industrial society in which the average producer is, by the very term of his engagement, deprived of significance in his daily toil. Now it need not be doubted by anyone at all careful of the facts that in a society dominated by the profit-making motive the submergence of the individual producer is inevitable. But it is unnecessary either to doubt that in a society where the motive of profit is replaced by the motive of service, the place for significant individual initiative is nevertheless small. We may enormously enlarge the area of consultation; we may make the conditions of labour and the level of reward far better than anything we can now imagine. It would still remain true in large-scale industry dominated by the technology of the machine that the average worker would be a routinier following an enforced discipline and not an inventor creating his own path of effort. Even in the ideal Utopia the clerk would still be a clerk, copying entries into a ledger, the waiter would still carry plates from the table to the kitchen, for their stated hours each day. For all but a handful of producers, in other words, the centre of creative significance is bound to be not the period of labour, but the period of leisure.

For most men and women, therefore, it is the use made of the period of leisure which determines what their lives are to be. It is in that period that their creative energies may best hope for an outlet of release. For them the effort of production is essentially a prelude to leisure. They are buying therein the right

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to demand. They are achieving the prospect of wants. Their problem, accordingly, is such an organisation of supply that their wants may hope to emerge in a full and harmonious personality. That is impossible under a system where, as now, wants are atomic in character. For instead of giving the character to production of felt and expressed need, they wait upon what is offered to them, and take, not what they themselves desire, but what it pays others to produce for them without regard to the consequences of production. An atomistic process of consumption, in other words, is necessarily a process of exploitation. The best is insignificant to the producer unless it pays. The inarticulate remains unknown. The attempt to increase the supply of what may be termed spiritual commodities is necessarily neglected. The character of leisure, in short, is left to be determined not by those to whom its character is of seminal importance, but to those who have the opportunity and the skill to make profit by its exploitation. And our past experience suggests quite definitely that there is not, in this realm, any direct relevance of interest between consumer and producer. For the motives of each are so different that their minds can hardly meet, save in exceptional cases, upon the same plane. The one searches blindly and individually to satisfy demands that are inarticulate because unorganised; the other searches only for such a supply as will give him profit from his guess at the nature and intensity of demand. To the former, moreover, the method of production, the site, for

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instance, of a factory, or the nature of the materials may well be of importance; to the latter, as producer, they are irrelevant because profit is not a function of their consequence. For him, an ugly house of shoddy material has the single quality of saleability; and its civic aspect is a matter into which, as our slums bear testimony, he has not thought it necessary to inquire.

For the modern State the central problem is the capacity to satisfy demand. To the degree that it is successful in that effort depends the whole of its well-being. But to satisfy demand, it must make demand articulate and organised. It must make possible the discovery of a plane where the identical interests of men are made manifest. It must prevent the subjection of the many to the few. It must equalise, so far as concerted action can equalise, the gain as well as the toil of living. To that end the process of consumption has for the State an import that it is impossible to exaggerate. For there the State discovers the demands, response to which is the test of its adequacy. In that realm, exploitation and privilege both operate against the function it is its business to perform. In a sense, every dissatisfied life is a measure of the failure of the State. It means that some demand has been neglected, either because it has lacked the power to make itself known, or because it has not found means through which to contribute its quality to the common stock. A State, after all, is no mystic institution. It is a body of men and women who search for self-realisation and admit in a particular association an especially majestic

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power that the hindrances to its achievement, whether positive or negative, may be removed. The business of the State is therefore dependent upon its power to maintain a condition of liberty and equality. It needs the first lest barriers operate to prevent the emergence of that continuous initiative upon which self-realisation depends. It needs the second because unless it is admitted that the interests of each citizen in self-realisation are identical (however various be the modes of its expression), it is inevitable that the many will become the instruments of the few instead of being regarded as ends in themselves. And this is the definition of slavery.

It was the perception that human beings are ends in themselves, entitled equally to self-realisation, which has been the driving-power behind the movement towards political democracy. With the coming of universal suffrage, the abolition, further, of political discrimination against creed or class or race in its power to be chosen for positions of authority, it has seemed to many that the central problem of the State has been solved. Yet no one can survey the post-war world and hold, for one moment, that there is ground for effective satisfaction. Russia and Italy stand out as assertions that the ideal of political democracy is a worthless one. In no democratic State can it be said that the results of majority-rule seriously satisfy the demands of the multitude. Political apathy is not only widespread, but growing. Men tend less and less to realise themselves by means of political institutions. What seems to emerge is

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the vital fact that political power is a function of economic organisation, and that whatever grounds there are for a constitutional and egalitarian system in the political field, are grounds also for a similar system in the economic realm. We shall not make citizenship a tangible and adequate reality until we make the demand of the average man both organised and coherent. We shall not achieve this end save by the discovery of methods of social organisation which emphasise the equality of their claim upon the common stock and apportion that stock in such fashion as to leave by its distribution the maximum possible satisfaction. It is difficult to suppose—at least in the light of experience—that this is possible in a world which, like our own, places its reliance upon profit and competition as the sources of social well-being.

### II.

It is not likely, in so complex a world as ours, that any single form of social organisation represents the ultimate way of life that we require. It is, indeed, certain that a purely acquisitive society, such as that which emerged from the Industrial Revolution, is merely the presage of disaster. To trust to individual self-interest as the mainspring of social effort is not merely to postpone, but actually to defeat, the prospect of a common good. Yet when we come to the consideration of other possibilities, wisdom consists not in the search for a panacea, but in the discovery of methods of organisation which adapt

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the service we require through means most likely to secure the maximum of social benefit in the result.

It is probable that the future historian of the nineteenth century will regard the consumers' co-operative movement as one of the vital experiments in an age of superlative achievement. Like many great social discoveries, its essence was essentially simple. Cheated by the truck system, the Rochdale Pioneers united to purchase for themselves the goods they required, and they eliminated profit from their adventure by returning the surplus which remained after costs had been met in proportion to the sums expended by each member upon the commodities available. From those humble beginnings, consumers' co-operation has grown to the position of one of the three outstanding movements in the working-class life of Great Britain. In the area it covers, the multiplicity of needs it satisfies, the standards it maintains, it has preserved an atmosphere that has something of heroic quality about it. The service it has commanded has been amazing in its devotion. Like a nation, it has had its outstanding pioneers; like a church, it has had its saints. No one to-day is entitled to discuss the future of democratic institutions without seeking to measure the part the co-operative movement may play in their growth and enrichment.

The theory of co-operation is essentially simple. It is based upon the assumption that consumers need not wait upon the producer for response to their needs, but can organise that response for themselves.

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Thereby they eliminate the factor of profit, since the charges they make for the services involved need only cover the cost of production. From that perception has grown a movement so multifarious in character that its mere description would involve a formidable treatise. What is integral to its understanding is the fact that nothing is gained at any point by inadequacy of service. Since the consumer is, so to say, the producer, the better the quality of his product the greater the satisfaction he attains. Since he has no profits to pay, the surplus which remains returns to him in whatever shape he may desire. Since he has to determine what is to be produced, he is compelled to scrutinise his wants and the degree to which he satisfies them is dependent upon the quality of his own intelligence. So regarded, the process of consumption is an educational one. It trains the participant not only in the art of satisfying himself, but in those various aspects of government upon which the character of citizenship depends. He is driven by the process he is inaugurating to think out every side of the factors of demand and supply. He is trained in the conduct of business enterprise. He learns the problem of employment from the angle of master as well as man. He achieves, through the management of his enterprise, a sense of personal significance which is rich in the content of satisfaction that it offers. Consumers' co-operation, whatever its limitations, has proved itself as a way of life fitly to be regarded as a great corporate adventure in fellowship. In that aspect, certainly,

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no communal effort in modern times is of greater social import. No effort, either, of similar scale has been so surprisingly neglected by students of social experimentation.

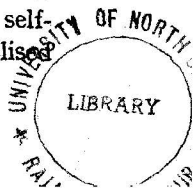
From the angle of citizenship, certain features of co-operative enterprise are outstanding. The movement is, at every angle, a democratic one. Its membership is unlimited; its dividend is always strictly proportionate to the consumers' purchases; its voting power is throughout by persons and not by investment. It has reduced the capital it employs to a properly subordinate position by its insistence on low and fixed rates of interest. The demand it supplies is by the technique of its organisation more securely known than is possible under private enterprise, with the result that speculative supply is reduced to a minimum, and the employee of the co-operative store is probably more certain of employment than any producer not in the service of the State. The abolition, moreover, of profit means that there is no gambling in its shares, and that undesirable feature of a capitalist organisation, whereby the shareholder becomes the residuary legatee of industry, is, at the outset, made impossible.

These are advantages of high, moral value. But, from the aspect of the community, it is rather the institutions of government than the financial theory of consumers' co-operation that are of importance. Among these what is above all noteworthy is the fact that the movement is not only genuinely self-governing, but is free from the vice of centralisation.

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control. The individual co-operative store is an autonomous unit, which depends for its character upon the activities of its members. Each of these is fully entitled to play his or her part in the direction of its energies. Its committee of management is chosen by the membership; four times in each year they must consider the suggestions, and answer the complaints, of those who deal with the store. Each of these is, in its turn, a constituent unit of the great Wholesale, and the governing body of the latter is as responsive and responsible to its store members as the committee of the latter to its own constituency.

Inherent in these economic and governmental notions are certain doctrines of outstanding significance to democracy. Exactly as Nonconformity has been an education in the art of statesmanship for the working classes, so, also, has the co-operative movement trained literally thousands of working men to the appreciation of satisfying the wants of their fellows. They have learned how to discover demand. They have had to develop institutions for its satisfaction and intensification. They have had to do so on the basis always of equality, since their response has had to be not a response to some special and privileged economic power, but to a constituency in which no one had more authority than another. They have had to learn the art of meeting criticism by removing its causes. They have had to dwell in the realm of complete publicity for what they do. They have had to act not as they might think fit in their own interests, but as they are instructed by a

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constituency with definite demands to satisfy. They act, moreover, in the background of the knowledge that the reward of their success is never financial. *Sic vos non vobis* was never more true of any body of men than it is of the direction of a co-operative society. They are a standing proof of the degree to which an ideal of social service makes possible the replacement of the acquisitive motive as the dominant factor in the supply of demand.

The fact that the store is founded upon the idea of equality has had another remarkable result. The co-operative movement is not merely shopkeeping; it is also a training in the social instincts. For the more loyal the individual member is to his society the greater is the gain to be distributed among his fellow-members; he cannot increase the dividend to himself without at the same time increasing it for others. The technique of the dividend seems to be a genuine instance where the good of self is definitely and deliberately intertwined with the good of others. The societies, moreover, have upon an increasing scale multiplied their efforts after social development. Educational activity, some of it, as at Woolwich, upon a quite notable scale, is a permanent feature of the economic adventure. In banking, in insurance, in house purchase, in the organisation of holidays, in the attempt to build round each society a corporate life in which the members can find, if they so desire, a real spiritual enrichment, the movement has genuinely pioneered and, as genuinely, supplied felt wants which could probably have been met in no other

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way. It is worth while, also, to note that in periods of economic distress the value of their aid to their members has been something it is difficult to describe in words. There are whole regions in England and Scotland in which the relation between the co-operative societies and the trade unions has meant that innumerable families have been saved from the intolerable humiliation of the Poor Law. The work, too, of the Co-operative Union is an extraordinarily interesting attempt upon the part of an economic organisation deliberately to provide for its own spiritual development. It is difficult to be satisfied with the level of attainment the Union has so far reached; it has rather, perhaps, been a sounding board for the expression of opinion than a method of building intellectual leadership. But its potentialities remain enormous, and there is probably no other economic organisation which has thus attempted, like the co-operative movement, to build for itself a method of checking its own inadequacies, especially in their civic context, and finding means for their remedy.

It would, of course, be easy to compile a formidable list of the shortcomings, which any interested observer will discover at once in the movement as it functions. The statistics of attendance at members' meetings reveal an apathy which is widespread and alarming; obviously it is difficult to persuade the mass of the membership to an expression, at once vivid and coherent, of their views. While, secondly, the relations of the societies with their employees, though,

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on the whole, they compare favourably with the best level of capitalists employment, do not reveal any notable discoveries in technique. The employee, to be sure, can himself be a member of a store, and there are many societies in which, after a long struggle, he is permitted to participate in the direction. But it would still be true to say that a co-operative employee would not feel a notable difference between daily work in a society and daily work in a good profit-making enterprise. There is, thirdly, a certain obtuseness in the movement, a tendency to be over-aware of the remarkable progress it has already made, and a consequent dislike of criticism. Like a church or a political party, co-operators tend to underestimate analysis which does not come from themselves. They go outside their own ranks too little for the service—for instance, in the fields of propaganda and education—that they require. And it is not impossible that this obtuseness is one of the chief factors which still keeps the movement, almost predominantly, a working-class movement without that ramification into other social categories which is the natural expansion one would expect. Nor does the geographical distribution of the societies suggest that sufficient care has been taken to prevent overlapping on the one hand, or the persistence on the other of deserts in which the co-operative ideal is hardly known. It is still, moreover, true that amazing as is the success of the movement, it has as yet only touched the fringe of the capitalist citadel. It has demonstrated overwhelmingly its power to

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deal with the normal commodities of domestic consumption; it has still to show its capacity for going outside that fairly limited circle of provision, however important it be.

### III.

Yet, however important be the criticisms of the movement for which justification can be found, the overwhelming balance for social good that remains is beyond dispute. While it is impossible to believe that a purely voluntary association of consumers can establish a balanced and adequate commonwealth, the sphere of its operation is bound to grow larger with the years. Properly related to such obligatory associations as municipalities, and developing more adequate articulation with producers' vocational bodies, it is likely, as Mr. and Mrs. Webb have argued, that the consumers' co-operative movement is destined to play an essential part in the supersession of the capitalist system.

What, to that end, modern democracy needs is the revelation of an alternative social philosophy which will do for the new social order what Adam Smith and Bentham did for the old. In a society like that of the eighteenth century, there was solid ground for insisting on the supreme benefit of free competition and individual initiative as the main weapons against an effete aristocracy and an indefensible privilege. But what has emerged from an experience of individualism is the fact that free competition and individual initiative merely create new aristocracies

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and new privileges as unnecessary and as indefensible as the old. The cause of this is plain. When the profit-making motive is the mainspring of social action, its operation is incompatible with democracy. For the liberty it establishes is biased in favour of those who can establish by their skill in its use a differential advantage in their favour; and this advantage, on the evidence, is mainly purchased at the cost of the community as a whole. What we require is a philosophy which prevents that differential advantage from preventing the expression of the equal claim of citizens to self-realisation. We need, in other words, an equality which can evoke from men those demands which cannot go unsatisfied if the inherent dignity of their manhood is to secure satisfaction.

It is difficult to deny that consumers' co-operation has at least a partial answer to make such a need. It shows conclusively, by the grim test of financial success, that over a considerable area of economic life the elimination of profit is possible. It is impossible, either, to deny that in such an elimination there is involved, in very considerable measure, the emergence of a public spirit which, however impalpable, is the one quality upon which the future of the community depends. Men and women, doubtless, join the co-operative movement mainly for the immediate and tangible benefits that it offers. But they stay in the movement because, beyond these, they find prospects of a comradeship which plays an increasing and enriching part in their lives. It is, after all, a

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supremely remarkable thing that in a movement nearly a century old, with successes to its credit upon so wide a scale, no servant in any part of its effort has become a rich man, or has complained because his service was not the avenue to riches. It is not less remarkable to have demonstrated so clearly and so simply that there is no inherent necessity for the capitalist to receive rent or profit or unearned increment. It is hardly less valuable to have made it plain that, exactly as in the service of the State, the trained and scientific expert can work as effectively under democratic as under plutocratic direction. Nor must we neglect the patent evidence of the war, that control of the producer in the interest of the consumer—which was, after all, the real objective of the Ministry of Food—results in a better and less wasteful production than an unfettered system of *laissez-faire*. The great increase of co-operative membership during the war was, above all, a tribute to the theory of the movement. For it showed that its deliberate refusal to bow the knee to the technique of capitalist enterprise—speculation, cornering of the market, and the rest—results in definite gain to those for whose interests it is concerned. And in the ordinary course of its effort, consumers' co-operation has proved, even in a predominantly capitalist world, that every aspect of production, from the origination of manufacture to the placing of the finished product in the hands of the consumer, requires nothing of the anti-social conduct characteristic of private enterprise.

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It is, indeed, important to realise how inevitable have been the limitations upon co-operative action by the milieu within which it has had to work. No advantage of the movement has been taken, broadly speaking, by the middle and upper classes; and little advantage can be taken by the poorest families in the community. The apathy of the former towards the movement is the outcome of two causes. In part, it is born of a class-standard of consumption which dislikes the level of service the predominantly working-class character of the movement entails; in part, also, it is born of an indifference, due to level of income, to the non-economic advantages the movement offers to its members. The poorest classes cannot afford to join the movement largely because their incomes are at once too irregular and too small to make possible even the ownership of a co-operative share, or the continuity of cash transactions which the system normally involves. Nor is it likely that the most insistent propaganda would make much impression upon either of these groups. The one has little to gain in economic advantage, the other is dependent upon its capacity to profit by them upon causes the movement itself is, internally at least, powerless to control. For its extension beyond the more solid part of the working class, the movement must look to political action intended, by its results, to secure a State built upon the idea of economic equality, and insistent that the adequate maintenance of its poorest members, in which the thesis of economic security is integral, is the first charge upon the national

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income. With the progressive realisation of this idea, there is no need to set visible limits to the growth of the movement. In such an atmosphere it could supply any need which the body of its members desired. And as the æsthetic and cultural standards of the community improved, so, automatically, would the æsthetic and cultural standards of co-operative commodities.

The condition, obviously, is a notable one, for it means the necessity for co-operators to develop a theory of the State. So far, and until recently in but a limited degree, the deliberate conquest of political power has played but a small part in the mind of its members. That has been natural enough when the history of the movement is borne in mind. The attitude of the State to consumers' co-operation has been either hostile or negligent; and the Chancellors of the Exchequer who could be made to understand its assumptions can be counted upon the fingers of one hand. The religious traditions of its members, moreover, were usually of a Nonconformist kind, and this has tended to make the older generation, particularly, look askance upon political action. Where, too, progress has been so rapid, to risk the disintegration of the movement by a confession of political faith must have seemed to the more cautious an unwarrantable risk, and that especially in an age of aggressive individualism.

This temper, however, is obsolete, for the deliberate use of political machinery to alter the consequence of aggressive individualism is the predominant feature

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of our time. It is because of this that the political expression of the movement is to-day of supreme importance. The danger that confronts us in politics is lest we proceed to the repair of social structure without any clear sense in our minds of the objective in view. We tend to reconstruct piece-meal, less in terms of principle, than because evasion of some especially impossible problem may occasion the defeat of the party in power. What we need is a principle of procedure upon a wide front of social attack, and it is exactly this principle which consumers' co-operation supplies. When it is conceived in its proper relation to services which, like the production of electricity, are obviously national in scope, or of libraries, which fall clearly within the competence of Local Government, it becomes an essential part of a social philosophy which can only secure its full expression by the control of political institutions.

The value to our political life of an organised and self-conscious co-operative movement is something it is not easy to exaggerate. It would bring the consumer into the context of party action in a coherent fashion not previously known. Parties, for the most part, are dominated by producing interests just because it is so easy for these, through combination, to become articulate. The influence upon Conservatism of the agrarian interest, upon Liberalism of the manufacturer, especially of the manufacturer concerned with foreign markets, of trade unions upon the Labour Party, is their most impressive feature. Consumers, so far in our political history, have

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hardly been conscious of the power they possess, and it is almost an axiom of politics that to be unconscious of power is to miss the possibilities of its exercise. The co-operator enters politics with a philosophy of life, which, over a wide practical field, has proved itself in the event. It is a philosophy which corrects certain tendencies in our economic and social constitution for which, in the past, we have had to pay a heavy price. It is difficult to see anything but good from its pressure in the larger field.

For as the pressure of its adherents becomes impressive, so will the significance of consumption as the art of organising leisure rightly become increasingly clear. By linking production to significant and ascertained demand, industry will be more nearly related than is now even possible to the services a fruitful leisure requires. By the increasing elimination of the profit-maker, our society will be less and less an organisation built upon the acquisitive motive, more and more an organisation in which power arises from social function and not from individual gain. And the wider the sphere the movement can, in this fashion, obtain, not only will the gain of the individual be greater, but also the more manifest will be the moral superiority of its effort to profit-making enterprise. For the greater the degree in which profit can be removed from the provision of essential services, the more likely they are to elevate the quality of effort that goes to their making.

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There are, of course, conditions upon which such a development depends. First and foremost is the need for the co-operative movement to devote all its energies to building a new and more adequate relationship with its employees. So much of the future democracy depends upon a right articulation of producer with consumer that a realm where profit is excluded should, as Mill foresaw, provide us with valuable evidence from deliberate experiment. As a part of this effort, the movement will need, especially upon its technical and educational sides, to revise its attitude to the service of expertise. It will need to show exactly that atmosphere of confidence in unfettered research and criticism which is typical of the best academic life. It will need, too, to lay far more emphasis upon the quality and extent of its spiritual aspect than many of the societies are, as yet, prepared to do. It will need, finally, an organisation within itself for criticism, research, and comparison, which shall play the part of economic general staff to the whole co-operative movement. It must have power unhesitatingly to reveal defect; it must have authority to bring home the full impact of its discoveries to the public it serves; it must be free from the need to do more than insist upon the significance of its inquiries. The implication of all expert service is that the scientist can rely upon the administrator to translate his results into practice. Nothing is more likely to develop the standing of the co-operative movement with the public at large than the knowledge that it has built within its own

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confines the means of securing quality by expert self-criticism. Nothing either is so likely to attract to its services the brain-worker who is interested in serving the community if the standards of his scientific conscience are assured of satisfaction there.

There is no need to suppose that the co-operative movement will not, with steady gait, move to the realisation of these needs. Their power is almost without limit if they once become intensely conscious of their political mission, and they must do what it lies in them to achieve quickly if real benefit is to be the outcome of their effort. Not since the fall of the Roman Empire has the principle of Western civilisation been in graver danger than in our own day. The predominance of capitalist imperialism means inevitably, with an awakening East, the prospect of ultimate disaster. Conflicts of race and colour, the challenge to the march of reason by men avid for power and impatient of the slow process of persuasion, the danger of creed wars—these confront us on every hand. They are stimulated and quickened by the profit-making motive as by a poison which drives men recklessly to the abyss. Democracy depends on the willingness of the individual citizen to use his instructed judgment for the public good. To awaken that will into activity is a mission as high as any to which a great movement has ever been called. It is for co-operators to prove that they are conscious of the responsibility of their ideals.

SELF AND SOCIETY

# Labour and the Community

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# Labour and the Community

## I.

### Trade Unions and the Public.

ORGANISED labour is a comparatively new factor in the life of society. Its advent has presented problems of a different character from those presented by practically all other forms of voluntary associations within the general framework of social life. Its history is one of struggle, often against the combined forces of both employers and State; but step by step it has won its way through, until to-day it is universally recognised that labour is destined to wield an influence in the affairs of the community immeasurably greater than its founders could possibly have foreseen.

No organised body, whatever its functions, can expect to be absolved from communal responsibility. Its social obligations grow in proportion to its power. That is particularly true of trade unionism, because of the specific economic purpose it exists to carry out. Its primary function is to protect the interests of the working class. Its method has been to combine the workers in every trade and industry, and to use the power of such organisation to secure a continuous improvement in the conditions of employment and a progressively higher status and standard of life. Inevitably, with such objects in view, the

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trade unions have frequently been compelled to adopt a policy and programme of action which has exposed them to criticism of an irresponsible use of their power for class purposes. Not infrequently, trade unionism has been misrepresented as being an anti-social force, dangerous to the stability and well-being of society. The direct and positive benefits accruing to the community from the existence of trade unions have at such times failed to obtain general acknowledgment. The State itself, at various stages, in the development of trade unionism has acted upon the view that the organisation of the workers is a potential social menace, and the history of trade union legislation supplies very piquant illustrations of this attitude. Only with reluctance, under the pressure of actual necessity, and because of proved injustice to organised labour, has Parliament itself consented to legislate and afford the protection of law to some of the activities of the unions. Allegations that the workmen's unions are above the law, and that their officials are granted an immunity from the consequences of their actions, are still circulated with a singular persistence. Seldom is it remembered that trade unionism is not confined to the workers. The lawyers, the doctors, and, in fact, professional men of almost every variety have their trade unions, which act quite as effectively, but not quite so obtrusively, as the workmen's organisations. The associations of employers are not now quite so free from public criticism as they used formerly to be, but, undoubtedly, the idea lingers that it is prin-

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cipally the workmen's trade unions which require the vigilant attention of the State to keep their activities in check.

What is the explanation of this? No doubt it is partly historical and traditional, reaching back to the period when the unions were not merely illegal, but criminal associations; when membership exposed the workers to the ferocious penalties of the law, ranging from the cutting-off of ears to transportation. When, despite repression, the unions not only survived, but grew in strength, Parliament reluctantly removed the taint of criminality attaching to membership. But even then the judges, with wondrous sophistry, decreed that the unions were still illegal. The intricacies of the many judgments in respect of trade unions are sufficient to leave the average lawyer dazed as to the real position the unions occupy in law. No wonder the man in the street, unable to see his way through the haze of legal controversy surrounding the subject, wearily assumes that the unions are above the law, and that they are aimed against the community in some way.

Trade unionism has put a check upon the sweater and the unscrupulous employer, and has compelled them, sometimes with the full support of public opinion, to mend their ways. It is scarcely more profitable to show that a long list of reforms, representing a contribution of approximately £300,000,000 a year, is now providing for the sick, disabled, the aged, the children, and the unemployed as a direct result of the efforts of the trade unions. Yet

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it would not be denied by the most inveterate opponent of trade unionism who has troubled to examine the facts, that the system of trade and friendly benefits built up and administered by the unions, long before the State itself made systematic provision for accidents, disease, intermittent employment, and old age, served a real social purpose. Few people give true weight to the contribution of the unions to social progress in their work of maintaining and improving the workers' standard of life, in safeguarding their interests in industry, in forcing provisions for factory inspection, securing compensation for accidents, in looking after the safety and health of those engaged in dangerous occupations, and in applying the pressure which has compelled employers to adopt more humane, enlightened, and efficient methods of management.

Even in this twentieth century it is doubtful whether very much is known generally of the activities of the trade unions in such matters. What is more clearly evident is that the unions are, from time to time, engaged in industrial conflicts which disturb the normal working of society. The origin and causes of these conflicts is not a matter to which much attention is paid by the average man who is inconvenienced by them. He has not the time, nor in some cases the inclination, to probe deep enough to perceive the underlying causes of which these conflicts are the consequence. The clerk who is forced to trudge several weary miles to and from his office because of a trade dispute on the London

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tubes or buses, or the housewife who suddenly finds the supply of coal curtailed because of a dispute between colliery-owners and miners, do not concern themselves very much with the question of who is right or wrong. In their good-natured British way, they utter a grumbling protest against employers and trade unionists, and then resign themselves to the inevitable. Naturally, the Government gets its share of criticism, too; but, then, what are Governments for, if not to blame? Still, I think it would not be denied that the feeling which lingers longest is one of resentment against the trade unions, coupled with a heartfelt wish that these conflicts could be avoided. It would be surprising if it were not so. That mighty organisation which creates as well as guides public opinion—the Press—has not always been fair and impartial in its statement of the claims of labour. Too often the idea has been promulgated that the unions have been irresponsibly led, and that they have shown too little consideration for the community; that they have been too prone to resort to strike action. Not always has labour had the access to the public mind that it has to-day. It is easy to magnify the disturbance to the community caused by strikes, and to place upon the shoulders of labour the responsibilities for upheavals, the real causes of which lie in the complex nature of society itself.

When we speak of the community, we too often delude ourselves into the assumption that the community is one organic whole, composed of units,

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each of which has identical interests with its neighbour. It was upon that flimsy foundation that the *laissez-faire* theory was erected by the economists and philosophers of the eighteenth century. They assumed that if man was left alone to pursue his own course, without undue restraint, his individual interests would coincide with those of the other members of society, and the final adjustment would be to the advantage of everyone. Sometime a state of society may be reached where that will be true, but the history of the last century has quite falsified the *laissez-faire* theory. The Schopenhauer conception of society as a collection of hedgehogs nestling together for warmth, was a good deal nearer the truth. Individuals prosecuting their own interests are far too prone to subordinate the interests of their neighbours to their own. Modern society is honey-combed with groups of people formed to prosecute some interest or other which they have in common.

It has been said that upon the struggle of these groups within society the progress of the community depends, but while all may not be prepared to accept such a sweeping generality, it is certainly true that to-day there is in practically every phase of communal life some group, association, or combination of individuals banded together to achieve some object they have in common. Industrial and commercial life, in particular, teems with such combinations. It is the principle of co-operation, applied for the almost exclusive benefit of the people within these associations. But why is it that, out of all

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these groups with their many and conflicting interests, it is to the trade unions that the consumer usually attributes the blame for industrial disturbances? Is it because trade unions are thought to be organised to foment industrial conflicts? Some such idea is evidently present in the minds of many people, and it is therefore necessary to say something about the purpose and functions of the trade union movement.

### II.

#### What Trade Unions Do.

Let us for a moment look at the nature of the trade union. Broadly speaking, statutory definition regards a trade union as a combination of workmen, the principal objects of which are the regulation of relations between themselves and their employers, the imposing of restrictive conditions on the conduct of any trade or business, and the provision of benefits to the members.

The trade union exists to prevent members from being used by the employers to undercut the wages of their fellow-members. If there was unrestricted competition between workpeople, all offering themselves to the employer at different rates for their labour, the general tendency would be for this competition to lower wages and conditions for the whole number. The primary object of the trade union is to combine the wage-earners, and to try to organise them so that they will not sell their power to work below a figure which they have themselves agreed

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upon in the first place, and which has subsequently become a matter of negotiation and agreement with the employer. That, of course, is a very elementary and restricted view of the functions of trade unions, but it nevertheless shows the true and primary function. The unions are not dissimilar in that respect from the trust or the cartel. These organisations exist primarily for the purpose of combining a number of competing firms under one management, and so doing away with the competition which would otherwise exist between the individual firms, and which presumably would result in a lowering of prices.

The cartel differs from the trust in that, while each of the firms embraced within the cartel surrenders its right to compete except on certain terms, it still preserves its individual management and identity. The principle running right through such trade associations is the same, namely, that the units combine to avoid inter-competition, the tendency of which would be to force down prices. Trade rings, price-fixing associations, selling agencies, combinations of middlemen, are so well known as to require no description from me. How is it, then, that the operation of combines, which have an identically similar primary purpose as the trade unions, escape the censure which is so often attached to trade unions? I think the reason is that the conflict of interest between the combine and association on the one hand, and the consumer on the other, are not so obtruded upon the notice of the consumer. The

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mechanism of price-fixing is very intricate, and yet it works very unobtrusively. There are essentially limits to the power of a combination to raise prices, but these for the moment do not concern us here. A group of coal merchants, or colliery proprietors, or bakers, or dairymen, or farmers, may meet and determine that the commodity which they are concerned in producing or marketing must be sold on and after a given date at a certain definite price. Generally speaking, that price will become effective on that date. The consumer is practically powerless to influence prices, except in so far as he is combined in an association such as the co-operative society, which provides a very powerful check to the power of the producer and middlemen to fix prices. If the bakers decree that bread will be increased by a halfpenny per loaf as and from the 1st of March, the public have either to do without buying bread or pay the increase, and as, for a large section of the public at least, bread is still the staff of life, there is no practicable alternative but to pay the price laid down by the bakers. There is no dramatic disturbance to the normal working of the community. There is no withdrawal of the commodity from the market. It is not as though the bakers were to determine that after a certain date no loaves would be baked until they had obtained the extra halfpenny that they desired. That is quite unnecessary, because until the consuming public is in a position to do without bread, the bakers can practically determine its price. The operations of food councils and bodies

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designed to protect the consumer, but devoid of real effective legal authority, have not been shown in practice to curb this power of the trade associations to fix prices. There are all sorts of devices which are resorted to in industry and commerce to restrict the operation of the law of supply and demand. Restriction of output is the commonest of these, but again it is done so unobtrusively that millions of consumers are entirely ignorant of its operation.

But what of the trade unions? Can its members prescribe that on a certain date the price of labour will be increased by a penny per hour, or some such sum, or that the hours of labour will be reduced by so many per week? The members may agree among themselves that they will not sell their labour below the price they have fixed, but there are other factors which come into operation to restrict their power to make their decision effective. They find themselves faced by another trade union. This time it is a trade union of employers, called an employers' association. They are the buyers of labour, and before the trade union of the workmen is able to get the price it fixes for the labour which its members are selling, negotiation has to take place with the employers' trade union. If the employers' trade union refuses to buy labour power at the price the union demands, or, in other words, if it refuses to pay the wages which the workmen are seeking to obtain, a deadlock is reached. How can the trade union of the workmen then make its demand effective? It does not sell its commodity direct to the public, it has to sell it through the

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employer, and, as we have seen, the employers' trade union refuses to buy labour at the price the union requires. Unless means can be found to refer the matter at issue to the decision of some impartial authority, there is no course open to the union but to withdraw the services of its members entirely from the market until such time that the demand for labour has become so acute that the employers will be induced to agree to the wages demanded by the workmen.

This is a most important distinction. It is quite impossible for the workmen to do what the employers are able to do in respect of the commodities which the employers produce. As I have shown, there is no need for the employers to withdraw their commodities entirely from sale, principally because of the necessities of the consumer and the fact that the consumer is not organised. It therefore becomes perfectly obvious that unless the trade union possesses the power to withdraw the services of its members, or, in other words, the power to strike, it is greatly handicapped in trying to secure advances in wages, reduction in hours, or improvement in conditions. That is why this power to strike is so jealously guarded by the unions; they fully realise that the taking away of the power to strike is in effect depriving the union members of the power to make their demands effective.

It is essential the trade unions should have the power to strike, and on occasion they are compelled to resort to the strike. It is this which brings about

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the conflict which forces itself upon the attention of the consumer, because he is usually hit by conflict between employers and workmen. That is the tragedy of industrial conflict, as, in fact, of any other form of war, whether it be war between nations or war in industry. It is not always those who start the quarrel, or who are directly engaged in it, who suffer most. The aeroplane circling over a city and attempting to drop its bombs upon a strategical point brings devastation and misery to innocent non-combatants. It is sometimes assumed that the last person considered, if considered at all by the combatants in industry, is the consumer. Yet always in the background stands the consumer unable to escape from the consequences of the conflict. Nor are the consumers a class apart. Organised labour forms a very large section of the consuming public. It has been estimated that at least one-third of the total population of this country is composed of trade unionists and their dependents. Sometimes the first people to be hit by a trade dispute are those taking part in it. In any case, they have to go through a period of rigorous stringency because, when they withdraw their labour, their wages cease, and with the cessation of wages there is usually a curtailment of the power of the strikers to purchase even the bare necessities of life. That consideration alone is sufficient to deter a trade union from embarking upon a struggle without first seeking to explore every avenue to a settlement. The consumers seldom realise that there is a remarkable efficiency about the

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*machinery of negotiation and settlement, in adjusting the differences which arise in industry between employers and workmen. The public merely sees the failures which are dramatically thrust under its nose when a strike or a lock-out takes place. It knows little of the very patient negotiation which takes place on the day-to-day problems in industry, and which settle all but a microscopical proportion of the differences which arise. It is consideration of the interests of the consumer and the public at large which often induce trade unions, whether of employers or workmen, to bring in an outsider as a conciliator or arbitrator to help to resolve their differences. It is in consideration of the consumer and the public that legislation has been introduced setting up courts of investigation, committees of inquiry, and such like bodies, charged with the duty of ascertaining the causes of industrial conflict as they arise in specific cases.*

More and more employers and trade unions are finding it necessary to submit their cases to the examination of such bodies, and more and more the process of educating the public up to an understanding of industrial affairs is developing. Publicity of the facts in regard to industry and the causes leading up to trade disputes, coupled with the knowledge that sooner or later the parties will have to justify the action they have taken, is acting as a steadying factor in industrial relations. Not alone is it the power of one party to inflict loss upon the other which is the determining factor, but the inherent justice of the

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claim of each is growing in importance as a decisive influence in determining the result. The consumer is being educated by this process into a realisation that industrial conflict does not arise because of inherent cursedness or moral atavism on the part of those engaged in industry. He is coming to see that these disputes may arise as a consequence of something over which neither employers nor workers have any real direct control. A change in monetary policy may so effect the price of commodities as to project a conflict at a time when neither employers nor workers have the least desire to create trouble.

Twelve months before the lock-out in 1926 in the coal-mining industry, Professor J. M. Keynes, one of the most eminent of modern economists, predicted that the precipitate return to the gold standard would drive the employers to attempt to reduce the wages of the workers, and that this meant conflicts in industry. At the same time, he asserted that the workers would be bound to resist so long as they could, "and it must be war until those who are economically weakest are beaten to the ground."\*

A leading European economist, Professor J. Schumpeter, suggests that the stabilisation of the £ at what was an artificial value "meant dislocating business, putting a premium on imports and a tax on exports, intensifying losses and unemployment."†

Even those who do not go the whole way with these

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\* *The Economic Consequences of Mr. Churchill*, by Professor J. M. Keynes, page 9 (Hogarth Press).

† *Economic Journal*, September, 1928, page 362.

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authorities, would agree that changes in monetary policy may have far-reaching effects upon industry and trade.

It is therefore a very rudimentary political economy which leads people to believe that the price a consumer must pay for commodities is a matter entirely within the control of those engaged as producers in industry. The control of the prime producers (that is, the employers and the workers) over the price ultimately paid by the consumer is not supreme. Nevertheless, it would be foolish to deny the possibility of joint action between employers and work-people to raise prices against the consumer. Such instances, I think, are extremely rare, but they do represent a potential influence upon prices which cannot be disregarded. There is, indeed, a strong inducement where industries are not exposed to foreign competition, or where a degree of effective monopoly exists, for the employers and the workmen to get together and so to arrange their relations as to get the greatest possible advantages for themselves at the expense of the consumer. But, as I have said earlier, their power in this respect is governed by a number of considerations, not the least of which is the effective demand of the consumer.

There is also, I think, a tendency to bring primary producers more into direct relationship with the consumer.

There are few people who have any good word to say for the middleman, although it may be quite legitimately argued that he serves, in the present

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mechanism of industry and commerce, a useful function. Unquestionably, the interposition of a chain of middlemen between the producers and the consumers has a tendency to increase prices, and research shows that the inflation of prices by this process has in many cases been excessive. The time will come, undoubtedly, when the absurdity of employing middlemen will be realised. The producing firms will get together, and, through selling agencies, will not merely sell to the wholesaler, but will sell direct to the public. That tendency has been particularly noticeable in recent years, and the middleman has come in for severe strictures in inquiries which took place under the Profiteering Act. Not only is it a question of the size of the profit taken by individual middlemen, but the multiplicity of hands through which commodities have passed to get from the primary producers to the consumer is a very serious factor. It is useless to look to a return to free competition as an element in bringing down prices and protecting the consumer. Capitalist combination to-day, at one stage or another of production, transportation, and distribution, affects the price of practically everything which is purchased by the consuming public.

### III.

#### **Direct Relations with Consumers.**

Where is the consumer to look for protection? There are three principal directions. The first is public regulation of the activities of combines,

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trusts, and large organisations which are able to exert great influence on prices.

There is a growing volume of public opinion demanding publicity for the facts relating to, and the accounts of, these large-scale combinations. At least two of the three great political parties believe in public investigation of the activities of such bodies before appropriate tribunals, and with price-fixing by public authority as an ultimate safeguard.

The political party with which organised labour is directly associated has, in addition, long urged the formation of a Consumers' Council, vigilantly to watch over the interests of consumers.

An interesting suggestion has been put forward that higher dividends in such combinations should be made conditional upon lower prices, following the precedent which was established many years ago in the gas industry.

The second direction is public ownership, and it is not beyond practical politics for the State itself to act as merchant and importer of staple commodities.

The organisation of the consuming power of local authorities could be co-ordinated by a Ministry of Supply, with nationalisation of those services where monopoly has rendered that practicable. In this connection very valuable experience has been gained by the utilisation of direct labour, particularly on the housing schemes which have been undertaken by the municipal authorities.

The employment of direct labour by consumers,

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represented through the municipalities and the State itself, is not a new feature.

For many years the State has employed labour direct in a number of its departments in preference to taking the risk of being exploited by private contractors.

The great increase in post-war building costs was primarily responsible for municipalities dispensing with the contractors in housing schemes, and a tremendous amount of valuable experience has been gained of the advantages which accrued from such a method.

But it is in the third direction, namely, the great and ever-extending co-operative movement, where the most immediate remedy for the consumer against exploitation is to be found. Organised labour has always felt a strong sympathy and interest in this kindred movement. The trade unions can claim a special responsibility with regard to the origin and development of the co-operative movement, which has now become so considerable a factor in the general organisation of social life.

In the early days of trade unionism there was an influential school of thought which advocated the proposal of the self-governing workshop. That is to say, the idea was advocated of the workers themselves engaging in production as their own masters, and selling the product of their labour to other bodies of workers connected with other branches of industry on a co-operative basis.

The intervention of the merchant by widening the

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gap between the producer and consumer facilitated capitalist exploitation at both ends of the economic scale. It also forced the workers to organise in trade unions, and it brought into being the co-operative movement to protect the consumer by the organisation of markets. Trade unionism and the co-operative movement have been the two most powerful social instruments of the last hundred years. They had a common origin, and although organised in separate and independent movements, are identical in their ultimate purpose and aim. The growth of the co-operative movement is practically contemporaneous with that of the trade unions. Differing widely in their method and scope of their operations, and in the form of their organisation, the trade unions and the co-operative societies pursue upon converging paths an identical purpose, and aim at a common goal. The point where they will ultimately meet will be in that transformed society which we call the co-operative commonwealth.

Recognising that the capitalist system is based upon the appropriation of profit by the owners of land and the machinery of production, the traditional trade union purpose has been to secure for the wage-earner an increasing share of profit in the form of higher wages, shorter hours of labour, and improved conditions of employment.

The co-operative movement likewise originated as an organisation of producers. Originally, the co-operative idea was to organise voluntary associations of producers in self-supporting communities. Work-

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men in many places, inspired by the co-operative idea, formed groups with the object of accumulating sufficient capital to found a co-operative community, with the self-governing workshop as a nucleus for the more grandiose projects which Robert Owen contemplated. The co-operative retail distributive store came into existence as a means to this end.

Groups of workmen got together to purchase provisions at wholesale prices and retailed them amongst themselves at current prices, hoping in this way to accumulate the balance as capital, with which one workman after another would be able to remain making boots for the group, and others clothes, and so on, until enough capital was massed to purchase land and a co-operative community could be formed. These "union shops"—as they have been called to distinguish them from the later type of co-operative store, established by the Rochdale Pioneers—were intended to provide the means of organising communities of producers. For a variety of reasons they failed. Very often the temptation to distribute the profits proved too strong for the members of the group, or the process of accumulating capital was too slow to afford any practical prospect of buying land and organising a community. The "union shop" was succeeded by the co-operative society, which, on the Rochdale plan, distributed profits to the members in proportion to their purchases and paid a fixed interest on the share capital, each member's share of the profits being capitalised. This principle of dividends on purchase, introduced by the Rochdale

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Pioneers, wrought a revolution in the methods of conducting the co-operative society. It brought home to millions of neglected consumers, for whom no kind of organisation had hitherto existed, the practical gains which resulted from applying those principles of combination among consumers that had long been practised by producers. It stimulated the accumulation of capital, without which it would not have been possible to bring into existence those palatial multiple distributive stores which have become so striking a feature of shopping life in most of our towns. It created the network of co-operative retail branches, familiar to both town and countryside, and paved the way for the organisation of services of such infinite variety, as to cover almost every class of domestic want.

The success of consumers' co-operation through the retail stores soon showed the necessity of reaching back into primary production itself, and so caused the formation of those great federal organisations, the English and the Scottish Co-operative Wholesale Societies.

The story of the development of those societies reads as a romance of absorbing interest. Probably not in the annals of working-class history in any country, is there to be found a record of such sustained enterprise and initiative as has resulted in the ownership and operation of the fields, factories, and workshops of the great Wholesale Societies.

The determination to protect the consumer caused co-operators to enter into the realm of finance, and

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their institutions are to be found daily functioning with formidable power in all forms of insurance and in banking.

Although consumers' co-operation to-day represents probably 90 per cent of the activities of the co-operative movement as a whole, it has not eliminated producers' societies, a number of which still flourish.

These productive societies are operated by capital contributed usually by distributive societies, shares held by the workers (accumulating as the result of bonuses paid on wages), and investments of individual co-operators. The management represents all these elements, but usually the workers are given a substantial representation. Profits are distributed, after paying interest on capital, in dividends to the purchasing societies and in bonuses to the workers.

Whilst the co-operative productive society appears to be the form of co-operative enterprise which can interest the worker most in his capacity as a producer, the complexity of communal life makes it nearly impossible for it to protect his interests as a consumer. The widespread variety of commodities which are exchanged in society, the geographical and economic factors which must be involved in production and marketing of those commodities, is of immense importance to the wage-earner in his dual capacity of producer and consumer.

Distribution is becoming a more and more important economic function, and the worker must necessarily have a direct interest in the co-operative organisation

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of distribution. Trade unionists have always recognised this, and the bulk of the membership of the retail co-operative societies in the industrial centres consists of trade unionists or, since so many women are members in their own right, of the wives of trade unionists.

In the early history of the two movements several attempts were made to link up production and consumption in a single organisation. The complexities of the economic system on both its productive side, and still more on the side of distribution, caused by the enormous development of mechanical transportation and the wide expansion of national and international markets, renders nowadays a single homogeneous organisation almost visionary. As trade unionism extends its control over productive industry, and assumes an enlarging responsibility for its administration on the one hand, and as the co-operative societies, on the other, develop the organisation of markets and at the same time engage more extensively in productive enterprise, the time must at length arrive when a close co-ordination of the two movements will become inevitable.

Just as the trade unions have succeeded in organising only a proportion of producers, so there remains outside the co-operative societies a vast mass of unorganised consumers. Our problems concern not only the relationship of organised labour to the organised consumer, but to the consumer and to the community at large.

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### IV.

#### The Claims of Labour.

What does labour expect from the consumers?  
What have consumers a right to expect from labour?

The claims of both have probably never been adequately mobilised, and any attempt to state them summarily would be almost certain to fail.

The immediate claims of the worker, however, range under three main headings:—

- (a) Adequate remuneration,
- (b) Security, and
- (c) A voice in control and management.

In the background of the first there is the feeling that someone in industry is making enormous profits, and that these profits are made at the expense of the workers. The contrasts between riches and poverty, which are everywhere apparent, intensify this idea. There is no doubt a great lack of understanding of the mechanism of industry and commerce, and probably the relationship of dividends to the attraction of capital and the development of individual undertakings is not properly appreciated. The intricate relations of the world's trade, and the niceties of developing markets, are subjects which are only understood in a very elementary way.

It is difficult to convince capable, efficient, and willing workmen that economic conditions necessitate that their lot in life should be bound up with an existence on wages which always mean a harassing struggle with poverty.

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Statistics propounded to prove that the huge sums taken from industry by individual capitalists would not materially affect the prosperity of the workers, if distributed amongst them, are not convincing.

Organised labour has determined to have a higher standard of life, and if that is not supplied by the existing social order, a stimulus will be given to those who advocate the forcible overthrow of the present social order.

Working hours, although they have been materially reduced in the post-war period, are still far too long, and there is an instinctive feeling that the employers are constantly on the lookout to increase the length of the working week. Progressive employers already perceive that prosperity is not to be attained by reducing wages and increasing hours, but they have still a long way to go to convert their fellows.

Security, whether of employment or provision for old age, is an essential part of the workers' claims. Those who have had personal experience of the moral and physical deterioration, and the loss of self-respect consequent upon prolonged unemployment, will realise the haunting dread which the worker feels. How far security can be guaranteed by individual firms or industries is a matter for investigation, but it is argued that the casualties resulting from fluctuations in trade should be shouldered by industry, just as are the casualties of industrial accidents.

Provision for unemployment is, however, generally recognised as a responsibility of the State, and the

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consumer, as a citizen, has a direct influence in that respect.

The third main claim of labour for a voice in control rests upon the conviction that there is no room to-day for industrial autocracy, any more than for political autocracy. It may be doubted whether a strict comparison between political and industrial democracy is possible, and there is a tremendous field to be explored before the claims of labour to control, whether the workshop or industry, can be presented in a sufficiently adequate form. Managerial efficiency and workshop discipline should not rest upon the fear of discharge. The problem of restoring the personal touch in industry, and of transmitting down the long chain of subordinates from directors to workers enlightened and humane industrial management, is not easy of solution.

The removal of the terrible monotony consequent upon machine production, the utilisation of the creative and constructive faculties of the workers within industry, are subjects to which will be found a solution when those directly interested apply their minds collectively with a single purpose of finding the means of achievement.

The consumer is not without responsibility in all of these matters, whether as an investor or as a citizen. The growth of a public conscience has been steadily emerging as an influence on industrial affairs for the last half century. There is a desire for better treatment of the workers, and the publicity of proceedings in connection with industrial disputes has caused an advance in that direction.

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Sometimes public conscience and inconvenience seem to move in direct proportion. A textile strike in Yorkshire may not cause an extra pulse-beat to a London solicitor, but a stoppage of London transport may make him realise there is something in the claims of the workers to which attention must be given.

The bargain hunter may give little or no thought to the wages paid in producing the commodities he or she seeks. The exhausted shop girl is too often expected to dance attendance with miraculous energy on the customer who sits comfortably at the counter. A conscience among consumers demanding fair conditions for those who serve them would do much to ensure the creation of those conditions. Selfishness is not an attribute peculiar to any one section of society, and thoughtlessness and lack of knowledge are often factors responsible for the comparative scanty interest paid to such matters.

The purchaser at the co-operative stores has at least the satisfaction of feeling that all reasonable efforts have been made to ensure that co-operative goods are produced under fair conditions and (as far as C.W.S. goods are concerned) by trade unionists.

### V.

#### Consumers' Rights.

I have put forward some of the things which organised labour has the right to expect from consumers. What has the consumer the right to expect from labour? The consumer has the right to expect

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reciprocity. The organised consumer has a right to expect the trade unionist to be a co-operator, and so consume the goods which he knows to have been produced under equitable conditions.

The consumer generally can legitimately expect his interests not to be overlooked by organised labour in the field of production. He is justified in expecting efficient service, but at the same time he must not overlook the difficulty within the framework of capitalist-owned industry of giving it. He cannot blame the worker for being suspicious that his loyalty is too often appropriated for personal gain by those who employ him.

He should not overlook the comparative weakness of organised labour in the industrial field in securing that prices are not improperly moved against the consumer. It will be within the recollection of many that when, in July, 1920, the miners demanded a reduction of 14s. 2d. in the price of domestic coal, they were ridiculed on economic as well as other grounds. That was under the system where coal was controlled by the Government, which, acting as a single authority, had much greater powers to give effect to such a decision than is possible in the present diversely owned and controlled state of industry generally.

The consumer can fairly expect that services should not be disorganised by strikes and lock-outs until the community has had some opportunity to investigate the merits of the issue and to pronounce some view.

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Organised labour has never flinched from its responsibilities, and has nothing to fear from investigation, although it has fundamental objections to any attempt to interfere with its prerogative to withdraw labour.

It is through its great political party that organised labour can best execute some of its chief obligations to the consumer, and the record of consistent endeavour that it has made to safeguard his interests is a test of its sincerity.

The unceasing conflict of organised groups within society may obtrude themselves upon the notice of the community more and more as time goes on. The community will then be faced with the necessity of protecting itself against being exploited for private gain, whether by extortionate prices or adulterated and inferior quality of goods.

Finally, it will be found that it is upon the individual and his conception of his obligations to the other sections of the community that the ultimate responsibility rests.

Immense progress is shown in the pages of history in the broadening of outlook and the widening of conception of the responsibility of the individual. Society is nothing more than a collection of individuals, and when each perceives that his real interest lies in promoting the interest of his fellows, we shall be well on the road to that co-operative commonwealth which organised labour regards as the eventual form of society in which the interests of producers and consumers will alike be completely reconciled.

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### Some Trade Union Statistics.

#### TRADE UNION CONGRESS MEMBERSHIP.

Year.	No. of Societies.	Affiliated Members.
1868 .....	—	*118,367
1878 .....	114	*623,957
1888 .....	138	*816,944
1898 .....	188	1,184,241
1908 .....	214	1,777,000
1918 .....	262	4,532,085
1928 .....	196	3,874,842

\* Duplicated by the inclusion of Trades Councils.

#### MEMBERSHIP OF ALL TRADE UNIONS.

Year.	Unions.	Membership.
1898 .....	1,326	1,752,000
1908 .....	1,268	2,485,000
1918 .....	1,264	6,533,000
*1926 .....	1,129	5,208,000

\* Latest available statistics issued by Ministry of Labour.

#### INCOME AND EXPENDITURE OF REGISTERED UNIONS, 1925.\*

No. of Unions on Register .....	579
No. of Members.....	4,492,177
Income (excluding £3,121,816, received in Unemployment Payments from the Ministry of Labour) .....	£8,838,411
Expenditure on—	
Unemployment Benefit .....	£4,527,328
Dispute Benefit .....	£313,189
Sick and Accident Benefit.....	£793,360
Funeral Benefit .....	£319,390
Other Benefit.....	£1,062,673
Political Fund .....	£113,701
Funds at beginning of Year.....	£11,533,119
Funds at end of Year .....	£12,716,640

\* Latest available statistics issued by the Chief Registrar of Friendly Societies.

SELF AND SOCIETY

The Meaning of  
Trade

by Margaret Bondfield, J.P., M.P.

1928

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# The Meaning of Trade

## I.

### Why do we Trade?

TRADE is an elastic word. It is used to cover all making and selling, as in speaking of British trade; and it appears in a more limited way when we refer to a shopkeeper as a tradesman. Shop-keeping, or distribution, was, especially the "selfish huckstering trade," scorned in the nineteenth century by those to whom it supplied so many luxuries. Those of us who were engaged in retail trade called such people "snobs," yet with an uncomfortable feeling that a close inspection might reveal some justification for contempt. But our feeling was in one way utterly opposed to theirs; for they ignorantly despised much that was admirable, while they approved much which, in fact, was contemptible. In this little book I want to examine whatever basis exists for a contempt of trade in general, particularly in the light of my own experience of trade at that point in the cycle of production where it comes into direct contact with the needs of the public as consumers.

Trade is the vehicle for distributing the means of life; and it is desirable, if unusual, to ask first what light is thrown upon it by man's main purpose on earth. Man is composed of a material body and an immaterial mind, and he is placed in a material world. Man is imperfect, and the world is imperfect. It is man's

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great destiny to become a partner with God in perfecting the work of creation and in the establishment of the Kingdom of Heaven on earth. The test whether we have made a success or failure of life is not how fit we are for the next world, but how we have used this world and its glorious resources.

This question becomes more searching because of the great catastrophe of the world war. It is not enough to talk about what ought to be done; the world is controlled by deeds, rather than by words. The churches have talked about the commanding power of service. I, for one, believe that the Christianity preached in the churches must be changed from "a weekly intellectual diversion to a daily practical reality."

It is my faith that there is a divine purpose working itself out, notwithstanding the obstacles created by the blindness and folly of men. I believe as strongly that it is the task of ordinary people, with ordinary minds, to co-operate in this purpose; and that it will be worked out through our ordinary everyday experience.

## A PARABLE FROM THE NILE.

About four years ago I read the story of the Nile for the first time. It made a profound impression upon my mind, and in this connection it recurs to me with equal force.

The White Nile gathers its waters from two great inland seas. These are formed by the massing together of the clouds from all the oceans of the world towards

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equatorial Africa, and there, for ten months of the year, they discharge their moisture into the Victoria, the Albert, and other minor lakes. The overflow of these lakes towards the north forms the White Nile, which forces its way right through the thirsty desert to the Mediterranean Sea. The astonishing thing that I discovered about the White Nile was that it has no inundating and fertilising power. In the summer it would hardly survive the heat and the drought of the desert through which it passes but for another great fact of Nature: the highlands of Abyssinia intercept the clouds of the Indian Ocean and they form two rivers—the Atbara and the Blue Nile. These are different from the White Nile in that they contain all kinds of silt and mud from the Abyssinian heights. And at the spring-time of the year these rivers rise and flood the White Nile, which forms a channel for carrying this perfectly natural manure to fertilise the Nile Valley. In primitive times the people in the valley of the Nile, who never saw rain, regarded the rising of the water as a sign of the favour of the gods, and the priests of that day made use of the idea that when the waters did not rise the gods were angry. They alternately had plenty and scarcity. When the waters rose at the right time, all they had to do was just to sow a few seeds, and do a few days' work, and they would get their food supply for the next twelve months. But sometimes the waters did not rise at the right time, and then they were starved, and desolated by plagues following the famine.

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Gradually, however, the mind of man conceived the idea of conserving the water supply. The priests discovered the science of hydraulics and irrigation; they made canals and not only permanently fertilised the Nile Valley so that it was a regular source of natural supply, but they were able to carry the water right out into the desert, and turn large areas into farms.

Here is a lesson, written in capital letters, showing the bountiful nature of the earth and its mysterious potentialities for ill when uncontrolled, and all its amazing powers for good in co-operation with the mind of man.

Now, you would imagine that the history of Egypt, starting off like that, would be a wonderful history of human happiness. On the contrary, it is a tragic history of weakness, blindness, and evil intent. The priests, from being inventors and saviours of their people, became the ruling class. The first impulses of co-operation were submerged under a tyrannous slavery and lost in a gradual degradation of the people. The ruling class, living in luxury, finally were overthrown by outside barbaric forces. But these later forces followed the same bad old way. The new rulers also chose personal aggrandisement and personal indulgence before justice and co-operation; and so with others after them. Each conqueror in turn degraded this fertile land by maintaining a slave class in oppression, misery, and desperation.

Here is a parable of man's material life. He possesses this world, and intelligence and power to

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make it fertile for all his kind. And the world will respond. But greed and oppression ever have led to misuse of this power; and we shall see how that has meant the degradation of man's social life and of his trade.

Let me place against this story of old Egypt the "Prayer for Social Distress," from Queen Elizabeth's Prayer Book, for it reflects this degradation and points to a way of escape. The Prayer runs:—

They that are snared and entangled in the utter lack of things needful for the body cannot set their minds upon Thee as they ought to do; but when they are deprived of the things which they so greatly desire, their hearts are cast down and quail for grief. Have pity upon them, therefore, most merciful Father, and relieve their misery, through Thy incredible riches, that, removing their urgent necessity, they may rise up to Thee in mind.

Thou, O Lord, providest enough for all men with Thy most bountiful hand. But whereas Thy gifts are made common to all men, we, through our selfishness, do make them private and peculiar. Set right again that which our iniquity hath put out of order. Let Thy goodness supply that which our meanness hath plucked away. Give meat to the hungry and drink to the thirsty; comfort the sorrowful, cheer the dismayed, and strengthen the weak; deliver the oppressed and give hope and courage to them that are out of heart.

Have mercy, O Lord, upon all forestallers, and upon all them that seek undue profits or unlawful gains. Turn Thou the hearts of them that live by cunning rather than by labour. Teach us that we stand daily and wholly in need of one another. And give us grace by hand and mind to add our proper share to the common stock, through Jesus Christ our Lord. Amen.

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### II.

#### The Degradation of Trade.

##### OLD WORLD TRADE.

Despite the fact that there has been a steady growth of trade and of the multiplicity of goods in the last five hundred years, the modern universal distribution is the peculiar development of the nineteenth century.

In the latter half of the eighteenth century in Britain many districts remained completely secluded, so that foreign products never reached them at all; and even at the beginning of the nineteenth century, as we learn from Waters' *Economic History of England*, the Yorkshire yeoman was ignorant of sugar, potatoes, and cotton!

The wholesale trade as separate from the processes of manufacture is entirely a modern development. As late as 1835 the founder of the oldest firm of Manchester warehousemen would gather the wool in his neighbourhood, take part in the making of the cloth in the domestic workshops, and then, placing the goods in saddlebags on his horse, would ride to Manchester, where he would dispose of the cloth to the consumer in the Manchester Cloth Market. It was a new departure to open a warehouse in Manchester for wholesale trade, and have an army of commercial travellers crying the wares throughout the country.

I remember attending the Flannel Fair at Neath, in South Wales, where those who owned sheep had

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sheared them, spun the wool, woven the flannel, and had brought it to the appointed field to sell to customers in required lengths. The customers carried their flannel away without paper or string—some wrapped it around them like a shawl because it rained.

When the one-time main source of distribution—fairs and markets—were supplanted by the shops, these were still simple, with a human relationship between buyer and seller. My own apprenticeship was served in such a shop, where we called nearly every customer by name; where a strictly limited range of goods was sold; where every assistant was taught to understand the qualities and places of origin of the wares; and where it was a matter of pride to give value for money.

## MEDIAEVAL PRINCIPLES OF TRADE.

Readers of to-day have the immense advantage of access to the results of scholarly research in such books as Tawney's *Acquisitive Society and Religion and the Rise of Capitalism*, Bede Jarrett's *Mediæval Socialism*, Waters' *Economic History of England* (as already quoted), Leonard Woolf's *Co-operation and the Future of Industry*, the *Town Labourer and Village Labourer* of B. and L. Hammond, to say nothing of the researches of Sidney and Beatrice Webb. Such writers enable us to trace the particular ways in which a great social service has been corrupted by self-interest until both wage-earners and consumers have become merely opportunities for exploitation;

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and this knowledge will point the way toward restoring trade once more to its honourable place in social life.

Miss Waters gives us a vivid picture of the thirteenth century, when the belief was strongly held that trade existed for the benefit of the consumer. The civic authority made regulations based upon an accepted public opinion, that the welfare of all was more important than an advantage to a few, and that the fact that the trader could get people to pay more in times of scarcity did not justify him in charging a higher price. Says Miss Waters:—

Even the merchant of foreign goods was only justified in making a living; he might not make what was possible, but only what was fair. . . . It was recognised that cheating was a minor offence, but to try to corner or forestall the market by buying supplies before they reached it, or by purchasing (or regrating) large quantities to sell at a higher price, was the last stage of commercial immorality. . . . Listen to the good citizens of Bristol on the forestaller: "A manifest oppressor of the poor and a public enemy of the whole commonalty and country, who hastens to buy before others grain, fish, herrings, or anything vendible whatsoever, coming by land or water . . . making gain, oppressing his poorer and despising his richer neighbours, and who designs to sell more dearly what he so unjustly acquired . . . and so by that fraudulent art or craft he misleads town and country."

Bede Jarrett tells us that the great Florentine Archbishop Antonino made an exhaustive study of the condition of the people, and of what the writers and thinkers of his day were saying about it. He believed that poverty was an evil thing, and only accidentally could it lead to any good; that every

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hired man was entitled to a living wage; that politicians should make it the end of their endeavours to leave each man in a state of sufficiency—no one, for whatever reason, should be allowed to become destitute. He considered that for employers to take advantage of competition on account of pressure of poverty to beat down wages was unjustifiable and unjust—no one had any right to make profit out of the wretchedness of the poor. The employer was bound to take note that his employees received such return for their labour as should compensate them for his use of it; but, above all, the community must, by the law of its own existence, support all its members, and out of its superfluous wealth must provide for its weaker citizens.

## THE DECAY OF TRADE AS A SERVICE.

By the fifteenth century the consumers' attitude toward the principles of trade remained the same, but the rise into power of the banker and financier class had considerably changed the practice of trading.

From a social service performed in association for the common good, with its method of Town Regulations, Merchant Guilds, and Craft Guilds, there emerged in the larger centres of population the exploiter unashamed, to whom both worker and consumer were fair game.

The paternal craftsman of the small community, with his few and intimately-known apprentices of the same social status, gave place to the mercantile employer, whose primary motive was his own financial

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interests. This in turn disintegrated the community life and prepared the way for the competitive individualism of the nineteenth century.

Why was the skilled craftsman so easily dispossessed? Miss Waters finds that "The guild system became moribund because in its later stages it was too exclusive and had no place for individual freedom. Those inside the guild worked to a stereotyped set of conditions, and those outside the guild had no chance of getting any portion of its trade. The guild system broke down because a group arose which wrested this control from the guilds by means of the competition of men outside the towns, who were unorganised, and who were unable to maintain a just price, either for their labour or to prevent the exploitation of the commodity.

"This early capitalistic system was known as the domestic system, by which the employer found the capital and gave out the work to the wage-earners working in their own homes."

Miss Waters adds: "*The ruin of the guilds came all the more speedily because of the growing laziness and indifference of the general mass of craftsmen who shirked office, and even attendance at meetings, and would leave to the astute and wealthy the power and the burden of office.*" (The italics are mine.)

From that period dates the distinction between the employer as such and the workman who could never hope to be anything but a workman. In other words, the two moral principles underlying function and method, viz., service to the community and co-

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operation in that service, were violated both by the guild members and by the outside competing groups.

Here is a lesson which the workers of to-day may well take to heart—that the failure of the individual worker intelligently to co-operate may wreck the best laid schemes for corporate action.

The “forestaller” had conquered; but, as the Prayer for Social Distress is witness, not without protest from the best thinkers of that age, whose hearts and consciences were moved by the sufferings of the dispossessed.

## THE CAUSES OF RUIN.

From the story of the failure of the guilds we may turn again to the larger chapters of history, and see the fall of civilisations again and again in the wrong use of economic power, coupled with a misuse, often utterly selfish, of political power. Since the fall of the mediæval system, the earth has been treated by the Western nations as an area for exploitation. The land, timber, minerals, have been seized, developed or squandered by those who had the power to hold these natural resources against all comers, either by physical force, or more often by the force of laws made by the ruling classes themselves. Thus the history of trade reveals mottled chapters of iniquity clouding the splendours of enterprise and discovery, as in the rise of the woollen trade, which drove the people from the land, the East India Company under Elizabeth, the Chartered Royal Adventurers under Charles II., the seizure of the Treaty Ports of China,

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and the Rape of Peking under Victoria—sordid chapters of incredible selfishness and shortsightedness, by which trade's great function has been degraded to serve personal ends at a terrible cost of servitude to labour and suffering to the community. Meanwhile, it may be observed, the sense of the "gifts made common to all men" has never departed from Eastern thought. In May, 1928, *Foreign Affairs* published an article by Rabindranath Tagore on "The Truth about Co-operation," in which this passage occurs:—

In India, during the past, the whole mind of the people used to spread itself widely over the country, even to the remotest villages. The intellectual life was widely sustained in the villages themselves, giving rise to creative thought and deed and joy. The spirit of man gained there a widely diffused harmony. The enjoyment of the good things of life was neither narrow nor personal. But this joyous and free development in India received a deadly blow, when, following the example of Europe, the towns began to absorb all the new wealth of the modern age, and the villages became impoverished. The social nervous system of India was suddenly paralysed when this blow fell. . . . I saw, with my own eyes, the flow of intellectual and economic life obstructed and its natural channels silted up one by one.

### TRADE DEGRADATION: SOME PERSONAL RECOLLECTIONS.

The condition of trade in its last state of degradation became known to me through personal experience, when, from the place of my apprenticeship, I graduated through "Emporiums," and "Bazaars," to large stores in Brighton and London, where everything from pins to elephants could be obtained. Assistants became

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"numbers" and "hands." They were boxed up in departments, where one learned a stereotyped reply to every question, and where it was safer to know as little as possible about quality and fitness. Salesmanship was judged by the degree to which customers could be bluffed or cajoled into buying articles they did not want, provided the transaction showed a good profit to the department.

At this period—the end of the nineteenth century—the conditions under which we worked, even in the "West End" trade, were deplorable. Hours of labour ranging from 7-30 a.m. (for the juniors) to 8 p.m., with only a half day off once a week by permission, were the normal hours; while "late shops" kept open till 10 or 11 o'clock on one or two nights of the week. At one time I worked for a firm the head of which was a prominent church member. He insisted that the shutters should be up by 11-50 on Saturday night, *to avoid the accusation of Sunday labour!*

Small wages were made still more meagre by a system of truck known as "living-in," by which the employer provided board and lodging as part payment for service. Overcrowded, insanitary bedrooms, poor and insufficient food were the main characteristics of this system, with an undertone of danger to the young boy and girl "up from the country." In some houses both natural and unnatural vices found a breeding ground.

Character and personality among those rising to positions of responsibility were held in leash by

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radius agreements, in which they were made to sign away their liberty to take another situation within a certain radius of many miles from the shop in which they were then employed.

It was in this type of shop, at the highest point of competitive individualism, that the distributive trade reached its lowest depth of degradation.

### III.

#### The Redemption of Trade:

##### EMPLOYERS' NEW OUTLOOK.

From this lowest depth trade is now, as I believe, steadily being lifted up. The social voice that spoke in thinkers like Archbishop Antonino, is heard again in modern writers like Mr. Tawney, proclaiming that the function of trade should be social service. Both workers and consumers, as we shall see, strive for its redemption, and a new voice is now added to theirs. Men of big business are being converted to the belief that all trade really depends upon a recognition of this moral principle of service. In *To-day and Tomorrow*, Henry Ford declares that "a great modern business progresses by the unified thought and energy of many men. There is a co-operation based not on an emotional agreement or a personal preference, but a common interest in the job to be done . . . industry must be a public service. . . . Who are the public? The working man and woman—the workers who must be able to buy what they make."

Another prominent American business man, Mr.

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Filene, asserts that "the more farsighted leaders realise that, in order to succeed in this era of mass production, they first of all must supply the masses of the people with buying power—that is to say, they must pay higher wages. In return, labour itself, of course, is realising more and more that high wages can come only from highly-efficient production."

We hear a note of social concern amidst the ideas of success in business. "We do not want failures; they are bad for prosperity. Instead of ruthlessly eliminating the unfit in accordance with the law of tooth and claw, it is better to help all concerned to become competent, and at the same time to increase the consumers' buying power sufficiently to absorb the increase."

Amidst the degradation of price acquisitiveness, there have always been individual traders who never bowed the knee to Mammon, but upheld the principle of service. At one period, I worked for one such aristocrat among drapers. His pride was to sell only those goods he knew all about and could honestly trade in. I remember his horror when his ambitious son wanted "to bring the business up to date."

"Sell boots!" he exclaimed. "Why should a draper want to sell boots! *What does he know about boots?*"

## ACTION BY THE WORKERS.

During the hard days at the end of the last century, with what zeal we prayed for, and with what joy we welcomed, the emergence of a conscious unity

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among the workers. There was just a handful of trade unionists, who had to take two night journeys in order to hold an executive meeting on a Sunday. Branch meetings were sometimes called for a quarter to ten at night, and had dispersed by twenty past ten to prevent anyone being "locked out." How generously those pioneers gave of their scanty leisure in service to their fellows!

The greatest obstacle to organisation was psychological. The assistants were soaked in sentiment and snobbery; they were "young ladies" and "gentlemen," and hated to be called workers. It was the intellectual conversion of some men and women in good positions in the trade—commercial travellers, managers, and buyers, moved to indignation by the conditions of shop life—that enabled trade unionism to make the first breach in that wall of prejudice and ignorance.

To-day, members of the distributive trade unions have played their part in moulding the thought of the larger labour movement, and at least two of them have filled offices of state. But shop workers, by their very nearness to the consumer, have a yet more responsible work to do.

## TO CREATE A PROFESSION.

In *The Acquisitive Society*, Mr. R. H. Tawney declares that industry is to be liberated from its present enslavement to Mammon by turning it into a profession. "A profession may be defined as a trade which is organised—incompletely, no doubt,

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but genuinely—for the performance of function. . . . Its essence is that it assumes certain responsibilities for the competence of its members and the quality of its wares; that it deliberately prohibits certain kinds of conduct on the ground that though they may be profitable to the individual, they are calculated to bring into disrepute the organisation to which he belongs.

The workers in the distributive trade have a wage basis different from that of the workers in productive industry. They used to be paid "salaries," but the distributive unions have dismissed that word in favour of the word "wages." Nevertheless, the distinction still remains as defined by the Labour Commission of 1894. It directed attention to the difference within the same firm between the staff and the wage-earners:—

The difference in method of payment corresponds to the difference in the nature of the work. . . . The salary is a fixed remuneration which is paid over a long period of time, and it is of the essence of wages that they are paid over short periods of time. . . . In earlier times legal engagements were for a year at least, but after the factory system, short notice, suiting the fluctuations of trade, appears to have arisen in the interests of the employers.

It is clear that the status of the wage-earning class is strongly affected by this distinction; those who can be dismissed at short notice constitute a less fixed portion of the business than do those whose salaries are paid monthly or quarterly, or even yearly. The effect of a depression in trade means that the

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labour unit under the wage-earner category has far less security and far more uncertainty in his job, particularly if that job consists largely of repetitive processes which occur over and over again, and which can be done by one person to-day and by another person to-morrow.

Now, it is a fact that one of the points in our programme in the early days of trade unionism for shop assistants was the abolition of long-time salary payments. That was not because we were considering the principle of continuity of employment, but because we wanted to get closer to the realities. We assistants used to speak of our "annual salary" when we were ashamed to divide it up into its weekly quotient—an attempt to name an hourly rate would have needed the invention of smaller coinage. This fact gave rise to a robust desire to be able to calculate our earnings as the workmen did—at so many shillings a week, clear of the encroachments of the living-in system, fines and deductions, and other extortions which were then general in the trade. So we launched our minimum wage campaign expressed in terms of a weekly payment.

Nevertheless, shop assistants do not work on piece-work; they are entitled to at least a week's notice or wages in lieu of notice; and their employment is not subject to "short time" in conditions of normal trade. There has, however, been a steadily growing development of seasonal trade, artificially secured by means of "sales" advertisements, and there are a considerable number of people who now swell the

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ranks of the distributive workers—specially engaged for “ sales ”—who help to create a feeling of insecurity amongst the ranks of the permanent staff, as the weeding-out process at the end of the “ sale ” may involve a transfer of jobs.

Shop workers, in the co-operative movement especially, should definitely set themselves to a consideration of the need for returning to the salary basis in its technical sense of long-time engagements, not only for those who serve behind the counter, but for all those who are employed in the productive processes. This matter has been already raised in connection with the discussions on rationalisation. Why should not all workers be paid on the assumption of permanence of engagement?—the wage running continuously through slack time, through holidays, and through sickness, as it does in the case of the salaried staff. In exercising its prime function, and making its contribution to the conditions of employment, this, in my opinion, is one of the most necessary changes to be faced by organised labour. It means eliminating the speculative element, to a very large extent, from the lives of millions of our fellow-workers. It should mean a much more careful selection of the man or woman suitable for the job, and a really vital interest in the success of the business by every person employed in connection with it. In other words, it should mean a real sense of partnership in the business.

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### SHOP WORKERS AND SERVICE.

That story which so impressed me of the Nile has especial point for the distributive trade, since the functions of the latter can be regarded, in the words of Ravenstone (*A Few Doubts*), as those "of channels in a system of irrigation. They do not produce water; their business is only to distribute it equally through every part of the field; but if these channels are made so numerous that all the water is absorbed in its discharge, they will rob the soil of its nourishment; they will destroy the fertility they were meant to assist, and their existence must prove injurious."

We must find our gain through the value of our function. Workers engaged in distribution, particularly in the co-operative movement, have a contribution to make which is both simple and obvious, in that their contact with the consumer introduces a personal element which is more intimate than that associated with production. The manners of a shop assistant can be an immense asset or a real detriment to the department. I remember the assistant who was regarded as a "successful" saleswoman, almost invariably had one great faculty—that of quickly summing up the line of approach most likely to appeal to the unfortunate customer who was to be ensnared into making larger purchases than she originally intended to make. It was not necessarily a faculty of truthfulness, but the power to carry conviction to the mind of the buyer; and not necessarily knowledge, but the capacity to conquer the will of the victim on the other side of the

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counter. I have watched customers being mesmerised like the unfortunate rabbit facing a snake, and I have always felt that while it was a part of the system, and undoubtedly a profitable gift to those who possessed it, it was really an abuse of power, and not at all compatible with the right spirit of service.

A co-operative shop assistant should, in the first place, try to understand the importance of increasing the sales of "C.W.S." goods—goods manufactured for the customer-members by their own federation. They should, quite definitely, consider themselves as the speaking part of a great quietly-revolutionary machine; and the greatest revolution of all is that every customer who comes to a co-operative counter should be made to feel that she is being served by those who are really interested in the *system of trading*, because it is based upon the right motive.

Friends of mine have complained occasionally that the assistants behind the co-operative counter are apathetic and indifferent to the degree to which they feel that their position is secure—just because no one is lightly dismissed from the co-operative service. I cannot imagine a meaner or more contemptible attitude of mind for an employee to take. If I were a member of a co-operative committee, I should feel that such an attitude was a crime against the moral basis of the movement. Such indifference is much more culpable than a mistake which may have been made as a result of ignorance, or even of momentary carelessness.

Moulding popular taste is another function of the

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shop assistant, which is too often overlooked. Here again in my own experience I have realised how immensely far the consumer is guided by the well-informed assistant, who in many cases has turned the scale between good taste and bad taste. In the "East End" trade poor people would come with desires that could not be satisfied from their meagre purse. Here was an opportunity for the shop assistant to use her knowledge, and enable the customer to lay out to the best advantage those pitifully inadequate shillings. "Which would you choose, if you was me, Miss?"

Too often, alas! the choice was between something useful or something pretty; for it was an age when useful things seemed invariably ugly, and pretty things not durable.

Shop assistants should always remember they also are citizens; they also are consumers; and they have a very interesting area of service, in which personality and character play a considerable part.

## THE CONSUMER RECOVERS CONSCIOUSNESS.

Precedent to the movement among the shop workers, there was a movement amongst well-to-do consumers. They joined in large numbers in the public agitation for the improvement of shop life. The early closing agitation was supported by lords and ladies of high degree, but it was philanthropic and ephemeral.

Of permanent and inexhaustible value was the development of the modern co-operative movement.

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Through this new organisation of trade, customers and workers, as already shown, came into direct relations and could share a common purpose. Apart from more subtle gains, the workers benefited by the grant of the weekly half-holiday in the first days of the demand, and by a greater stability of employment. At the beginning of the nineteenth century, only a few years after the time of degradation, which I have described, the working hours of co-operative assistants, over a total of 42,000 employees in 1,245 societies, averaged under fifty-four weekly.

An immeasurable stimulus to this reintegration came with the formation of the Women's Co-operative Guild. Here is the organisation which has brought into the social struggle the conscious wage-spender, with all her great potential power. Millions of other women are members of the societies, but the guild is the leaven within the mass. Through the guild "the woman with the basket"—the organised working-class housewife—is not only concerned with securing for herself value for money; she knows there is a moral principle to be observed in spending. Her interest goes beyond the shop counter to the wholesale society—to the productive works, to the raw material, to international trading relations, and trade becomes not only romantic, but a source of the world's salvation.

Hers the task to purge this mighty instrument from corruption. By her wise choice in spending, she wields a financial influence that can counteract the capitalist misuse of the money power. With her

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form of saving, she can support a system of banking and credit which will transform the motive of industry.

The Women's Co-operative Guild will go down in history for many things, one of which is its great epoch-making campaign to establish the minimum rates of wages for women within the co-operative movement. It was the result of the developing sense of responsibility as employers which caused them to start this crusade within the movement, finally to overcome the doubts of boards of directors and to establish the living-wage policy, notwithstanding the competition of outside firms who paid much less than the 17s. (pre-war) minimum to women. This event is important also because it swept aside the accepted economic doctrine of supply and demand in labour, and put the moral consideration in the foreground. The principle of the living wage had been accepted as part of co-operative propaganda. Here was a determined attempt to put this principle into practice against co-operators' own apparent interests, because it was evident that in many cases the advance given to the women workers would react in a rise in price, either directly in an increase on the article, or indirectly in a reduction of the dividend to the consumer. We are far enough away from this campaign now to know that, in fact, this policy immensely strengthened the co-operative movement, not only as regards faith in its moral purpose, but also in the improved well-being and increased spending power of its women employees.

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The organised consumers have shown that they not only take their responsibility as employers very seriously indeed, but as mothers and as home-makers they want to bring more joy and beauty into life, and they begin to see how they can make use of their trading connection to this end. There is no reason why all factories should not be well designed and full of colour, instead of typical of that ugliness which all workers are supposed to tolerate. The guildswomen do realise the difference that it would make to our workers' lives if they could leave a beautiful home in the morning to pass into pleasant surroundings in which to spend their working hours. They do want their factories to be built on the most modern lines, with the best kind of ventilation, sanitation, and light for the work that has to be performed, and with the best kind of labour-saving appliances.

But the organised consumers, generally, do not stop at the factories. In many parts of the country, through their stores, they are supplying themselves with the scientific servant in the form of the vacuum cleaner, the electrical iron and washing machine, the mangle, and the polisher; and they are branching out into other social amenities, such as the convalescent home and the holiday home—co-operative efforts to bring more joy and beauty into the common ways of life.

### HELPING CONSUMERS TO HELP SOCIETY.

Beyond what can be done directly by worker and consumer, we need industrial and political efforts to

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enrich the consumers, whose trade is the life-blood of commerce.

The vision of modern business must extend far beyond the township, or even the country. To absorb the surplus which greater efficiency in management and organisation will enable modern machines to produce, it is necessary to consider raising the standard of life, not only for what are known as the industrial countries, but also for those vast masses of potential consumers in various lands who at present exist on a bare subsistence level.

Take as an illustration the *Report on Agriculture in India*, in which the investigators again and again emphasise the importance of handling the vital problems with which they were faced, by the method of co-operation. In dealing with malnutrition, they point out that the solution of difficulties in connection with the food grown are related to the chemical composition of the soil itself, and with the development of systems of irrigation. They can tell us about the right type of manure, the right type of irrigation schemes, the right kind of education needed for this great people, but they report:—

•We have been struck by the comparative failure to develop the fisheries of the country as a source of food, a specially valuable addition to a rice diet, and we note with regret that the fish-breeding bed planted in Bengal was abolished as a measure of economy in 1923. The policy of the Local Government to insist upon the fisheries being closed because they did not yield a profit is a very great mistake, because the chief object should be not revenue, but public benefit. •

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In the debates in the House of Commons on Indian questions, Mr. Tom Johnston has constantly directed the attention of Parliament to the importance of raising the standard of life of the agrarian worker. If the wages of the agricultural labourers in India were increased by a halfpenny per week, the standard of their lives would be raised to such an extent that it would probably mean in economic values to this country alone £30,000,000 worth of trade.

### IV.

We come back once more to a recognition of the fact that, unless the moral values have their proper place, any system of trading sooner or later disintegrates. The cycle through which we have passed in the development of trade makes it clear that whatever method may be employed, unless that method is intended to fulfil the function of service to the community, and unless the well-being of the community takes first place, any such method is bound to become fossilised, sterile, and dead. The great adventure of the twentieth century in relation to trade and industry is to bring it back to the proper function of service, by the method of co-operation, plus such safeguards—educational, legislative, and collective—as will secure freedom for the development of individual personality and character.

Here, again, the co-operative movement has led the way both in regard to method and motive for the redemption of trade.

Its *method* is right. Starting with the consumers'

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control in the little Toad Lane store in 1844, it has expanded to meet a real demand, until to-day five million co-operators in Great Britain draw on their own stores for two hundred million pounds worth of goods, and well over two hundred million pounds of wholesale trade, reckoning at wholesale prices, is represented by twenty-six national federations linked in an International Co-operative Wholesale Society.

Apart from the magnitude of its banking, manufacturing, insurance, house owning, and other figures, this consumers' movement has eliminated much of the speculative element in buying; has cut out many middleman's profits; and has assured consumers, by the system of returning dividend on purchases, that no profit is made out of them. Again, as we have seen, the societies provide a school of self-government and education for citizenship, bringing the consumers into direct control with their responsibilities.

And its MOTIVE is right. Its function of service has already "professionalised" trade within the co-operative movement, and has created a code of conduct which is clearly recognised—if not always strictly observed—by all persons employed in positions of authority.

The co-operative movement must, by its nature, co-ordinate. Not only is it an open democracy in business, but it must work with other organisms in the social system; for example, the agriculturists, the trade union movement, educational and cultural associations of all kinds; in fact, with any agency

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which it recognises as striving to create a larger and finer life for the people.

## THE SUPREME ART OF LIVING.

Let us take fresh courage from the fact that the educative effect of co-operative achievement is not confined to its members, but is permeating the whole realm of trade.

Social relations will not be adjusted by external movements alone. It is essential to the success of the coming new order that every one of us should also develop interior control and personal responsibility.

The spirit of man must quicken function, method, and structure. The supreme art of *living* requires concentrated effort.

The worker, disinherited first from the land, then from tools, and finally from skill in the individual operation, must now turn to social ownership to recapture the sense of personal value in work, and to a right use of leisure for the further expansion of his initiative and creative power. Men and women functioning *first* as consumers, then as citizens, can solve their difficulties as workers, and find a larger satisfaction in their job, when economic and material resources are organised for human ends.

Let me repeat that this redemption of the world is now the task of ordinary people, with ordinary minds, working through ordinary every-day experience. That so much real constructive work for a new state of trade already has been done adds a glory to our hope which the imperfections of human nature

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cannot take away. The fact gives us the assurance of fulfilment of the promise of a fraternal society whose borders shall be as wide as the world itself.

The next fifty years will see great developments in all directions, but none more vital to the human race than this redemption of trade to its primary purpose of service, when the gifts of God to this world shall once more become "common to all men."

SELF AND SOCIETY

# The Way of Peace

by Leonard Woolf

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# The Way of Peace

## I.

“The Way of Peace they know not.”

THE history of human beings is determined partly by their psychology and partly by their institutions. War or peace, prosperity or poverty, civilisation or barbarism are the result of what men believe and what they desire, what they think and what they feel; they are also the result of the institutions and organisations which men create as the corollaries of their beliefs and the means for attaining their ends. The communal psychology of Europe during the last 125 years has been deeply competitive, and European institutions, political and economic, have naturally received their shape and impress from that psychology. The industrial revolution, combined with Darwinism, gave to men a peculiarly one-sided view of human relations and of civilisation. The struggle for existence was elevated to the position of a beneficent, indeed, almost the only, principle of human progress. That was the best and wisest form of social organisation, it was assumed, which gave the freest play to the spirit of competition and to what was called “enlightened self-interest.” This social philosophy has become so

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firmly rooted in the minds of the majority as regards all economic questions that the idea of an economic system which does not make competition its moving principle is regarded as Utopian or blasphemous or both. Large numbers of persons are still shocked and horrified by Socialism and Communism because they think that these would *abolish private property*, i.e., strike at the root of the competitive system in the economic field.

Nowhere were these beliefs with regard to the beneficent inevitability of struggle and competition so firmly established as in the field of international relations. Practical statesmen and political theorists regarded nations as being naturally in a state of perpetual war, the war being either open belligerency or concealed under the name of diplomacy. The greatest statesman was he who most successfully pursued his own country's interests at the expense of the rest of the world. The peoples of Europe and North America accepted these doctrines at the hands of their political leaders and philosophers, and no statesman in the 19th century (or to-day) would dare to adopt a policy on the ground that, while it entailed a very small loss to his own country, it would bring immense gain to the rest of the world.

Politically this psychology created the international system of powers and states which staggered along from war to war for about a hundred years before collapsing finally into the war of 1914. The way of peace was unknown to this system and those who worked it. It was a system of armed alliances in

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which the ally of one generation became the enemy of the next. The hand of every nation was assumed to be by a law of nature armed against every other nation, and it was believed so implicitly as to be beyond argument that what was one nation's loss was every other nation's gain, and that, *a fortiori*, what was one nation's gain was every other nation's loss. Hence the savage nationalism, the crude patriotism, and the fierce imperialism of 19th-century Europe; the *machtpolitik* of one nation and the jingoism of another; the policy of the "mailed fist" on one side or of "Britannia rules the waves" on the other; and finally, the struggle to balance power in the vicious circle of the competition in armaments.

At the root of the political international system was the extraordinary doctrine of loss and gain referred to above—the doctrine that every other nation lost by one nation's gain, and every other nation benefited from one nation's loss. But nowhere was this doctrine more firmly believed in or more ruthlessly applied than in the field of inter-State economic relations. The competitive principle, on which the capitalist system is based, converts the processes of production and consumption into a struggle between the various parties engaged in the processes, or at least creates in them the psychology of combatants. In the world of business the normal frame of mind is that of the man whose object is to make something—not merely out of something, but out of somebody. The majority of the population are engaged in trying "to make a profit," and, consciously or unconsciously, it is felt

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that "A" can only make a profit at the expense of "B," "C," "D," or "Z." The cleverest man is he who buys in the cheapest and sells in the dearest market, for he makes his profit at the expense of both worlds. The producer is the rival of the producer; the purchaser is the quarry which each is struggling to fleece. The employer and the worker face one another as open enemies, for every extra penny paid in wages is reckoned a loss to the one and a gain to the other.

In national economics the competitive system and the psychology of conflict are to some extent mitigated. The habit of association and the fact that a man who lives in Manchester is not completely ignorant of what happens in Birmingham, compel even the most unwilling to see that one man's gain is not necessarily every other man's loss. It is found that two Englishmen who are coalowners may profitably co-operate to keep up the price of coal or keep down the rate of wages, or that the miner in Wales may co-operate with the miner in Northumberland to raise wages or shorten hours. Experience shows that prosperity in Leicester does not inevitably bring ruin on Northampton, and the Londoner finds that neither his interest nor his honour suffers if he allows Northumberland freely to sell him coal.

But in inter-State economic relations these mitigations are largely absent, and there are factors which greatly exacerbate the competitive psychology. In diplomacy and statesmanship States were already regarded as being in a position of natural hostility to

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one another. In international economic relations, therefore, nationalism and imperialism reinforced the idea of trade as a struggle for existence or profits, while economic rivalry gave a new depth and colour to men's fear of other countries and the love of their own. The doctrine that what was one nation's loss was another nation's gain, and vice versa, became widely accepted as a self-evident principle regulating foreign trade. On these grounds the policy of protection was generally advocated and established. When a Frenchman sold goods to a German, *ex hypothesi*, he made a profit; he was gaining something, and therefore at somebody's expense, and that somebody must be the German. The sale of Lyons silk to a German purchaser in Dresden thus naturally came to be regarded as a gain of France at the expense of Germany, and in this crude economic psychology the statistics of a nation's imports became the measure of its international economic loss. International trade was immediately transformed into a kind of warfare. The tariff was a bulwark behind which the national producer protected himself from incursions of the foreigner; it was also a weapon which could be used offensively by one country to inflict loss on another. In the 19th century, tariff wars became a recognised feature of international intercourse, often accompanying other forms of international hostility, and prelude to war in which the weapons were rifles and big guns. Thus the empire of Austria-Hungary struck at the heart of Serbia by forbidding the import of Serbian pigs,

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and this "pig war" of 1905 was but an overture to the Great War of 1914.

Tariffs, tariff wars, and the growing stringency of protective policies created or fomented the very evils which they were designed to prevent, and one of those vicious political circles was described which have so often trapped mankind in disaster. Industrialisation had made the old, almost self-contained, and self-supporting State an impossible anachronism, and the prosperity of the whole of Europe and the existence of millions of its inhabitants depended upon there being a great flow of imports and exports between nation and nation. One or two Germans saw that they could make fine profits if the foreigner was not allowed to sell his silk or his cutlery in Germany, but hundreds of other Germans saw that they would be ruined unless they could "find a market" in which to sell their dyes or their machinery to foreigners. But protection cuts both ways. In the 'eighties and the 'nineties manufacturers who depended upon exporting their products were haunted by the fear of being "barred out of the world's markets," for everywhere the tariff walls seemed to be growing thicker and higher. This fear introduced a further element of war and hostility into international economic relations. The "struggle for markets" and for the sources of the raw materials of industry became a dominating influence in foreign policy, and led to the great imperialistic onslaught upon Asia and Africa. In imperialism one can see the apotheosis of this doctrine of international economic loss and

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gain. The imperialist claimed that, by seizing Asiatic or African territory he was (in Lord Rosebery's phrase) "pegging out claims for posterity," and he was convinced that every square yard obtained by him was an economic gain to his country and an economic loss to every other country, while every square yard pegged out for a German or French posterity was an economic loss for Britain.

It will be seen that the psychology, and therefore the organisation, of the international economic system which I have described is competitive. And it is competitive because, if scrutinised more closely, it will be seen to be the psychology (and organisation) of the producer, the seller, and the profit-maker. In the capitalist system, as applied to national industry and trade, the consumer plays a very subordinate role, and, to judge by the polemics of the subject, neither the capitalist nor the worker pays any attention to him. In international economic relations he plays no role at all. Foreign trade has been regarded solely from the point of view of the financier, the investor, the manufacturer, the seller, and the profit-maker. The tariff is a weapon with which to protect the manufacturer from competition and so to increase his profits, or offensively a weapon with which to strike at the foreign manufacturer and decrease his profits. Overseas possessions are places in which capital can find lucrative employment, or markets in which manufacturers can buy raw materials cheap and sell manufactured articles dear. Foreign trade, thus being looked at solely from the point of view of

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the producer and profit-maker, logically becomes a struggle; the protagonists are rivals whose interests are frequently conflicting, for they compete against one another for "profits."

### II.

#### **The Psychology of the Consumer.**

But there is another element in all trade, national and international, and in the whole sphere of economics, an element whose interests are rarely considered and who plays the part of Cinderella in economic organisation. Yet the consumer—for he it is—might reasonably be thought, from some points of view, to be an element of importance. Anyone so rash as to regard only what was reasonable would conclude that consumption was the object of industry. Agricultural products, like corn and cabbages, and industrial products, like pins or pig-iron, have no value in themselves as works of art or objects of contemplation, and the processes required for their production under modern conditions are not found by many people who have the necessary experience to be pleasurable. From the point of view of the community, therefore, the primary object of industry ought to be consumption. Socially there is no sense in producing pins or pig-iron unless there are people who need pins or pig-iron. Indeed, one may go further and say that materially the measure of a nation's or a people's civilisation is to be found in what it consumes, not in what it produces; and of

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all the charges which can be brought against the industrialised civilisation of modern Europe, that is the most difficult to meet which points to the fact that consumption and the consumer are disregarded, and the whole of industry is organised as if its object was solely to provide the investor with dividends, the employer with profits, and the worker with work and wages.

Everyone admits that since the war the international economic position has been extremely bad. Though we pride ourselves on the triumphs of modern civilisation, we contemplate without dismay the spectacle of chronic unemployment in one part of the world and acute shortage elsewhere of the commodities for which the unemployed cannot find purchasers. The export trades oscillate violently between over-production and unemployment. While Governments barricade their frontiers against foreign imports by restrictions, tariffs, and Safeguarding of Industry Acts, their representatives meet at Geneva and unanimously agree that "the recovery from the effects of the war has been unduly delayed, and that the foreign commerce of all nations is in greater or less degree seriously hampered by existing obstacles to trade," and that "tariffs . . . are for the most part higher than before the war, and are at present one of the chief barriers to trade."(\*) The explanation of this irrational and contradictory political behaviour, which we would not be surprised to find

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(\*) Resolution of the League of Nations World Economic Conference, 1927.

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in a society of helpless and ignorant savages, is to be sought in the fact that the psychology of the national producer and profit-maker, not of the consumer, controls the machinery of international trade. As an example of the way in which the profit-maker is allowed under this system to prevail at the expense of the consumer and to the peril of peace, I cannot do better than quote the following extract from the Final Report of the World Economic Conference, 1927, which was signed by the representatives of all the States of the world except Russia and Turkey:—

In analysing European commercial practices it may be observed that the advocates of exaggerated protection have often made the mistake of imagining that it is always more advantageous to hinder imports than to increase exports. It may be observed that if exports increase production and national income are increased in a similar proportion; if, on the other hand, imports fall on account of tariff duties, the rise in the level of commodity prices reduces not only the possibility of export but also the consuming capacity of the country. A part only of the imports excluded by the Customs duties is replaced by home production. Excessive protection, which reduces national production and purchasing power, in the end defeats its own object. In some cases excessive import duties, by permitting very high profits to be realised at home, give an uneconomic stimulus to exports, thus creating artificial competition on foreign markets. This practice is one of the most dangerous causes of market disorganisation and of economic conflicts between nations.

Here one may see the representatives of governments themselves admitting that the economic policy of those governments (1) reduces the possibility of export, (2) reduces the consuming capacity of the

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country, (3) permits very high profits to be realised by a small minority of their nationals, (4) is one of the most dangerous causes of economic disorganisation, (5) is one of the most dangerous forms of economic conflicts between nations. Yet the policy is pursued because it is dictated by the profit-maker and the producer at the expense of the consumer. To hinder imports is against the interest of the consumer; to raise the level of commodity prices is against his interest; to reduce the consuming capacity of the country is against his interest; to reduce national production and purchasing power is against his interest; to permit a small class of producers at home to make very high profits and to give an uneconomic stimulus to exports is against his interest; and, finally, economic conflicts between nations are always against his interest.

This is one important point: If the consumer's psychology were allowed to have some influence upon international economic relations it would definitely be opposed to the economic system of conflict the evils of which have been so clearly described in the report of the World Economic Conference. For that system is contrary to the consumers' interests. The consumer has nothing to gain and everything to lose from a tariff which will enable a small ring of manufacturers to make high profits by selling him an inferior article. The idea of pegging out claims for posterity or of conflicts for places in the sun between imperialist powers will leave him cold, for it matters nothing to the consumer whether a French, German,

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British, American, or Belgian flag waved over the wheat field which supplies him with bread, the forest which supplies him with rubber, the mine which supplies him with saucepans, or the oil field which supplies his motor-car with petrol. The consumer is your only real internationalist and true citizen of the world. He sits down to his breakfast and quite happily eats a Danish egg and a slice of Danish bacon, Russian bread buttered with Dutch butter; he drinks Indian tea or Brazilian coffee and sweetens them with American sugar; his shirt is half American and half German, his coat comes from the Argentine, his boots from India; he smokes a Turkish cigarette or American tobacco in a French pipe; he reads his news on Swedish paper printed in ink made from the gum of trees which grew on the mountains of Corsica or in Austria, or by the Bay of Biscay in France.

For the consumer international trade is not a conflict or a struggle for profits, but a vast and intricate co-operative enterprise, the sole object of which is to supply the world's needs. The British consumer need weep no tears when he hears that factories are working overtime in Germany, nor need the American consumer shudder at the news that there is a heavy crop of wheat in Canada. From the point of view of consumption, the greater the productive activity and the fewer the barriers to commerce, the better it is for everyone. If the nation or the State be identified with a minority of profit-makers or producers it may be true that an economic gain to one state is an economic loss to another, and vice versa; but if a

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A nation be regarded as a community of consumers—and all its citizens *are* consumers—then, in the vast majority of cases, what is one nation's gain is every nation's gain, and what is one nation's loss is every nation's loss.

### III.

#### The Organised Consumer.

The preceding sections have given a brief analysis of the psychology of the producer profit-maker and of the consumer in relation to international trade. The argument of this pamphlet is that international trade, organised and controlled by the psychology and in the interests of the national producer profit-maker, is economically unsound and politically a cause of war, but that if organised and controlled by the psychology and in the interests of the consumer it is "a way to peace." The prophet, Isaiah, from whom I have borrowed the title of my pamphlet, describes prophetically the result of the first system in the following words:—

Their feet run to evil, and they make haste to shed innocent blood; their thoughts are thoughts of iniquity; wasting and destruction are in their paths. The way of peace they know not; and there is no judgment in their goings; they have made them crooked paths; whosoever goeth therein shall not know peace. . . . We grope for the wall like the blind, and we grope as if we had no eyes; we stumble at noonday as in the night; we are in desolate places as dead men.

But he gives a prophetic picture of the other system—the system of the consumer—in very different language.

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Lift up your eyes round about and see: all they gather themselves together, they come to thee. . . . Then thou shalt see, and flow together, and thine heart shall fear, and be enlarged; because the abundance of the sea shall be converted unto thee, the forces of the Gentiles shall come unto thee. The multitude of camels shall cover thee, the dromedaries from Midian and Ephah; all they from Sheba shall come. . . . Thy gates shall be open continually; they shall not be shut day or night; that men may bring unto thee the forces of the Gentiles, and that their kings may be brought. . . . For brass I will bring gold, and for iron I will bring silver, and for wood brass, and for stones iron; and I will also make thy officers peace, and thine exactors righteousness. Violence shall no more be heard in thy land, wasting nor destruction within thy borders; but thou shalt call thy walls Salvation, and thy gates Praise.

“Lift up your eyes round about and see: all they gather themselves together.” The words “gather themselves together” are important. The isolated consumer is, as we all now know, powerless. It is only when consumers unite and gather themselves together that they can play an effective part in the modern economic system. This gathering together of the consumers has taken place in the consumers' co-operative movement.

The psychology and organisation of the industrial system which has been worked out in the consumers' co-operative movement are unique because they give a predominant place to consumption and the consumer. I cannot in this pamphlet give a detailed account of the form and working of consumers' co-operation; I can only refer the reader who wishes to pursue the subject to the text-books, among others

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my own *Co-operation and the Future of Industry*, and *Socialism and Co-operation*. There he will see how co-operation has developed a system of industry in which the consumer is the unit of organisation, and which, therefore, is based on use and the needs of the community of consumers, instead of on profit and competition. The rock on which the system is builded—the dividend on purchase—eliminates profit, while the form of the co-operative society and its method of dealing with capital enables the community, organised as consumers, to control industry democratically. The fact that the movement can include organisations ranging from the village society with under 100 members to the great urban societies with over 200,000 gives the system great adaptability and elasticity, while the federation of the retail societies in the great Co-operative Wholesale Societies has enabled it to be extended and applied to large scale production, and, as we shall see, to foreign trade.

In the consumers' society industry is organised solely to supply a demand or need. The society which is composed of and controlled by the consumer-members is not concerned with making a profit by selling in the dearest market, nor, if all industry were organised co-operatively, would it be "competing" against anyone else. Its primary object is to satisfy its members' demands or needs—in fact, its own demands and needs—for the society is its members, the consumers. Thus industry organised co-operatively is organised for consumption or use; its psychology is not that of the competitor and profit-

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maker, but of the consumer. This is a fact of great importance in considering the application of consumers' co-operation to international economic relations. The psychology which dominates the ordinary system of international trade is that of the competing national producer, manufacturer, and financier; the psychology which would dominate co-operative international trade is that of the international consumer.

The psychology of the consumer is economically and internationally pacific. It is impossible for him or for any organisation of consumers to regard international trade as a conflict. And, in fact, international trade, in so far as it has been organised on co-operative principles by the co-operative movements, immediately reflects this spirit. The Co-operative Wholesale Society, as the representative of over 4,000,000 consumers, is, in its ordinary operations on the international market, solely concerned with supplying the demands of its members. Its main interest is to make the consumer's demand internationally effective, and therefore to keep the channels of trade open. Its operations are not initiated by the necessity of making a profit, but by that of satisfying its own ascertained corporate demand. Even when it is purchasing from non-co-operative sources, therefore, its attitude is different essentially from that of the capitalist undertaking, whose primary object must always be the making of a profit, and therefore competition. When it buys palm oil in Africa or currants in Greece it is not speculating on being able to sell soap or currants to an unknown body of

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consumers at a profit, but it is buying to supply the ascertained demand of its own members for soap and currants. But in its manufacturing activities and in its trading relations with other co-operative movements the effect of the consumer's psychology is naturally still more obvious. A Co-operative Wholesale Society is a corporate body of consumers. When it makes soap these consumers are organising the manufacture of soap, not in order to make the highest possible profit out of a second or a third party, but in order to satisfy their own demand for soap. Their attitude to other soap producers is that of the consumer as well as of the producer, and they will only produce soap in so far as they demand, as consumers, soap produced in their own factories. The process of production is therefore initiated by the demand for a commodity, not, as under the capitalist system, by a desire for profit, and the consumer's demand remains in much closer and more effective contact with the machinery of production than under the ordinary industrial system, in which production is regulated by competition among producers to induce consumers to purchase, and by speculation as to the maximum quantity which the consumer can be induced to buy at a maximum price. Thus, even to-day, though the capitalist soap producer may be competing with the Co-operative Wholesale Society, the soap-producing consumers, organised in the Wholesale Society, are, strictly, not competing with the capitalist soap producer, and if the whole of industry and commerce were organised on the co-operative

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system, in the ordinary sense of the word, there would be no competition at all.

That this would be the case can best be shown by considering the actual economic relations between the co-operative organisations of various countries. But these can hardly be understood without some knowledge of the growth and position of consumers' co-operation—a knowledge which is not common. I propose, therefore, to give first a few facts and statistics. Consumers' movements exist in most of the countries of Europe; they are modelled on the British movement, which is the oldest and the most flourishing. The structure is simple. The unit of organisation is the retail society, of which there are about 1,250 in Great Britain. Any person can become a member of a society in his capacity of consumer. Nearly 5,000,000 persons in Great Britain are members of co-operative societies. The constitution of the society is completely democratic; the members of the society can, if they choose, absolutely determine its policy at their quarterly or half-yearly meetings. The management is in the hands of a management committee elected by the members. The trade of the retail societies in 1927 amounted to about £200,000,000. Profit is eliminated by returning any surplus as a dividend to the purchaser, and in 1927 the surplus thus returned to the consumer amounted to about £18,000,000. The retail societies of Great Britain are federated in two Wholesale Societies—the English C.W.S. and the Scottish C.W.S.—which conduct the wholesale and manufacturing activities of

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the movement, and are therefore largely concerned in foreign trade. The two wholesale societies in 1927 did a trade amounting to over £100,000,000, and they manufactured articles for their members to the value of about £35,000,000. Not many people realise that, to quote a recent book on co-operation, "the English C.W.S. alone is the largest commercial undertaking in the country, the largest landowner, the largest flour miller, the largest importer of dried fruits, and, next to the Government, of building materials." (*Co-operation*, by A. Honora Enfield.)

The British is the oldest and strongest of the consumers' movements, but there are other very flourishing movements in other countries. In the German movement there are, for instance, 3,000,000 members, and the turnover in 1927 was 881,000,000 marks. The population of Sweden is 6,000,000; the Swedish movement has 366,000 members, and in 1927 the value of the goods sold by Swedish societies was about £15,000,000. Some idea of the international dimensions of the movement may be gained from the membership of the International Co-operative Alliance, an organisation in which the co-operators of the world unite for the discussion of co-operative problems and the promotion of co-operative principles and activities. The Alliance has a membership of 103 national unions or federations, belonging to 35 different countries, and representing 45,000,000 individual co-operators.

The growth of consumers' co-operation has inevitably forced the national movements to face the problem of organising international trade on co-

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operative principles. In 1926 the value of the imports of 19 national wholesale societies was nearly £46,000,000, while in 1925 the total was £40,000,000, of which £14,000,000 represented purchases from co-operative sources. In practice it has been found that there are four different ways in which this international trade can be organised co-operatively:—

(1) The simplest form of international co-operative trade is that in which the wholesale society of one country purchases from the wholesale society of another. The British, Danish, Finnish, German, French, Italian, Dutch, Belgian, Swiss, and Russian movements have all participated in this form of exchange, and the purchases have included tea, biscuits, matches, soap, dress materials, cheese, and other commodities. This kind of inter-wholesale trading is, however, not co-operative unless the importing wholesale receives a dividend on purchase from the exporting wholesale society.

(2) The wholesale societies of two or more countries unite for the purposes of joint purchasing or joint production. The English and Scottish Wholesale Societies combine for the joint purchase of tea, coffee, cocoa, &c., and the Russian Wholesale (the Centrosoyus) have joined them so far as tea is concerned.

(3) The formation of an international wholesale society for conducting the international trade of the national movements has been urged for a considerable time by many co-operators. Such an organisation was formed on a restricted scale in 1919 by the Scandinavian movements, which established the

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Northern Co-operative Wholesale Society, with headquarters in Copenhagen. Finally, as the result of a conference held in 1919, the International Co-operative Wholesale Society was established. It has 26 national institutions as members, representing nearly 50,000 co-operative societies and 28,000,000 individuals. Up to the present the International C.W.S. has not itself engaged in trade, but has confined its operations to collecting statistics and exploring the possible methods of organising trade between the different national movements.

(4) A new and extremely interesting form of economic international organisation has recently developed, a partnership between the co-operative organisations of agricultural producers and the co-operative organisations of consumers. For instance, the English C.W.S., representing British consumers, has formed a partnership with over 100 co-operative dairies in New Zealand, representing the New Zealand producers, for all purposes of marketing the dairy products overseas. According to Sir Thomas Allen:—

This has proved an unqualified success. Both sides have benefited. The experiment has also proved that the producer by co-operatively organising for marketing his products has not raised the price to the consumer, and the consumer has in no way impinged upon the rights of those who create the commodity to receive their just reward.

Such are the forms of international trade which the consumers' movements have developed. As the movements grew and flourished they were naturally compelled to extend their operations to manufacture and to the importation of raw materials, manufactured

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commodities, and food. This has inevitably led to the internationalisation of co-operation. The fundamental fact that the co-operative system is not competitive creates the impulse in the national movement to organise its international operations, if possible, on the co-operative principle, and so to develop exchange of commodities between the different national movements.

There is great scope for the development of this international co-operative trading. It is probable that all the four forms will develop side by side, and there is no reason why this should not be the case. The work now being done by the International C.W.S. as an information bureau will lead to a much wider and more accurate knowledge among the national movements of their ability to supply one another's demands. This should produce an interlocking of wholesale societies, either by union for the purposes of joint purchasing or joint production, or in a system by which one national C.W.S. becomes a member of another national C.W.S. and purchases from it. But everything points to the fact that the time will soon come when the International C.W.S. must develop from an information bureau into an organ of international trade and manufacture for the national movements. There are limits to the system of interlocking of national wholesale societies, particularly in cases of co-operative manufacture. Suppose, for instance, that the English C.W.S. were called upon to manufacture boots for several foreign movements. It would have to increase its plant, &c., for this

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purpose, and put a considerable amount of capital into this export business. There would be nothing to prevent the foreign movements deciding at any moment to produce boots for themselves; but this would mean heavy loss to the English C.W.S., which can only manufacture for the co-operative market. Such a situation is much less likely to occur where the manufacture is the joint enterprise of two or more wholesale societies or of an International C.W.S. Thus the organisation of large scale production for the international co-operative market will almost certainly require the development of an International C.W.S.

Finally, a word must be said about international co-operative finance. The growth of international co-operative trade has forced co-operators seriously to consider this problem. Already the consumers' movements and the agricultural co-operative societies have developed a network of national co-operative banks, and it is obvious that this co-operative banking system might play a large part in the development of international co-operative trade. The first step in this direction has already been taken by the establishment of an International Banking Committee. The aim of this committee is "to bring the co-operative banks into closer relations," to assist the co-operative banks to secure common correspondents in each country, and the wholesale societies to receive their payments through a co-operative bank, and, finally, "to create an international co-operative banking organisation capable of rendering important services, namely, arbitration of the exchanges, correspondent

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accounts, international discount or reinvestment outside co-operation, financing of important international undertakings."

### IV.

#### Conclusion.

In the preceding section I have given an inadequate sketch of the form of the co-operative movements and the development of international co-operative trade. Those who want full information as regards the structure of the movement and the figures of its trade and manufacture should refer to the many excellent text-books which have been written on the subject. I am concerned in this essay only with the relation between the co-operative system of trade and industry, the existing international economic system, and the problem of peace. My argument is that the ordinary economic system, of which the organisation and psychology represent the producer's and the profit-maker's interests, makes for international hostility and war, while the consumers' co-operative system represents the consumers' interests and makes for peace. The account of the structure and growth of consumers' co-operation has been given above in order to show that the system here advocated is not the theoretic construction of a visionary or a professor, but a system already in existence and working. It is not only working, but rapidly developing and extending itself, particularly in the direction of international trade. The objection certainly will be made by some people that the scope of the co-operative

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system is limited, and that the consumers' movements can never hope to control more than a very small field of national, let alone international, trade. I cannot admit the validity of this objection. The movement itself is only about 80 years old; it began in the humblest way in a back street in a Lancashire town. For years it was confined to one country and was a struggling concern. Even 25 years ago the present membership of the British and some foreign movements, the operations of the wholesale societies, the productive and banking undertakings of the various movements, their international trade, would all have seemed impossible. There is no reason why this development should not go on at an increasing pace throughout Europe and many other parts of the world, and if it does, consumers, organised both nationally and internationally in the co-operative movements, will soon be in a position to control a very large part of national and international trade.

If the argument in the first part of this essay be sound, that fact by itself would open an important economic road to peace. Everyone admits to-day the failure of Western civilisation during the 19th century to establish a stable form of international society; almost everyone agrees that we stand to-day at one of the great turning points of history. The war was a symptom, and is now a warning. It was the result of the competitive and intolerant economic nationalism which developed in Europe during last century; if that system is allowed to continue for another century it will destroy itself, and with itself civilised

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society. As many writers have pointed out, the political and economic troubles from which the world is suffering are largely due to the fact that economic nationalism is a contradiction as well as an anachronism. The form of society developed from the industrial revolution requires for its continued existence, both politically and economically, an international framework. Nations and peoples are so intimately knit together, one part of the world is so seriously dependent upon all the other parts, that, in actual fact, one nation's loss is practically always every other nation's loss, and one nation's gain every other nation's gain. Yet, as we have seen, economic nationalism proceeds to organise the world politically and economically as if precisely the opposite were true. It attempts to regulate the intricate relations of a society which has its centres in London and Manchester, Paris and Lyons, Berlin and Hamburg, New York and Chicago, by a political system applicable to pastoral tribes or walled cities, and by an economic system suitable for a "self-supporting" village in the Middle Ages. Is it a matter for wonder that the systems themselves will not work, and that the attempt to force society into a mould which cannot contain it is leading to social disruption?

The importance of consumers' co-operation is that it implies an economic organisation which follows the actual lines of growth of international society. The more control over industry and trade is given to the organised consumers in the various countries, the better will be the adjustment of the national economic

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systems to their international framework. The individual manufacturer, the profit-maker, the middleman, the trade unionist, live in an antediluvian world which really passed away nearly 200 years ago. It is the world of economic nationalism, of competition, nationalism, war, barbarism. "Their feet run to evil, and they make haste to shed innocent blood; their thoughts are thoughts of iniquity; wasting and destruction are in their paths. The way of peace they know not; and there is no judgment in their goings; they have made them crooked paths; whosoever goeth therein shall not know peace." But there is really no need to grope for the wall like the blind, to stumble at noon as in the night, and to be in desolate places as dead men. If people would only lift up their eyes, they would see. They would see that the world has become international. And the consumer, as we found, is an internationalist. He lives in the world to-day, a world which demands internationalism, co-operation, peace, civilisation. In the co-operative system, which gives to the organised consumers the control of industry and trade, he has found one of the roads to peace.

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SELF AND SOCIETY

Co-operation and  
Private Enterprise

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# Co-operation and Private Enterprise.

## I.

THE meaning and purpose of an institution are often more obvious in its beginnings than in the day of success. Success may have so changed the circumstances that called it forth, that the reason for its establishment is obscured. The co-operative movement to-day is accepted as a normal part of the economic organisation of a democratic country; its scale and continued development excite little comment and no surprise, and its distinctive place and function in industry are unrealised even by many of its members. It is necessary to go back to the tiny beginnings in Lancashire three-quarters of a century ago to realise either the significance or the achievements of the movement. It had its origin in the reaction against the prevailing economic policy. Its aim was revolutionary, if its methods were peaceful; and if it no longer excites either the enthusiasm of reformers or the fears of conservatives, it is because the system, against which it was in its origin a protest, has been modified, and the evils which it sought to correct have been mitigated or removed.

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The second quarter of the nineteenth century was the period in which the doctrine of *laissez faire* attained its greatest authority with the English governing classes. The old system of State regulation of industry that Adam Smith had criticised was discredited and had broken down; new processes, new methods, new markets opened unimagined vistas of wealth, if industry could be organised to exploit them, and business men were ready and eager to undertake this task of reorganisation. The State trusted the business man, and allowed him an unfettered discretion that he enjoyed neither before nor since; with the result undoubtedly that the new methods were rapidly introduced and an unprecedented expansion of production took place. But this unregulated enterprise soon compelled the State to intervene with Factory and Mines Acts, Food and Drug Acts, Truck Acts, and sanitary regulations, whilst the wage-earning classes, without waiting for an unsympathetic State, organised themselves in self-defence in trade unions and co-operative societies.

The first object of the Rochdale Pioneers was "the establishment of a store for the sale of provisions, clothing, &c."; the last—"that as soon as practicable this society shall proceed to arrange the powers of production, distribution, education, and government; or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies." The Pioneers' success in carrying out their first object diverted attention from the last, but its statement is evidence of the ideal

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which inspired the movement. By this declaration they affirmed their affiliation with the Owenite socialism which the majority of them professed; and it is a fair inference that their ultimate object was the establishment of a new order of industry. The prevailing system, whatever its achievements in the field of production, left the urban workers exposed to the evils of truck, adulteration, and extortionate prices. Immediately, therefore, they sought to free themselves from dependence upon the private shop-keeper; but behind and beyond this was the ideal of a society in which industry would be controlled and directed by the workers whose wants it was designed to satisfy. The prevailing opinion did not overlook the consumer's claims. On the contrary, Adam Smith, who did most to form it, had said: "Consumption is the sole end and purpose of all production, and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer." But it was held that the pursuit of profit would compel the producer to direct his resources to meeting consumers' wants, and that competition would provide all the necessary safeguards against bad quality and extortionate prices. These safeguards were quite inadequate to secure the interests of ill-paid and irregularly employed wage-earners. For this indirect and quasi-automatic direction of production to wants, therefore, the co-operators sought to substitute a deliberate and conscious direction. They began at the retail store, but they aimed at a self-supporting community.

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While the origin of the movement indicates its purpose, its subsequent growth and development are explained rather by the form it took and the methods it employed. The basis and essential condition of economic production (including distribution) is a calculable and regular demand. The co-operative stores were fortunate enough to hit upon a device, in the distribution of trading profits in the form of a dividend upon purchases, that ensured such a demand. This "divi." provided a most effective material inducement to loyalty, and secured for the movement a wide and more consistent support than could have been ensured by an appeal to social idealism unsupported in this way. With a regular custom assured, success did not depend on exceptional leadership or managerial ability, although the movement was not without exceptional leaders. The business grew so rapidly that it absorbed all the energy of its leaders and left them none for pursuing remote political aims. The growth, however, has been along the lines laid down by the practice of the first store; it has taken the form of associating more and more consumers with the control of business, and the extension over a wider and wider field of this consumers' control. The control could not remain so conscious and personal as it was when the first society consisted of twenty-eight members; but the constitutional basis of control has remained the same, and the £200,000,000 worth of trade that was done by British co-operative stores last year was all of it carried through by directors, or under the authority

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of directors, elected by and responsible exclusively to the *consumer-members of the societies, and the profits* were the property of the consumer-members in proportion to their purchases.

Function and scale are the chief factors in determining the form of an economic organisation. The external form and internal organisation of the co-operative movement do not serve to differentiate it from other businesses. The conduct of a co-operative branch still involves very much the same problems as that of a branch of a multiple shop. The internal administration of a society must be very much the same as that of a joint-stock company doing a similar business through a similar number of branches. The management of a manufacturing establishment or a warehousing business by the C.W.S. must be on much the same lines as the management of similar businesses by other agencies. There is, therefore, internal similarity of administration and an external similarity of appearance between the large-scale co-operative movement of to-day and the large-scale departmental stores and other integrated businesses which do a similar business on a similar scale. Does this mean that the original ideal of the founders of the movement has been lost and that co-operation has no distinctive characteristics that take it out of the category of ordinary business? Has the original ideal of a new order of industry, which inspired the Pioneers to the self-sacrificing efforts that were needed to found the movement, been completely submerged in successful shopkeeping? A more detailed comparison of

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co-operation with ordinary private enterprise, which will go behind the external forms of business, is needed to answer this question.

### II.

The difference between co-operative enterprise and ordinary commercial enterprise is not to be found, we have said, in external forms of organisation or internal methods of administration. There are differences under these heads, but they are not decisive. Since co-operative societies undertake the same economic functions as the larger commercial establishments, and on a similar scale, they tend to use the same technical methods, the same systems of organising manufacture and distribution. The technical methods of organising the means of production to meet economic wants are largely independent of the ownership of those means of production and of the financial control of the organisation. The important difference lies, not in the technical organisation itself, but in the control and direction of it. The commercial undertaking is controlled by managers and directors responsible to shareholders, who bear the commercial risks of the undertaking, and take any profits that are made; the co-operative undertaking is controlled by managers and directors, appointed by and responsible to the members, who are the customers of the undertaking. Thus profit is eliminated as the incentive to undertake and carry on the services of distribution or manufacture; a working margin over actual expenses is charged in prices, but

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is periodically returned to members in proportion to their purchases. The differences of method and results between co-operative and private enterprise all follow from that difference.

Because the co-operative movement is dependent on the same technical organisation of production as private industry, it has to face the same problems of human relations. It employs labour for wages; it has, therefore, to face the problem of adjusting the conflicting claims of wage-earners who want higher wages and customers who want lower prices. It employs labour in large-scale undertakings; it has, therefore, to face the problems raised by the subordination of the working many to the directing few, to resolve the sometimes conflicting claims of discipline and freedom. Its business is subject to the dislocating influences of seasonal change, varying harvest yields, fluctuating prices, and general trade fluctuations; it cannot, therefore, guarantee its members against unfavourable price movements or its employees against interruption of employment. On the other hand, because the control of this productive organisation is different, the co-operative movement is better situated for dealing with these problems. The relations with employees are not complicated by the presence of a middleman, in the person of a capitalist employer, whom customers and employees both suspect of intercepting for himself an undue profit. The adjustment of wages and the maintenance of the discipline necessary for efficient operation should be easier when the wage-earners

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are working direct for the consumers, and consumers bear a direct and unmistakable responsibility for the wages they pay and the conditions they impose.

The advantages which co-operation offers in dealing with the problem of industrial fluctuations follow from the nature of its organisation. Co-operative societies, like other firms, have to estimate demand and to produce in anticipation of demand, and their estimate is sometimes wrong; but the demand for which they work is more stable than that of ordinary firms, since the members are held to the society by their share in the profits, and the share is proportioned to purchases. Thus the estimating of demand, and the adjustment of supplies to it, is less liable to error than in ordinary trade. Hence co-operative societies can give more regular employment than other employers. Hence, also, certain economies in manufacture are open to them. The basis of economical manufacture is continuous and regular output. The ordinary commercial firm has to take the risk that its output will not all be taken by markets in which other producers are competing; co-operative production, with a preferential and loyal market of its own, has a less risk to face, and can carry standardisation and flow-production of the chief commodities in which it deals further than the majority of producers. Manufacture has been undertaken in field after field, as the aggregate demand from the stores has attained a volume at which manufacture is economical. This advantage does not, however, extend to the manufacture of a diversified range of products, designed

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to compete with the variety offered by private enterprise.

The system of distributing "profits" among members as a dividend proportioned to purchases is important primarily as a means of binding the members to the society, and so securing an assured market for the society's operations. But it has other incidental, but not unimportant consequences. It provides an easy and painless way of saving for the poorest, making possible the provision of clothing and other recurrent needs without falling into debt. It makes it easy for new members to accumulate the share capital needed for membership. It encourages saving. The immense aggregate capital of the movement has been built up by automatic saving of this sort and by placing undistributed profits to reserve, and the continuous expansion into new fields is financed without any resort to the ordinary capital market. Thus co-operation has done more than any other device to enable the wage-earning class to become owners of capital, since the whole of the capital of the movement is the property of the members. Joint-stock company law in England is not designed to encourage or protect the small investor; but the business and undertakings of the stores and the wholesale societies constitute a collective investment more important than anything that the working-class investors of America have acquired.

Other consequences follow from the method of co-operation. The first is that the Owenite ideal of a self-supporting community, or "self-supporting

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colony," is not realisable by this method. The Owenite aim, which the Rochdale Pioneers reaffirmed, was to establish a society which should set its own members to work, and adjust production and consumption completely within the limits of the society; the co-operative method was to organise the workers as consumers and use the organisation to supply their wants. Now, even in 1844 the consumption of the poorest labourer included some commodities that a community settled in Rochdale could not have supplied—tea, for example. In pursuit of the commodities that their members have demanded, the stores, and the wholesale societies in which they federated, have pushed the tentacles of their buying and producing organisation all over the world. On the other hand, their members are engaged in all the variety of occupations that British industry offers the worker. Although, therefore, the British co-operative movement employs 200,000 workers, most if not all of whom will be members, its aggregate membership is over 5,000,000, the great majority of whom are employed in private industry or public services outside the co-operative movement. To put the same fact differently: British co-operative trade is one-way trade. It is all based on the organisation of people *as consumers* for the supply of their wants, not the organisation of people *as producers* for the sale of their products. The members are most of them producers as well as consumers; but the flow of goods *from them* is through other channels—the co-operative channel permits only the flow of goods

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*to them.* Experiments have, it is true, been made by co-operative organisations in the sale of their products outside their own membership; but the co-operative organisation is not designed for such trade, and has no special advantages for it. The organisation has grown up and is designed solely to supply a pre-existing market consisting of members. International trade in co-operative products might develop, the wholesale societies of the different countries linking up and supplying each other with products which their members demand; but the self-contained Owenite community, in which all the members were employed in satisfying all the wants of all the members, would have to be as wide as the world. No merely national society could produce all the goods that its members might demand, or absorb all the goods that its members might produce.

From these considerations the reasons for the present division of the field of industry between co-operative and private enterprise will be apparent. Co-operation has developed further in the business of distributing than in that of manufacturing, because its purpose is to supply finished goods to its members, and it is relatively a matter of indifference whether it manufactures these itself or buys them from other manufacturers. It manufactures itself those goods for which there is the largest and most regular demand, relying on private enterprise for other goods which the co-operative market does not take in quantities that make co-operative production economical. Its trade is confined to goods that the final

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consumer takes, leaving to private enterprise the whole of the instrumental and constructional industries. It includes a good deal of import trade, while export trade is almost wholly in the province of private enterprise. Private enterprise again predominates in that part of the field of industry in which the incentive of profit is strongest and risks of loss are correspondingly great—in the exploitation of new inventions, new markets, new wants. The overlap of the spheres of co-operative and private trade is, however, more obvious and more important than the demarcation between them. In the field of distribution, retail and wholesale, and in the manufacture of all the more important articles of everyday use and consumption, the two systems compete. In some places and some sections of society the co-operative supply is predominant; in society as a whole private trade predominates, but nowhere has the co-operative movement a monopoly, and in no part of the field is private trade secure from co-operative competition. This overlap and competition point to what is perhaps the most important function of the co-operative movement in the industrial organisation of to-day. To this we will now turn.

### III.

We saw that the immediate object of the founders of the co-operative movement was to enable their members to get goods of satisfactory quality at a reasonable price. The first benefit that they conferred on the wage-earning class was to supply them with

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pure food, which private enterprise could not be relied on to supply to the poor consumer, and to charge them reasonable prices when private enterprise exacted extortionate prices whenever the difficulties of their customers made it possible. This direct benefit was not, however, the whole benefit. Once co-operative stores had set up standards of quality and price, private traders were forced to conform to them or lose to the stores the custom of all the intelligent members of the working class. The direct provision made by the stores, therefore, carried with it an indirect compulsion upon other traders to improve their quality and moderate their charges. A general improvement in the quality of working-class supplies was then gradually effected. Legislation and a more efficient administration of Food Acts no doubt played a part, but the chief influence was the competition of co-operative stores.

In this way the movement came to remedy a defect in the provision made by modern industry, of which most people are conscious at some time, although they might find it difficult to define their grievance. Modern industry has increased wealth by exploiting the advantages of specialisation and large-scale production. It offers the consumer a variety and volume of products which the earlier simple economy could not provide; but it renders the consumer entirely dependent on the market and helpless if for any reason market supplies are withheld or their prices forced up. The consumer is, therefore, liable to be exploited by producers who have a temporary or permanent

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monopoly, and even by producers who have not that particular advantage, if the consumer is in urgent need of a particular product and disabled by his circumstances from driving a fair bargain. In a simpler economy, the consumer is protected against such exploitation by being able to supply himself in case of need. It is not possible to overcharge a consumer for potatoes if he is able to supply himself from an allotment, or to exploit his need of a carpenter's or plumber's assistance if he can do his own house repairs. But this alternative—of doing things for oneself—is not open to the urban working-class population over the greater part of the range of their needs, because these needs are supplied by large-scale enterprise; they must buy from the market and pay the market price, or do without. The co-operative movement restores the possibility of supplying oneself. Since a co-operative society is an association of consumers, co-operative supplies are supplies provided by the consumers for themselves. So long as he was isolated, the wage-earner in the first half of the nineteenth century had to take the flour the private miller or dealer supplied, since it is impracticable for a single individual to mill corn for his own use. Collectively, through a co-operative society, a group of individuals could supply themselves with flour, and so make themselves independent of the private miller. With its subsequent growth the co-operative movement has extended this possibility almost indefinitely, so that to-day the consumer, if he is dissatisfied with the supplies or prices of private

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traders, can supply himself with the products of spade husbandry. He may not avail himself of the opportunity, but the opportunity is there.

The importance of this alternative provision is as much indirect as direct. Even if the consumer buys from the private trader, he benefits from the existence of the co-operative provision, since the private trader has to allow for the existence of this alternative. Thus the co-operative provision acts as a continuous check upon him. It will be worth while to analyse the nature and operation of this check. Its importance in the past, we have suggested, was a check upon quality. To-day the general improvement in the quality of cheap supplies make this of less importance, though it is still an element in economic welfare of great importance that the poorer sections of consumers can satisfy the greater part of the whole range of their ordinary requirements with the assurance of getting satisfactory quality by buying from co-operative stores. This check is, however, less effective, because differences in quality can be obscured by superficial differences in making up, and consumers' demands can be influenced so much by suggestion in the form of advertisement. The check to-day, therefore, is of more importance in its influence upon price. The private trader is limited in what he can charge by the prices charged by co-operative societies. An exact comparison between co-operative and other prices is not possible, because there are differences in quality and make-up, and so much trade is in proprietary articles. In addition, there is the dividend to be

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deducted from the co-operative price before it is net and comparable; but the keen working-class buyer is quite capable of making the necessary allowances and confining her purchases from the private trader to the goods that he supplies more cheaply than the co-operative stores.

A wide divergence of prices is not to be expected, because co-operative and private traders alike draw on the same produce markets for raw materials, and the same labour market for labour. It is in the cost of distributing and, to a less extent, of working up the raw materials that divergencies may occur, and the check exercised by co-operative prices is most effective. The system of returning surplus receipts to customers in proportion to their purchases eliminates from co-operative prices the influence of casual profits due to transitory and fortuitous fluctuations in supply and demand. After allowing for dividend and calculating them net, they are cost prices in the sense of including only the necessary costs of supplying the goods, and only costs calculated on a large volume of turnover.

This check upon prices has a special importance to-day, because monopolistic advantages play such a large part in price fixing. Complete monopoly is rare, if not unknown; but restriction upon competition by large-scale advertising of particular brands, monopoly of processes or trade secrets, absorption of a trade by an amalgamation, or simply agreement among a few large-scale concerns is general; and, so far as it operates, enables the producer to exact a price from the

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consumer in excess of the amount needed to make it worth his while to continue producing. A large-scale co-operative movement can counter such a price policy by offering substitutes or identical supplies at prices that include no monopoly element. Not only in retail trade, but in industry generally, co-operative provision is always a possible means of counteracting monopoly.

There is a third way in which the check may be employed. Co-operative provision has generally followed private trade, offering the same or similar commodities as those which private trade has put on the market. But it is a common experience that private trade does not always offer exactly the commodities that the consumer wants. The private trader, interested as he may be in giving the public what the public wants, may misinterpret the public wishes, and, since there is no organised channel through which the public can voice its wishes and complaints to producers, may go on producing what the public does not exactly want. A co-operative society, being an organisation of consumers, does offer such an organised channel for the expression of the consumers' exact wants. That the channel is little used does not alter the fact that it is there. It may be little used because, on the whole, the public gets what it wants without explicitly asking for it; but the fact that it is there is a check upon the adequacy of the provision made by private trade. The existence of a co-operative movement offers the consumer an alternative to private enterprise, not only if quality

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is defective or price excessive, but if its supplies are deficient in variety or in adaptation to the precise wants of the consumer.

Looked at in this way the co-operative movement, it will be seen, provides in its everyday working a practical and sufficiently precise answer to certain questions with which society finds itself faced in any attempt to judge the working of industry, and which it is difficult to answer. What is a fair price? The question arises every time a producer is criticised for the charges he makes for his products; yet there is no agreed objective standard by which the fairness of prices can be judged. It may be suggested that a price is fair if it is not greater than a co-operative society would charge, since a co-operative society is an association of price-payers organised for the purpose of supplying themselves. The standard is a rough and theoretically imperfect one, but it does enable some judgment to be made that is not based on purely personal predilections and idiosyncrasies.

Take the related question: What is "profiteering"? The statute of 1919 directed to preventing and penalising the offence was unable to define it, and most people who use the term could give no precise meaning of it if challenged. Again it may be suggested, that a profit is not unreasonable if it is earned after paying wages and other charges on the same scale as a well-organised co-operative movement, and charging equivalent prices. In practice a producer must be doing his work at a reasonable charge to society, if society could get it done by a

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co-operative society, and yet continues to patronise him. Since the most important service that the co-operative movement undertakes is that of wholesale and retail distribution, it is in relation to distribution that the standards it sets are most useful and most influential. There is a common tendency to criticise the distributor as an unnecessary link in the chain of production, or, if necessary, as exacting an unfair charge for his services. There is, of course, no valid ground for suggesting that the distributor's work is unnecessary; if it were not done by independent distributors it would still have to be done either by the antecedent agents commonly called "producers," as is done by manufacturers who retail their own products, or by the consumers themselves, as is done through the co-operative movement, and in either case it would have to be paid for. There is, however, a question whether the distributor always does his work as cheaply as he might, since, being a middleman, he is necessarily at times in a position to take advantage of exceptional need on the part either of the "producer" to realise his goods or of the consumer to secure supplies. Here the co-operative system supplies a good standard for judgment. Its experience and its charges establish the minimum cost that must be incurred for regular trade with average management if the work of distribution is to be done; the private middleman, who conducts his business on a smaller margin is not taking an "unfair" toll from the consumer if he keeps the difference between his and the co-operative price as

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a profit earned by differential efficiency. On the other hand the private trader who charges more than the co-operative society for his services is exploiting the public, in the sense of charging them a higher price than is necessary to ensure the services being performed.

Thus the overlapping and competition of co-operation and private trade is neither an accident nor a misfortune. It is sometimes pointed to as a criticism of both. If, it is agreed, co-operation were intrinsically the superior method, it would by now have superseded private trade over the whole of the field in which co-operation operates; or, alternatively, if private trade had the advantages claimed for it, the co-operative movement would have been killed. It does not occur to these critics that there may be room for both types of enterprise, and that the satisfactory functioning of each depends upon the co-existence and competition of the other. Neither has eliminated the other by its competition, but both are more efficient than they would be if this competition were not ever present.

The co-operative movement is an effective check upon private trade, just because it has extended over so large a part of the field of trade. It offers a complete—or, if not actually complete, a potentially complete—alternative source of supply for all the chief commodities of working-class consumption. Its scope is so wide that it can secure the supplies it buys on terms as favourable as the largest private distributors, and the volume of its trade is so great that

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it can undertake manufacture on an economical scale of a large part of the goods which it handles. It would be possible for an artisan to spend three-quarters of his wage regularly without going outside the movement; which means that the private trader has to regulate his prices by some reference to the co-operative movement over three-fourths of the custom of the chief class for whose custom they compete.

This extent and scale of the co-operative organisation is important for another reason. So far as it does not offer a complete alternative to private trade, it is capable of extension; that is why it was described as potentially complete. The supply of a new commodity or service does not involve the establishment necessarily of an organisation *ad hoc* from the beginning, but merely an extension of an existing organisation which already supplies a wide range of commodities on a large scale. Such extension is easy, because, as we saw, the movement has no difficulty in finding the necessary capital, and because it starts with the great advantage of an organised market. It follows that the actual influence of the movement over prices is even wider than the scope of its own production, since private traders may keep down prices of products it does not manufacture for fear that it should be tempted to undertake their manufacture. And its potential influence is wider still, since its organisation could be extended to supplying any commodity that enters into the regular consumption of its members.

The co-operative movement did not attain this

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great scale and pervasive influence in a day. It is possible to maintain and extend it, only because the founders of the movement had the ability, persistence, and courage to overcome enormous initial obstacles, offered by the opposition of private interests and the poverty and apathy of the workers for whose benefit the new movement was designed, to which there is no parallel to-day. The magnitude of their achievement is not less, but greater, because it took a form they did not intend. They aimed at a self-supporting colony, in which the members should supply themselves, and so at eliminating all payments that did not represent a reasonable remuneration for service rendered. What they achieved was a society potentially self-supporting, though not by employing the labour of its own members exclusively, which, because it is potentially self-supporting, compels private traders to limit their charges to a reasonable remuneration for necessary services. The Owenite pioneers looked to separating co-operators out from ordinary industry and segregating them in communities of their own. The actual development of the stores, by leaving co-operators in industry, has raised the standards of industry generally. The co-operative provision of goods is likely to grow, but its very influence in disciplining and checking anti-social tendencies in private trading has strengthened the latter, and made its supersession unnecessary.

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### IV.

It remains, in conclusion, to examine the conditions that must be satisfied if this relation between co-operation and private industry, by which in part they supplement and in part they regulate and check each other, is likely to persist. In the first place it is necessary, if co-operative prices and costs are to serve as a standard of fairness and reasonableness, that co-operative and private enterprise should be subject to the same or similar conditions of wages and other expenses. If private traders are able to pay lower wages for equivalent work, or to provide inferior conditions, they enjoy an advantage over the co-operative movement that invalidates any comparison of efficiency or costs. The effective enforcement of uniform and standard rates and conditions by trade unions or the State is therefore required. Similarly, the co-operative movement is handicapped if it is required to pay rates above such minimum standards while its competitors are not so required. Co-operators may be willing to pay such higher rates, but in that case they must expect to pay higher prices.

In the second place, the check or regulation must be mutual. Just as co-operation prevents private traders from making excessive charges by its competition, so private trade by its competition compels the co-operative movement to maintain a certain level of efficiency. Co-operation has a special usefulness as a check on monopoly, but would it offer any assurance of efficiency and reasonable price if it permanently enjoyed complete possession of the field? It is the

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possibility of comparison, of turning from one source of supply to an alternative source, that constitutes the protection of the consumer. He maintains the co-operative movement as a check on the private trader, but private trade would expand at the expense of the co-operative movement if the latter could not maintain its competitive efficiency.

This liability to competition and the complete dependence of the movement upon its own resources to maintain its position are advantages which co-operation has over public or State enterprise. There are important similarities between the two forms of enterprise. In providing gas or electricity a city corporation is supplying its own ratepayers, who elect the corporation and benefit by its successful activity. A municipal gas supply, therefore, is a special case of consumers' co-operation. Similarly a nationalised railway system would be a system controlled, through Parliament, by the railway users, since every citizen is a railway user; and the nationalisation of the coal-mining industry, except for the important exception of export industry, would put the formal control of the industry into the hands of the coal consumers. But a public enterprise is not under the same pressing necessity to keep down its costs and to maintain its efficiency that a co-operative society is, since it can maintain itself by means that are not open to the latter. It can exclude all competition by taking a statutory monopoly of any service it engages in, so the consumer has no alternative except to pay the State's price or dispense with the service, and it

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can compel contributions to the cost of running the service by means of taxation. Since all opportunities of direct comparison are thus excluded, it is not possible to say whether a public service is economically conducted or not, and it will not necessarily cease even if it is uneconomically conducted. A private concern or a co-operative society must in the long run attain an average efficiency of management, or it will succumb to competition or end in bankruptcy. Where monopoly is essential to technical efficiency, as in the case of most public activities, some form of public operation is not only permissible, since competition is thus then out of the question, but desirable in order to prevent any private exploitation of the monopoly. But even in this class of case it would probably be conducive to efficient operation if the control were reorganised on co-operative lines, and exercised not through councils and Parliament, elected primarily for other purposes and heavily overburdened with other duties, but by special statutory authorities representative in part, at any rate, of the consumers.

The co-operative movement is a branch of private enterprise, arising spontaneously from a felt need, owing nothing to statutory monopoly or privilege, and compelled to justify its existence by economic efficiency, like any other unsubsidised and unprivileged undertaking. Were it otherwise its achievements would be less remarkable, and its usefulness as an alternative to and check upon ordinary commercial enterprise negligible.

A third condition, and one that is far from

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completely satisfied, is that consumers should show sufficient intelligence and energy to avail themselves of the check upon private commercial enterprise afforded by co-operative services. Commercial success can sometimes be secured not only by efficient service, but also by taking advantage of the ignorance, apathy, and financial straits of large masses of the people. The co-operative stores may offer a superior article at a lower price (allowing for dividend), and yet fail to sell it, because the consumer is misled by advertisement, or too apathetic to make the necessary comparison, or so much in debt that he can exercise no freedom of choice. A part of the economies of co-operation is lost in advertisement, to which the societies are compelled in self-defence; and the old-standing rule against sales on credit has latterly been relaxed, not illegitimately, in order to secure custom that cannot be held on any other terms. Where there is no excuse in ignorance or financial straits, apathy leads consumers to put up with supplies or services which they know to be unnecessarily expensive or unsatisfactory, rather than take the trouble to organise a co-operative supply.

It is not, however, possible by any organisation to relieve people of the responsibility for their own actions or inaction. The co-operative movement is there, an independent source of most of the supplies on which most people wish to draw, owned and controlled by consumers in their own interests, and already so extensive and so rich in resources that it can be extended to meet new needs with little trouble.

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If, then, consumers are dissatisfied with the provision that private enterprise makes for them, they have their remedy; if they do not take it, they are then entitled to make no complaint. If, for example, the householder complains that the coal distributor's charges are excessive, he can buy his coal from a co-operative society, and so automatically eliminate any unnecessary profit on the transaction; if he will not do so, he has only himself to blame if he pays more than is necessary. Or, if he complains that the spread between wholesale and retail prices on any other commodity is excessive, he has the same remedy and the same responsibility, even if he neglects taking it.

Private traders, in these days of criticism of private enterprise, have reason to bless the co-operative movement, since it offers to social reformers an alternative, which interferes with the legitimate activities of private enterprise much less than public enterprise would do. It leaves them free to make what profit they can by the exercise of initiative in exploiting new inventions, new processes, new wants, or by organising ability in providing for old wants by standardised methods. At the same time it challenges reformers to demonstrate that collectivist provision would be superior, by providing a collectivist organisation which anyone can join and anyone assist in managing. The founders of the co-operative movement were Socialists. They did not, however, seek to effect the reforms and attain the ideal they set before themselves by political agitation and State action. The State of that time was unsympathetic and

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inefficient; the co-operators were without the franchise, and could exercise little influence upon it. But it is, perhaps, not altogether to be regretted that they had not formed the habit of looking to the Government to do everything for them, and were forced, if they wanted something done, to do it for themselves. They were led thereby to devise a form of association that is held together not by compulsion, but by voluntary loyalty, and that depends for its continuance not on the legislative coercion and taxation of its members, but solely on the efficiency with which, in open competition with equally free private enterprise, it conducts its business.

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APPENDIX.

Tables illustrating the Growth of the Consumers' Co-operative Movement in the United Kingdom.

TABLE I.

TOTAL FIGURES OF MEMBERSHIP AND SALES AS PUBLISHED BY THE CO-OPERATIVE UNION.

Year.	Total Membership (in Thousands).	Aggregate Sales. £'000.
1901.....	1,793	52,761
1911.....	2,640	74,802
1914.....	3,654	87,964
1919.....	4,131	198,930
1920.....	4,505	254,158
1921.....	4,549	218,780
1922.....	4,519	169,582
1923.....	4,569	165,490
1924.....	4,703	175,078
1925.....	4,911	183,584
1926.....	5,187	184,880
1927.....	5,579	199,925

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TABLE II.

FIGURES SHOWING THE VALUE OF THE AGGREGATE SALES CORRECTED FOR CHANGES IN THE PURCHASING POWER OF MONEY.

Year.	Index of Retail Prices of Food, Fuel, and Clothing (based upon Ministry of Labour Statistics), 1914=100.	Aggregate Sales adjusted to level of Prices ruling in 1914. £'000.	True Comparisons per £100 on the basis of 1914=100.
1901.....	90	58,623	66
1911.....	97	77,115	87
1914.....	100	87,964	100
1919.....	238	83,584	95
1920.....	276	92,086	104
1921.....	242	90,405	102
1922.....	188	90,203	102
1923.....	178	92,972	105
1924.....	180	97,265	110
1925.....	181	101,428	115
1926.....	177	104,452	118
1927.....	170	117,603	133

SELF AND SOCIETY .

# Ought We to Save?

by Sir George Paish .

*Author of "The Road to Prosperity,"  
"Savings and the Social Welfare," "Capital  
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# Ought We to Save?

## I.

### The New Economic World.

IS it still necessary to save in these days when, by insurance contributions, we are all providing against ill-health, unemployment, old age, and other misfortunes? The answer to this question lies in another question. Do we wish to create that new world about which so much was heard a few years ago, but which since then has been almost forgotten, or do we wish to go muddling along in the old way with some good times but with much poverty and distress?

If we desire a new world, in which every newcomer has a chance of making good, we must do what always needs to be done when we plan to make things. We must, first, give a great deal of thought to it so as to obtain a mental vision of the kind of thing we wish for, whether it be a rabbit hutch, a dog kennel, a wireless set, or a house.

Of course the sceptic will at once ask: Is a new world physically possible? Can everyone enjoy the good things of life? Is it not impossible for more than a few people to have all they need and to spare?

These are very reasonable questions, and must be answered. Is it physically possible to create enough of the good things of life that everyone can be supplied with them? Can poverty be eliminated even from this country?

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One has only to look around in order to realise that poverty does not arise from any deficiency of *power* to produce everything needed for the maintenance in comfort of the people of this and of every other land. It comes from a deficiency of *will* to produce. Nature has been not only generous but prodigal in the wealth it has placed at the disposal of the peoples of all countries. But the necessary measures must be taken and the requisite will power must be exerted if this great supply of natural wealth is to be utilised.

In olden times it was not known how rich this world was in natural resources. People then imagined that the amount of both actual and potential wealth was limited, and that if one man or one family had more, other people had less.

In these days, however, we know much more about the world than they did even a short time ago, and can now form a much better idea of the inexhaustible supply of natural wealth it contains. And with this knowledge has come a greater desire to enjoy it.

Indeed, one of the most hopeful signs of the new world is the increased desire for a higher standard of life, not only of the people of the young countries such as America, Canada, Australia, and Argentina, who are never content with the fortunes they accumulate, whether large or small, and of the British people who, next to the American and colonial peoples, are always seeking to better their condition, but of the people of every country in Europe and particularly of Russia, where hitherto the lot of the masses has been a very

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hard one, as well as of the peoples of India and of China. All over the world there is a "divine" discontent.

Undoubtedly this has come about in one way or another from the realisation that poverty is not inevitable; that it is not preordained and therefore to be meekly borne, but that so far as nature is concerned it has no justification and that the distress of recent growth as well as of long standing is quite unnecessary, provided essential things are done to permit the world's immense natural riches to be placed at the service of the people of all nations. Not only are these things now known as a matter of theory but as a fact.

Of course, before there were any railroads or steamboats, or motor-cars, or aeroplanes, the amount of available natural wealth was small, for the quantity was limited by the difficulties of transport, which made it impossible to carry other than very small consignments for any great distance. Therefore, people had to live mainly upon what they and their immediate neighbours could grow and make for themselves in a restricted area. But all that is changed. Now there are hundreds of thousands of miles of railways stretching throughout the world, a vast fleet of steamboats, as well as tens of millions of motor-cars, and a rapidly increasing number of aeroplanes. Therefore, produce can be carried at extraordinarily low cost from the ends of the earth for the use of everyone in every country. Moreover, for correspondence purposes, distance, which used to present such great

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obstacles even to the conveyance of letters, has been completely annihilated by the telephone and the telegraph.

Thus the nations are linked together as never before into one great family, each one contributing to the needs of the others, and the natural riches of the entire world have become available for improving the standard of life in all countries.

Already the change in world conditions is extraordinarily great. Whereas, until this new world began to be made, each country had to rely almost entirely upon its own productions for the support of its people, now the matter of the greatest moment is not the local supply of the things needed, but the world's supply. To-day the world's crop of wheat governs the price of bread and gives everyone what they need; not, as it used to be, the local supply, which might not be adequate and which not infrequently involved famine or famine prices.

Then, formerly, people had to be most careful of their clothing, as they depended almost entirely upon the flocks of their own district or country to provide them with the wool they needed, but now they are able to get wool, cotton, silk, and artificial silk from wherever these, or their raw material, can be grown in the world. As a result, clothing is infinitely more plentiful and easier to obtain.

Even with houses, nations to-day have not to rely solely upon their own supplies of building materials in the way they had to even a short time ago, but are able to draw supplies from the countries which have

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the best means of producing them, however distant they may be.

And so with everything else, it is world production and not merely national production that determines supply and which makes everything so much more plentiful and easier to obtain.

Thus a very great change in the standard of life has taken place already. In the old world it was difficult to supply additional people even with adequate food, clothing, and housing, let alone with education and recreation, and population was kept down by a high death-rate to the level of the capacity to support it. In the new world, production has grown twice as fast as the increase in the number of people and is now more than six times greater than it was a century ago.

## II.

### Why Not a Richer World?

Nevertheless, poverty is still widespread, and, if it is to disappear, the work so well begun must be continued. The foundations of the new world have been laid well and strongly, but the structure of universal well-being, in which there is no poverty either in this or in other countries, has yet to be erected. What has been accomplished since the days when famine and distress brought revolution to a country as rich as France enables us to realise in some measure the further improvement that will come when the natural resources of every country are much more fully developed than they are to-day, and when each

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nation freely exchanges its products for those of other nations, so that there is neither the hindrance to production, which the lack of transport imposed in the old days, nor the hindrance to distribution, which high tariff and artificial barriers create in these days. The new world, with abundant supplies of natural wealth, must consist of free people working willingly and happily to produce and to exchange, without impediment, all that is needed for the sustenance and enjoyment of all nations.

Many centuries ago people dreamed of a new world, but their knowledge was confined to a limited area, and it was towards the spiritual and mental well-being of mankind for which they laboured rather than towards its material enrichment. It was then regarded as impossible to raise the standard of life in material things above a very low level, and people who wished well to their fellows sought to consume as little as possible of the very moderate supply of the available food and materials in order that others might have more. Indeed, it has been only within the last hundred years in which the whole world has been opened up to development and settlement that it has become possible to visualise a new world in material things and to realise that it is possible to create conditions in which everyone will be above the poverty line.

To-day it is unnecessary to indicate the unlimited possibilities of production, for they are so obvious that no proof is called for. It is sufficient to know that the world is producing but a very small portion of the food, the textiles, the minerals, the wood and

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all the other things it is capable of producing. The raw materials are there for the getting, the problem is simply one of how to get them and how to make them useful in feeding, clothing, housing, educating, and amusing the world's present population more adequately, and its still greater population of the future.

At the present time we have most of the essentials to a very great improvement in well-being. First, natural wealth exists in limitless supply; second, it can be produced, transported and manufactured with unprecedented economy by means of highly efficient machinery; third, a great number of unemployed or partly employed are available to increase production.

Then what is the difficulty? Why do not production and consumption take a great leap forward? Why cannot the unemployed find work? Why is it more difficult to get employment to-day than it was before the war?

To give a complete answer to these questions would need a volume. There are, however, two main causes. One is that the nations are not willing to exchange their products with the freedom that makes for active trade and prosperity, or even with the freedom of pre-war days. The second and more difficult cause to overcome is lack of adequate savings. In other words the world to-day is not spending its income in a manner that will ensure the expansion of production and of trade and thus provide work for the unemployed and full work to the partly employed.

For one thing there has been a great redistribution

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of income. The war and its effects have brought increased well-being to a great many people in all parts of the world, but to others they have brought poverty or relative poverty. Many people who used to save are no longer able to save, while others who could save are unwilling to do so. Nations that before the war supplied other countries with the financial resources needed for their development, not only have no surplus savings, but require to borrow from others.

Europe, in pre-war days, was the great lending continent, and now, instead of lending, is borrowing.

This is a very serious matter, for the world still needs Europe's savings in order to expand its productive power and its trade. The gravity of this situation becomes evident when one remembers that in pre-war days all the young countries, and some old ones, too, relied upon Europe for funds to build railways, construct harbours, develop towns, create new farms, make new plantations, open up new mines of all kinds, sink oil wells, and generally to increase their wealth and income, and that in furnishing these funds Europe was able to sell far more of its own products and to give a greater amount of employment to its own people than otherwise it could have done. For lack of these funds, world development has been largely arrested ever since the Great War began in 1914. This work now requires to be taken in hand again without delay for the purpose of causing trade expansion, giving employment, and making provision for the world's future needs.

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In some measure the lack of savings in Europe has been made good by extra savings in the United States, and the willingness of the American people to supply other countries with funds. But the greater part of the sums supplied by America has been used to make war and to repair war damage. Had there been no war and had Europe used productively all the money it borrowed for the war, both at home and abroad, together with the money since spent upon repairing the damage, the expansion in productive power, in trade, and in employment would have placed the entire world upon a very high plane of prosperity.

### III.

#### **The Recovery of Lost Ground.**

Of course it is no use to think of the might-have-been. Clearly, war must be prevented in future if progress is to be made in solving the world's problem of poverty. What we have now to do is to recover the ground lost in the last fourteen years. Is the world making any such effort? On the contrary, it is spending its income with the utmost recklessness, as if the war had brought it a great fortune. It is not thinking of the future or of the unborn generations whose well-being depends upon what is now being done. Had our fathers and their fathers acted as we are acting to-day we should not have had the income we had before the war, or the income we possess to-day. Those great railways which stretch throughout our own land were not built without a great deal of self-denial. They cost over a thousand millions of

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pounds, and this money had to be saved in order to be invested. Nor could this country have been supplied with all the houses it possesses if people had not saved the money with which to build them. Nor could there be the factories in which so many are employed unless money had been saved with which to construct them. Moreover, the new lands that have been opened up to settlement could not have been supplied with railways, towns, harbours, farm buildings and machinery and all the equipment of modern life if the necessary funds had not been made available. The settlers for the most part had nothing to contribute but their labour. It is customary in these days to speak with scorn of the Victorians and of their old-fashioned ideas, and yet it is to them and their self-denial we are indebted for the world of to-day, with all its possibilities. It is to the provision they made for the future that we owe the opportunities for the wider life we now enjoy, and it is upon the foundations they constructed with so much care that we must build, if we, in our turn, are to make provision for our successors, as our fathers made provision for us.

Over a long period of years prior to the war other nations looked to this country for much of the capital they needed to develop their resources, and it was more particularly the money supplied by this country that did so much to open up the world to settlement and to development. In a very real sense the British people have created the modern world by their thrift and their enterprise.

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What makes the present situation so difficult is that Great Britain is to-day failing to furnish the world with the financial resources it needs so urgently in order to resume its development. America is, it is true, in some measure occupying Great Britain's place in supplying capital and credit to the nations, but America is not prepared to do the same kind of work that Great Britain did, and, even if she were, is now showing such signs of exhaustion that doubt is arising as to her ability to lend on anything like the scale of recent years. If it be borne in mind that in pre-war days, world trade was stimulated to the extent of hundreds of millions of pounds per annum by the capital supplied by Great Britain, France, and Germany, and that these three countries are on balance now supplying little or nothing, it will be realised that a very critical situation would arise if America were to stop lending before the European nations, and especially Great Britain, recovered their saving and lending power. Bad as the condition of employment is to-day in this country, then it would be infinitely worse.

Thus if saving is essential in order to provide the world with an ever-increasing amount of capital for the development of its immense natural resources and thus to raise the standard of life in all countries, it is urgently essential, in order to prevent a collapse in trade that must inevitably result from the failure of America, of Great Britain, and of France and Germany to supply the additional capital and credit for development purposes which America is now

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supplying and which Great Britain, France, and Germany supplied in pre-war days. Saving is, therefore, imperative, not only to ensure an expansion of production and of trade, and with it a higher standard of living in future years, but to prevent a great collapse of trade with increased unemployment and suffering at the present time. Thus, for practical reasons of immediate moment, it is highly necessary that savings should increase without delay, and, for reasons which affect the future well-being of this and of other nations, a much larger sum needs to be provided for the expansion of production and for increasing the means of distribution, in order to provide for the wants of the growing population of this and other countries. It is in the direction of a greatly increased supply of capital (savings) that there is hope of bringing about a great expansion of trade and of employment.

### IV.

#### **General Saving for General Benefit.**

Beyond these reasons for saving, there are others of a particular rather than of a general character. Everyone in these days desires to participate both in the growth of income which gives power to buy things more freely, and in the increase of wealth. Up to quite recent times, however, there was great difficulty in putting by savings against what might happen in the future. The bulk of the accumulations were made by landowners, or manufacturers, or

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merchants, or those whose professions brought them a substantial income, or well-to-do shopkeepers or farmers in a large way. In fact, by a very small percentage of the people of this and other countries. Wages were not high enough to permit of any large savings by the working classes, although abstemious and thrifty people did, to their very great credit, accumulate moderate sums out of small incomes. But for some time past the wages and salaries paid to large numbers of workers have been on a higher scale, and many more people now have it within their power to save, and thus to participate both in the growth of income and in the increase of wealth.

In the young countries, in particular, where profits, salaries, and wages are all relatively high, everyone is able to save substantial sums and thus participate in the expansion of wealth. In America, since the passage of the prohibition law, the increase in the savings of the working people has been quite extraordinary, and they now possess a substantial amount of the wealth of the country in the shape of houses, land, banking deposits, national, state, and municipal bonds, mortgages, debentures, and shares in companies and corporations of all kinds.

Over the greater part of continental Europe, unfortunately, profits, salaries, and real wages remain very low, in some countries lower than in pre-war days, and the power of the European nations to save is very small. It is true that money wages and salaries are higher in most countries, but this is due to what is known as depreciated currency, and the money

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received will not buy nearly as much as it used to do. Almost everyone is worse off than in pre-war days. Consequently, one cannot expect Europe to make even the contribution it made prior to the war to the supply of new wealth available for the expansion of world production and the increase of trade.

In this country, however, salaries and real wages are higher than in pre-war days, in a great many industries, although by no means in all. Here our money has been maintained on a gold basis, and there has not been anything like the rise in gold prices in Great Britain that there has been in currency prices in most of the European countries. Consequently, a large number of British people have much larger real incomes than they ever had.

There are, indeed, two classes of people in this country who are able to save much more than they are now doing; those that did very well out of the war and still possess the wealth they then accumulated, and those whose real profits, salaries, and wages are much higher than they were before the war. Perhaps one should add a third class, those who were able to and did save before the war and still can save, but who now live much more extravagantly in consequence of the general extravagance since the war. It is highly desirable for those people whose incomes permit them to save to realise that their present incomes cannot be maintained unless they are willing to assist in the work of supplying the resources needed to bring about a great expansion in world production and in world trade, and thus to find

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employment for the unemployed as well as for the yearly additions to the number needing employment. By so doing, they will not only enable their present incomes to be maintained and subsequently to increase further, but they will obtain that participation in the world's growing wealth to which their self-denial will justly entitle them.

In the past, wage-earners could make but a very small contribution to the wealth of the country by means of their savings, and, consequently, could not participate in the control of industry in the way those whose savings created the industries were entitled to share in its control. But now that their earnings are high enough in many cases to permit them to save, they can pull their weight both as wage-earners and as part owners of industry by contributing their savings to the expansion of industry, whether it be producing, transporting, or distributing.

There is, moreover, another aspect of the question. Civilisation has increased in proportion to the willingness of people to deny themselves immediate pleasure for ultimate gain. Acts of self-denial create not only people who deserve to live, but who can live. This is true both of nations and of individuals. Nations that deny themselves pleasures they might otherwise enjoy, in order to train and to educate as well as to improve the health of their citizens, make themselves great and enduring. And men and women who deny themselves in order to promote the welfare of their families and of their friends gain strength of character, and are thus able to overcome

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difficulties which destroy the self-indulgent and the weak.

Savings may be made for a multitude of purposes, but in these days when they are not put into a drawer or buried in the ground they all contribute to the general increase of wealth, whether they be made for short periods or for long; whether they be of large amount or of small. The desire to have healthy, well-nourished and well-educated families, living in well-designed, properly furnished and sanitary houses, together with the necessary income, cannot be satisfied without much thought and much previous self-denial, nor can proper provision be made for starting young people upon life, in a manner which gives hope of success, without much consideration and care in expending the family income. Nor can old age be looked forward to without anxiety unless provision for it has been made long years in advance. But is it not worth while to live well within one's means, if possible at all times, and especially as a young man or maiden and during one's early married life, if by so doing it ensures a home worth living in, a family worth living for, and a life worth the living ?

### V.

#### **The Problem for Britain.**

In pre-war days this country saved about £400 millions a year. The gross new savings were greater than this, but many people who had previously saved for one object or another used their savings for the purposes for which the savings had been accumulated.

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Thus a certain amount of capital was reconverted into income and spent as income. For instance, a very large sum of money was saved each year for insurance against death. When death came, this money was paid to the widow and helped to support the family while it was still young. As the money thus paid to the widow had been already devoted to house construction or railway extension, to some city improvement or to some other purpose, and had thus become fixed, it had to be paid out of the new savings of someone else. When this took place the asset created by the original sum saved became the asset for the new saving, and there was no net increase of saving or of wealth. The net amount of saving was the sum left over after those who wished to spend savings previously accumulated had spent them. Thus a considerable amount of the nation's new savings was needed to purchase the property of those who were living upon their capital. It is probable that the gross savings of the nation in pre-war days were in the neighbourhood of £500 millions per annum, while the net increase in the nation's wealth, as shown by the value of its houses, factories, farms, railways, foreign investments, &c., was about £400 millions per annum.

One of the difficulties of the present time is that many more people than ever before are living upon their old savings, and are thus preventing the new savings from increasing the wealth of the country and expanding productive power in the manner it otherwise would do. This is due in part to the

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extravagant habits which the country contracted as a result of the huge war expenditures, in part to the feeling of insecurity which exists, and in part to the enormous increase in taxation and the cost of living, which has made it impossible for many people to live after the manner they are accustomed to live without drawing upon their capital. In pre-war days it was regarded almost as a crime to live upon one's capital unless under very exceptional circumstances. To-day it seems to be regarded as a crime not to live beyond one's income. Hence the savings of those who still realise the importance and value of saving are being much more largely used than in pre-war days, to meet the expenditures of people who are living beyond their incomes and who need to realise capital or to borrow money in order to do so.

In consequence, old wealth is being transferred to new owners in greater measure than in pre-war days, instead of new wealth being created by the new savings. It is doubtful if the *money* saved to-day is as much as it was in pre-war days, in spite of the fact that its buying power is only about two-thirds of what it used to be. Thus, measured by real wealth and not by nominal values, the capital of the country is growing very slowly—indeed, much too slowly. In no small measure is this failure to save responsible for the exceptionally large number of people unable to find employment. When new savings are large and seeking investment, trade is active and employment plentiful; when they are small, trade is depressed and unemployment general.

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In pre-war days, about one-half of the country's net savings was invested abroad, mainly in opening up the new countries to settlement, in increasing the world's supply of foodstuffs and raw materials, and in thus creating new markets for British goods. To-day the nation is spending almost the whole of its savings at home, and no inconsiderable part of those savings is being devoted to the provision of luxuries.

In the ten years before the war, British investors, or, as they might be termed, British savers, supplied the money needed to build two new great trans-continental railways right across Canada, thus opening up the Canadian North-West to settlement and providing a great deal of employment, not only in Canada, but in Great Britain and in other countries. The whole of the money needed for this purpose was sent abroad by Great Britain in British goods of one kind and another, and materially contributed to the world's trade activity at that time. Again, British investors supplied large sums of money for the construction of railways in South America, more particularly in Argentina and Brazil, which created a great demand for British steel for rails and bridges, for locomotives, clothing of all kinds, and other goods. Large sums of capital were also supplied to Australasia, to various countries in Africa, to India, as well as to other lands, including the United States, which created a demand for British goods, employed British shipping, increased our sales of coal, and generally brought about active trade and good employment.

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At the same time that Great Britain was developing the natural resources of so many countries in this manner, France, Germany, Austria, Holland, Switzerland, and some of the other European countries were saving large sums and employing them in the development of Russia, the French, German, Dutch, and Belgian Colonies, and in other countries. Altogether, in pre-war days Europe, including Great Britain, was supplying capital to foreign and colonial countries to the extent of some £400 millions a year, and in the aggregate had supplied something like £8,000 millions for world development beyond the sums which the lending countries supplied to their own people. It was this money, together with that expended upon increasing the productive power of the "saving" countries themselves, that did so much to increase the well-being of the entire world.

Of these large sums Great Britain, in the years before the war, supplied nearly £200 millions a year to other countries, and in the aggregate had invested abroad some £4,000 millions. About one-half of this had been used for the construction of railways throughout the length and breadth of the world, but mainly in the Americas, in Australasia, and in India. All the railways of Canada were built with British money. Most of the great railways of the United States were built, in the first place, with capital supplied by this country. The greater part of the railways of Mexico, Brazil, Argentina, Chile, Peru, Uruguay, and other American countries were built with capital supplied by British investors, and are still owned by them.

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The railways of Australasia were built out of loans raised in the Mother Country. All the railways of India were built with British money, and their securities were included in the list of British Trustee investments. Moreover, many of the railways upon the Continent of Europe were in the first place built out of British savings, by British contractors, and even by British workmen. Thus the modern world which railways, steamboats, and the telegraph have created has been made possible largely through the savings of the British people.

But the provision of transport is but a small part of the work these savings have accomplished. They have been sent out to develop the world's natural wealth wherever it could be found. The farmers of America, Canada, Argentina, and Australasia were supplied with loans in order that they might develop ~~the~~ agricultural resources of those countries. Cotton planters in the United States and elsewhere were provided with working capital for planting, tending, and harvesting their crops. Coffee planters in Brazil looked to England to finance them; the Indian and Ceylon tea plantations were developed by British capital. Mines of every kind in all parts of the world were opened up and equipped by British investors. The rubber plantations of Southern Asia were created mainly by British companies; the oil of Russia, Rumania, Mexico, Persia, Burmah, and of other countries was tapped by means of the funds supplied by British investors; the nitrate deposits of Chile and Peru were placed at the service of the farmers

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of all countries by British capital. Indeed, the world's inexhaustible supplies of natural wealth, wherever found, were placed at the service of mankind in ever-increasing quantities, largely by the self-denial of the men and women of this country who made provision for their own and their family's future by living well within their incomes, and by taking the risks which all these investments involved.

But the war, with its destruction and absorption of capital, practically stopped this great work, and the disorganisation and extravagance which have resulted from the war have hitherto prevented its resumption on the scale required to meet the needs of the world's increasing population. Is it therefore a matter of surprise that, not only in this country, but in almost every country, there are to-day large numbers of unemployed ?

Instead of a stream of some £400 millions of money going out from Europe every year to develop the world's natural wealth, Europe, both during and since the war, has needed to borrow large sums from America in order, first, to make war, and afterwards to restore the devastations of the war and to reorganise its industries. It is true that Great Britain has not needed to borrow abroad since the war, but the amount of new capital she has had available for the work which is peculiarly hers—of opening up the world to settlement and developing its natural resources—has been very small, and much of the new capital she has accumulated has been diverted to Europe to repair its war damage and to supply it with new working capital.

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The question may be, and doubtless will be, asked: Why should British people be responsible in this way for world development and world progress? The answer is that these small islands, with their limited resources of everything but coal and man power, are not large enough to support their growing population—indeed, are not nearly large enough to support their existing dense population—unless the British people can sell enough of their products abroad to buy the food, raw materials, and semi-raw materials they need for their support, and that other countries will not be able to buy British products in sufficient volume unless they produce surplus quantities of those things they themselves are specially adapted to produce, and are willing to exchange them for British goods. It is difficult in these days to realise that at the beginning of the last century the total population of Great Britain was under ten and a half millions, that now it is over forty-four millions, and that for more than a century these additions to population have had to be supported by food and raw material imported from abroad. Unless Great Britain had made the necessary savings and had developed the world's productions, it would have been unable to feed, clothe, and house this rapidly increasing population. Great Britain's geographical limitations rendered such a policy inevitable. The alternative was the limitation of population by insufficient nourishment, if not by actual starvation. It was the manner in which the British people met their difficulties that made them the great nation they

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were in 1914. By their energy and self-denial they caused the world to produce and exchange the foodstuffs and materials they needed for their own support. They had to make the world productive and prosperous in order to be productive and prosperous themselves.

In a single century the world's productive power, mainly through the inventiveness and enterprise, coupled with the self-denial of the British people, showed a sixfold increase, and it was because of this increase that Great Britain was able to obtain for her people the foodstuffs and materials needed to support her increased population on a much higher level of well-being.

And the problem which Great Britain has had to face ever since her population has exceeded the number that could be supported by the limited quantity of food and raw material produced in her small area has still to be faced. Every increase in population in this country involves the purchase from other countries of more foodstuffs and more raw and semi-raw material. Unless the nations expand their productions of these essentials in sufficient quantity to meet the needs of their own growing populations, with a surplus over for Great Britain, as well as for other countries which cannot produce sufficient for themselves, how will it be possible for this country to support the annual additions to her population, or even her present population? The nations having the power to expand their productions of the necessities of life

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have not the capital with which to expand them, whereas highly developed and thickly populated countries can create this capital if they are willing to do so. And this country, with its dense population, has hitherto had both the power and the will to supply the capital essential to world development.

It has still the power to create the savings—another term for capital—for the expansion of the world's production of essentials. But has it the will? Is this generation equal in will power to the generations that supplied so much capital for the development of British and world production, and brought so much benefit both to themselves and to all nations in the long period which came to an end in 1914, or is it as inferior as its present lack of vision would seem to indicate? If it is not inferior, then it must face its problems as those which have gone before faced theirs, and meet them with equal determination and self-denial.

SELF AND SOCIETY

Parliament and the  
Consumer

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# Parliament and the Consumer

## I.

### How Parliament has Developed.

OUR British Parliament has long since become a model for other countries' representative systems, and the story of its evolution is a fascinating one, which it is not possible to trace here at length. The outstanding fact is, however, that even in the days when our country was familiar with the despotism of monarchs there was always a national assembly of some sort destined to have far-reaching effects upon the daily life of the people, their industry, trade, social welfare and outlook, and their international relationships. From the Witenagemot to the Great Council, and on by way of Magna Charta to the bicameral Parliament of later time, there was a continuous struggle, from which was evolved the representative system of Parliamentary government as we know it to-day.

Running through the whole of the conflicts which produced our Parliament, we may find two principles constantly to the fore and acted upon, viz., no taxation without representation, and territorial or district representation. Long before Magna Charta the

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King's officers dealt with financial matters by meeting the recognitors of the grand assize and deputies sent by the boroughs, and these may well be regarded as the forerunners of the county and borough members. This territorial representation was the basis of the De Montfort Parliament of 1265, in the election of which the sheriffs were required by writ to return two knights from each shire, two citizens from each city, and two burgesses from each borough.

Such territorial representation no doubt came spontaneously and conveniently, because originally each area was, to a very great extent, self-contained. This condition has, of course, largely passed away. The division of labour between town and town, between town and country, and between districts wide apart, has developed to such an extent that the old claim for territorial representation has really disappeared. The principle is still recognised, however, in county and borough representation, modified by considerations of population as a result of the fight during the last two centuries for electoral reform and the consequent wide extension of the franchise. With the allocation of seats in Parliament in some ratio to population as well as to territory, there has been some growth in the idea that a Member of Parliament is elected not so much as the representative of the particular interests of his constituency, but as a national representative of the general interests of the population as a whole.

Side by side with these electoral changes, however, there have been tremendous changes of another

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character as a result of the industrial revolution. With the growth of industry, commerce, and organised finance, Parliamentary discussions and legislation have been more and more concerned with these questions and with social issues arising from the same cause. Consequently, it is, perhaps, not to be wondered at that Parliament to-day is very largely composed of persons who, whilst nominally representing constituencies on a territorial and population basis, are, in fact, representative of the many and varied interests likely to be affected in the legislation of an industrial and commercial nation.

One of these interests has always been very well represented, namely, that of the land. This representation dates back to the times of the earliest Parliaments, when the feudal landowners were called together to act for their districts. Many members of the present House of Lords trace their descent back to the feudal barons, and, indeed, as adequately embody landed interests to-day as did their medieval ancestors. Moreover, this power of land ownership has been almost equally well served in the House of Commons, partly because of the subservience until recent times of the agricultural labourer to the local squire or lord of the manor and his politically minded sons and nephews.

The law, also, has been connected with Parliament and politics from the time of the earliest Parliaments. The various law societies and solicitors' societies have always included in their membership a number of

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Members of Parliament, and incidentally, it may be said, they have succeeded in making and keeping the profession of the law a "closed corporation." The law, perhaps more than any other profession, is represented in Parliament by young men ambitious for careers. Their names as Members of Parliament are brought into the public eye, and unpaid advocacy may lead to more lucrative employment. Many brilliant lawyers first made a name in Parliament, and some of our most famous statesmen, past and present, have at one time been engaged in some branch of the legal profession, sometimes, to their credit, surrendering golden fees for public service and the relatively modest income of a Minister of the Crown. Generally speaking, too, politics has some reward to give to lawyers in employment in Crown cases, and in such remunerative advancement as may be found in appointments as law officers of the Crown, or even the summit of all lawyers' ambition, the seat of the Lord Chancellor on the Woolsack.

There has always been a fairly strong representation in the House of Commons of the regular fighting services, but this becomes less marked as the number of Members with predominantly trading and financial interests increases. It is very much to be doubted whether the general public realise the extent to which this latter class of representation has grown. There are well over two hundred directors of public companies with seats in the House of Commons, these companies covering very wide powers in finance, banking, insurance, shipping, general manufacture,

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mining, and the like. If the figures of this class of representation are put another way there are between seven and eight hundred directorships of over six hundred companies held by Members of Parliament, and it is not uncommon in these days for a Member of Parliament, speaking in the House, to refer directly to the company which he represents as being interested in the matter before the House. In later years the growth of the political labour movement, based very largely upon the organised trade unions, has led to the inclusion in Parliament of a large number of Members who may be said to directly represent the interests of the trade unions. This was not accomplished without a great deal of agitation and strenuous political fighting; though that fight was first of all engendered through the natural revolt against the vicious prosecutions and sentences under the Combination Laws, and it was many years before the trade union movement adopted an open policy of sending direct representatives to Parliament. The socialist agitation, more especially that led by the late Keir Hardie, had a good deal to do with the change of attitude, and the legal decision in the Taff Vale case was of great influence in the large increase in the membership of the Labour Representation Committee, mainly based on trade unionism. The Osborne judgment of 1909 may be said to have been responsible for the miners' union joining the organisation for Labour representation, and the 1913 Trade Union Act made increasing representation of this character actually possible.

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From some points of view this representation of interests is not altogether without advantage. Not only is a considerable proportion of our modern legislation directly concerned with finance, industry, and commerce, but even legislation of a more general or social character must always fall to be examined from the point of view as to what the economic effect of such legislation will be upon our financial and trading position generally, and it is hardly to be wondered at in the circumstances that important business influences have sought direct power in Parliament from that point of view. Similarly, one can well understand that organised trade unions who have found themselves handicapped in their defence of labour by legislation and Government administration should desire to remedy that position by seeking equal representation in Parliament with the leaders of industry.

### II.

#### Sectional Interests and the Common Interest.

Careful consideration of the structure of society as it is to-day must inevitably lead to the conclusion that the largest interest of all to be considered and safeguarded is that of the people as consumers.

It is evident from a study of our English history that the consumers' interest was by no means overlooked in the Middle Ages. Our ancestors of that day regarded as essential an ample supply of pure food. Every town had its Assize of Bread and Ale, which

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fixed standards of quality, measures, and, in most cases, price, and there is a record that the Government of 1266 issued an Act which enforced the local assizes and fixed a general price.

In those days the view was held that there was a "just price" for commodities which would ensure an honest living to the producer, that you were not justified in compelling the people to pay more for necessities in time of scarcity, and that no commercial crimes equalled those of the forestaller and regrator. To corner or forestall the market by buying supplies before they reached it, or by purchasing large quantities to sell at a higher price (or regrating), was the last stage of commercial immorality (*Economic History of England—Waters*).

Salzmann, in the *English Industries of the Middle Ages*, says: "The economist of that period had not grasped the fact that cleverness shown in buying an article cheap and selling the same thing, without any further expenditure of labour, dear, if done on a sufficiently large scale, justifies the bestowal of the honour of knighthood or a peerage." This sarcasm illustrates that there is a fairly widespread belief that the interest of the people as consumers is not nearly as well recognised relatively in the present generation as in the days of the Middle Ages. It may well be that, in the tremendous increase in the number of separate industrial and financial problems which are now dealt with by our Parliament and Government institutions, the consumer has come to be overlooked because of the general nature of his case.

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Discussions in Parliament tend to centre round the particular interest or the particular section of the community in respect of which for the time being legislation is proposed. Moreover, generally speaking, the present-day conception of society, with its system of production for private profit and its lack of any organised or scientific attempt to relate consumption to production, has resulted in the continuous neglect of the consumer.

The condition of the working class since the industrial revolution has given general concern to large numbers of people of goodwill, but, in the main, the efforts to improve that condition have been along the line of raising the economic position of groups of producers, as such, rather than organising general and continuous reforms which would improve the *real* purchasing power of the working-class consumers as a whole. Thus we see, side by side with the growth of the co-operative consumers' movement in the nineteenth century, a great deal of special energy devoted to creating varied and diverse co-operative associations of producers. Nevertheless, it may be said that all these efforts, including the quite modern guild movement, have failed, with the exception of those associations of producers which have moved to direct association with organised consumers. Most valuable work, of course, has been done by trade unions to protect the general standard of living of the worker, but, because of the fact that the interest of the consumer has been so universally overlooked, the improvements secured by organised producers have

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very largely been swallowed up by increased prices. There has been set up a vicious circle, in which increased monetary wages are always pursuing, but rarely overtaking, general prices to the consumer. Gradual recognition of this feature of our industrial and social life was undoubtedly a factor in the movement of organised labour into the political arena.

We thus have represented in Parliament the landlord, the lawyer, the regular fighting services, the financier, the industrialist, and the organised producers. All these representatives, while public-spirited probably above the average, naturally are not blind to particular interests with which they are definitely connected.

In January, 1922, *Public Opinion* quoted Dean E. A. Burroughs as saying that "to-day it is the spirit of the section which is everywhere rampant again—the defiant fragment, claiming to act as if it were the whole." With the possible exception of the trade union representation, however (since the latter are so directly concerned with the purchasing power of wages and the housing and other conditions of the masses), these members can hardly be said ever conspicuously to stand for what is, after all, the widest interest in the State, namely, the general interests of the people as consumers. Even in the case of trade union representation it is only natural that the direct claims of the particular industry covered by a trade union looms much larger in the vision of its representatives than the much wider and general and diffused affairs of the consumer as a whole. It would

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be very unfair to say that the Members of Parliament who are connected with any of these large interests never have the public good in view, but it is to be feared that when their particular and special branch of business is under discussion their vision of the public welfare is inclined to fade out of sight until their immediate object has been attained. Perhaps no more potent example of this could be found than the attitude of the Parliament of 1918-1922 towards the Reports of the Committees which conducted certain investigations under the Central Profiteering Act, and to the exploitation of the consumers of the country during the period of the great war and the immediate post-war years. To have put the recommendations contained in these Reports into effect would have cut across so many interests which were directly represented in Parliament that nothing was done.

In recent years, however, the case of the consumer and his claim for consideration have been increasingly pressed upon the "powers that be." Profiteering and exploitation during the great war led to the setting up of a body known as the Consumers' Council, and since the war there has been such a clamour at the general neglect of the consumer's position that we have seen in succession the establishment of such bodies as the Royal Commission on Food Prices, the Food Council, the Departmental Committee on the Prices of Building Materials, and so on. The growing influence of the co-operative consumers' movement in the country has been a very considerable factor in this modern development.

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In common with the trade union movement, organised consumers were comparatively slow in recognising the value of political representation as a means of safeguarding their general interests and furthering their ideals. This tardiness probably arose from a number of causes. The industrial co-operative movement progressed quietly, almost unnoticed by economists, statesmen, and Government alike. Even in current books on the industrial system by prominent sociologists and economists the influence of this huge consumers' movement upon the lives of the people and upon the trade and prosperity of the country is still either overlooked or dismissed in a very short reference. Moreover, in its early years the consumers' movement did not arouse the same measure of hatred and persecution as that experienced by the trade union movement, because the established traders in the country regarded it with what might almost be described as contempt, but certainly with pitying tolerance. There were occasions when representations from the consumers' movement to Parliament were necessary, and these were made through individual Members of Parliament of various parties.

Towards the end of the nineteenth century, however, the widespread growth of the consumers' movement and its encroachment upon the field of trade formerly completely held by private interests resulted in such active political opposition that in 1902 the Joint Parliamentary Committee of the Co-operative Congress was instituted for defending its general interests. Their experiences at the hands of Parliament and

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Government departments led to continuous agitation for direct representation, which, however, did not materialise until the organised consumers were brought up against the effect of the entrenchment of trading interests in Parliament as against the interest of the consumer. In 1917 a decision was made at the Co-operative Congress that year to seek direct representation of the consumer in Parliament, and even before any election had transpired this decision led to success in the substantial amelioration of the special difficulties and hardships encountered by the organised consumers' movement in the last years of the war. One representative was secured at the general election of 1918, and further successes were registered, such as the amendment of the Finance Act applying Corporation Profits Tax to the mutual surpluses accruing from co-operative association, and in the passing of the Sale of Tea (Net Weight) Act, which saves some millions a year to the consumers of tea. In 1922 four co-operative members were returned, in 1923 six, and in 1924 five.

That increased representation secured in Parliament up to the present time, coupled with the support of the increased Labour Party (most of whose members in the House of Commons are members of the co-operative consumers' movement), has secured a number of further successes too numerous to mention here, but including drastic amendment in the industrial assurance law, increased representation of the consumers upon Government bodies and commissions, and so on. Even where the objective

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has not always been reached, the case of the consumer and his general defence has been stated with a persistence and an influence not known before. This actual representation in Parliament of the organised consumer for the first time is a much bigger event in the political history of this country than has yet perhaps been realised. The co-operative consumers' movement is itself expressive of the revolt of the consumer against the exploitation of the community by sectional interests, and that it should, after decades of declared neutrality in politics, have taken its stand in the political arena with the object of obtaining Parliamentary representation indicates that a very important section of the community recognises that the general interests of the public have not been properly safeguarded in our national legislation and administration in the past.

### III.

#### **Trusts and the Consumer: A New Situation.**

We have stated that the British Parliament has become a model for other countries' representative systems, and in this country it is true to say that from the sixteenth century there has been a faith in Parliament as an organ of democracy which has deepened with the establishment of a constitutional monarchy and the slow but now full extension of the franchise. In other countries, however, since the war there has been a reaction of a really profound character, resulting in the setting up of more or less

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complete dictatorships, such as those to be found in Italy, Spain, Turkey, Hungary, Yugo-Slavia, &c. There has been some reflex of this position in our own country, and it is common to hear the statement to-day that "democracy and Parliament as the organ of democracy are upon trial." Nothing is more likely to widen and strengthen reaction against Parliamentary institutions than any growth of public opinion that our representative assembly is being used by vested interests for their own advancement and to the detriment of the public weal. Yet there are very grave dangers indeed in any form of dictatorship, even if it assumes to be of a benevolent character. There is a tremendous need at this juncture for educating the people generally and Parliament itself as to the necessity, if democracy is to survive, of submerging particular interests in the general communal good.

The education of the public in this matter must, of course, depend very largely upon the Press, and it is not reassuring to find that large sections of the Press have been acquired in syndicated form by important groups covering other businesses and industries which have their own interests and their own advancement to secure by means of Parliamentary action. The independence and freedom of the Press, traditional to us, have become seriously endangered, though (happily) not yet completely destroyed. It is distressing to find the syndicated ownership of newspapers revealing itself in inspired unanimity of opinion, carried out as much by way of mass production as any modern industrial products. Taken in conjunction

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with the modern tendency to large-scale industrial amalgamations and trustification, with direct representation in Parliament, this may well lead to the destruction of what might almost be called the ancient faith of the British people in our democratic institutions, and might facilitate the establishment of some form of dictatorship, in which the rigid censorship of the Press would make it difficult to re-establish the rights of a free democracy. It would seem, therefore, to be of the utmost importance to recognise the urgent need of the provision of a Press which is not under the heel of sectional interests, and one that can be relied upon to defend the consuming community and continuously to inculcate the desire for, and the will to secure, a democracy with Governmental institutions established upon the firm foundation of the common rights of the people.

If any of us are tempted to doubt the truth of these suggestions, let us remember that defects do not at any time arise without adequate cause. The phenomenal growth of the co-operative consumers' movement and the increasing extent to which the consumers' case is being brought to the fore are really the effect of the recognition of the danger to the consuming community of the enormous development of the power in the political, as well as the industrial and financial, sphere of the trust, the combine, and the cartel. A Report of the Committee on Trusts, issued by the Ministry of Reconstruction in 1919, contained abundant evidence that the growth of the trust and combine was so rapid that it might within no distant period

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exercise a paramount control over all important branches of British trade. The Committee was satisfied that considerable mistrust with regard to the activities of these combines existed in the public mind, and that the effect of such mistrust might be equally hurtful to political and social stability; whilst a minority addendum to the Report declared that capitalist combination now loads in varying degrees the price of practically everything that we purchase, with the result that the consumer cannot be sure that he is charged no more than is required to defray the costs of production and distribution, whilst the wage-earner cannot be convinced that any reduction in expenses which may be effected by labour-saving machinery or other improvements will be reflected in a falling price to the consumers.

This marked tendency to combination and monopoly is of grave import. Monopolies, unless they are publicly owned, rarely prove to be benevolent. At present we have a real bulwark against the possible evil effects of such monopolies, through such trading alternatives as exist by means of the co-operative organisation of consumers, with the possibility, through their increasing activities and developing capitalisation, of providing other means of supply: But it has been made plain, since the point of view of the consumer in these matters has become articulate in Parliament, that there is little hope of any effective Government action to deal with the growing menace of monopolies unless there is increased representation of the consumer in our legislative assembly. Whilst

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we have placed in a prominent position this question of controlling the power of combines and monopolies, the recent trend of events has reinforced the claim for consumers' representation in numerous directions. The growth of the trust and the combine has up till recent years been more marked in other countries than in Great Britain, and has usually been accompanied by protection of their monopoly, as far as possible, through the imposition of high Customs tariffs. It is significant to observe that the development of trade combinations in this country was largely fostered by the artificial restrictions caused by the great war, and that since the war there has been a continuous agitation for the imposition of such tariffs on imported goods as would be likely to bolster up the monopoly of the combinations. The agitation has not been altogether without success, as may be seen from the re-imposition of the war-time duties commonly referred to as the "McKenna Duties," and the gradual extension of import taxes at the high rate of 33½ per cent under the procedure known as "Safeguarding of Industries." In fact, in a country which in relation to its population has won for itself in the world of trade and commerce a pre-eminent position on the basis of free trade, we are now in immediate danger of being subordinated to what would amount to a general tariff.

It is in dealing with such a situation as this that the position of the consumer becomes so important. If every nation could be completely self-contained in production and distribution of the requirements of

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the whole of the community, there might be a case for protective taxation to conserve the standards of life obtained in such a self-contained community; but with the growing division of labour between country and country and the corresponding interdependence of the nations, such a policy is bound to react to the detriment of the consumer. Moreover, a protective fiscal policy must inevitably, in the long run, mean an unfair incidence in the taxation of the subject. Where large portions of the revenue of the State are raised from indirect taxation collected at the time of the purchase of commodities, the old-established principle that taxation should be levied in relation to the ability to pay is bound to be violated; and the gradual but persistent increase in the percentage of our national revenue raised from indirect taxation in the last few years is yet another argument for the need for the extension of the representation of the consumer in Parliament. The old cry of "no taxation without representation" clearly becomes the legitimate watchword of consumers who are at present being mulcted every year in new impositions of taxation upon their daily needs.

### IV.

#### **The Safeguarding of the Consumer.**

Not the least of the causes of the modern agitation for representation of the consumer is the growing recognition of the necessity for State action in the direction of ensuring standards of purity in our food supplies and the establishment of principles of fair

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dealing. In this matter it is right to observe that substantial progress has been made. Legislation of the character of the Truck Acts, the Sale of Food and Drugs Acts, the Milk and Dairies Acts, and the Factories Acts are all indicative of the growth of public opinion; but, although if a British workman of a hundred years ago were to return and reflect upon the changes made since his day he would probably be amazed at the improvements which have taken place, there is still a tremendous amount to be done. Scientific medical research has resulted in the diagnosis of numerous diseases from which mankind suffers, and the establishment at least of some causes of these diseases as being due to foodstuffs and to food factors and habits which are clearly capable of remedy. The consumer in Parliament can and must in the future exercise an important and beneficial influence upon national policy designed to expedite and consolidate the necessary remedial action.

It is, too, of importance that the consumer should establish even more firmly than at present in law the principle laid down in the rules of the Woolwich Co-operative and Provident Society, as far back as 1851, in the plain words "of honesty and fair dealing."

The case of the consumer is not, of course, confined to considerations of food and clothing, but extends to the wider considerations of general social amenities, e.g., it needs little stretch of imagination to realise that every one of the main social services is as capable of being exploited to the detriment of the consuming community as are such bare necessities of life as

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bread or footwear. The needs of the consumer expand with every generation. What was regarded as a luxury by our forebears two or three hundred years ago, comes to be recognised as a necessity in modern life for the maintenance of happiness and health. The advent of the industrial machine and mass production, the mechanical nature of the work of large sections of the population, and the roar and bustle of our streets and our transport systems, constitute a new and growing tax upon the physique and the nervous system of our people. Correctives are not luxuries, but necessities. It is no longer possible to maintain the standard of life of the working-class consumer under old housing conditions, and it is to be expected, therefore, that the organised consumer will make wider housing facilities at reasonable cost and general reform of housing regulations a prominent part of his programme.

It is equally necessary in these modern conditions of life that there should be really adequate provision for recreation. There has now been enormous development in this direction. Forty years ago there was but little opportunity for the mass of the industrial workers either to have the time or the organised opportunities for engaging in such common forms of recreation as football, cricket, tennis, bowls, swimming, and so on. Yet, now, all over the country, a network of open spaces, private and public, is available to at least a large section of the poorer classes of the population as well as the well-to-do. Still there is need of extension, as may be gathered from the agitation for still larger numbers of playing fields for school children,

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as well as for adult workers. It is equally important in the circumstances outlined above of our modern life that there should be ample opportunity for mental recreation as well as physical. No one could say that there has not been development in this direction, but it is largely along the line of more or less "catchy" forms of amusement, provided mainly for the purpose of enhancing the profits of the promoters. Some day the consumer will realise that these new needs of society are of such importance that they must be provided for real use and not for profit, and that with the growth of mass production and the possible shortening thereby of actual hours of industrial labour, the mental recreation of the people must include not only cheap amusement, but a real appreciation of the overwhelming importance of the right use of leisure, with a resultant development of intellectual culture.

And so the case of the consumer includes a demand for more adequate provision for recreation, and for the provision of more and more facilities for the education and mental development of the worker. Unless this object is accomplished there is grave danger in the future that we shall actually deteriorate in the arts and the crafts. Everything to-day seems to move along the lines of mass production. We take our pictures in that way, the wireless and the gramophone regale us with music good and bad, the drama comes to us in potted fashion over the ether, and the variety of our old handicrafts have been substituted by machine production. The one who sees the general

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consumers' case with all the vision that it contains of a larger and fuller life must be expected to be engaged in any agitation which will counteract this danger.

The care of the child, morally as well as physically, are obligations of the organised consumer, equally with the development of the education of the adult, and with all the progress in this country of education since 1870 there is a tremendous amount of leeway to be made up before we can be said to have arrived at the condition of things in which something like equality of opportunity is provided through a free and adequate system of education. It is to the eternal credit of the pioneers of consumers' co-operation in Rochdale eighty-five years ago that they included in their first programme a statement of their determination to deal with education as well as production and distribution. The organised consumers in Great Britain have followed the light in this direction, sometimes with more, sometimes with less, fervour, and it is significant to know that in the development of their agitation for political representation the educational advancement of the people, young and old, finds a prominent place.

One of the most important aspects of the demand of the consumer for political expression is reflected in his recognition of the necessity for removing the economic causes of international strife. The day in which wars between peoples and nations were brought about by the jealousies and the ambitions of monarchs has largely passed away, and for long it has been recognised that the principal causes of war are to be found

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in the desire to control the existing sources of supply and the potential production of food and raw materials, as well as of markets for the sale of the finished products of industry. Economic agreement between peoples is now regarded as essential before there can be any final pact of peace or outlawry of war, and the influence of the organised consumer in promoting this end is already being increasingly felt in international activities. The International Co-operative Alliance, for example, covering thirty-four national organisations, comprising a membership of 50,000,000 people, definitely works for the ideal of complete economic understanding and the direct exchange of goods and services between peoples without let or hindrance. It is significant that this international consumers' organisation is now recognised by the League of Nations, and is afforded the opportunity of conveying the consumers' contribution to discussions and negotiations for the peace of the world. In a society in which capitalist combination is so powerful politically, it is of fundamental importance that the consumers' view on these international questions should be adequately represented in the legislative councils of the nation, with whom final acceptance or rejection of peace proposals must rest.

Over a hundred years ago, in a report to the Glasgow authorities on unemployment, Robert Owen, the father of British co-operation, said:—

Men have not yet been trained in principles which will permit them to act in union, except to defend themselves or destroy others.

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For self-preservation they were early compelled to unite for these purposes in war.

A necessity, however, equally powerful will now compel men to be trained to act together to create and conserve, that in like manner they may preserve life in peace.

Nothing is so likely to lead to something like union of action for the general good, and for peace, as recognition of the common need of the community and indeed of nations as consumers.

This can clearly be seen from a study of reports of the various conferences which have been held on the subject of disarmament. Running through the whole of these reports can be seen the fear of each of the nations in conference that a move on their part to disarmament would place them in possible jeopardy with regard to supplies necessary to their people as consumers. The experience in the great war of neutral nations, as well as belligerents, brought to the fore once again the question of the freedom of the seas, and ultimately it is likely that the final and successful argument used in the solution of this problem will be the increasing interdependence of the consumers of the world upon each other, and the absolute necessity of preventing any single power or group of powers from interfering with their free interchange of services.

### V.

#### Consumers' Needs and Full Employment.

The recognition and advancement of the case of the consumer will be seen to cover the largest and widest interests of the whole community and, indeed, of the human race. Hitherto we have lived and moved and

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had our being in a society in which greed and self-interest, with comparatively small exception, have been ruling factors. The case of the consumers movement is that human need must come first. In the present order of things this is often the last consideration. Unless by some more or less radical process the case of the consumer can be made to triumph, the outlook is black indeed. It is now regarded only as a truism to say that the problems of production have very largely been solved, but we are only at the beginning of our grapplings with the problem of how to distribute according to human need the results of the abounding developments in production. Every year the potential powers of production per unit of human activity increase, but the needs of the consumer are so widely neglected, and so subordinated to sectional interests, that there is a continuous failure of consumption in relation to the increasing production. Indeed, in many industrial countries the increasing ease with which wealth is produced instead of being a means of raising the general standard of life and culture is, owing to the outstripping of consumption by production, regularly the cause of unemployment, with all the poverty and misery and even demoralisation which that entails. It is to be doubted whether any statesman could be found in any leading industrial country who would not admit that the greatest of his problems is how to secure an increase in the consumption of goods and services to the point of at least an approximate equation to the constant increase in the powers of production.

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This problem is now undoubtedly becoming recognised by the leaders of industry themselves. The tendency to capitalist combination during the last thirty or forty years has been speeded up, and we have added to the terms of "trust" and "combine" the new one of "rationalisation." The World Economic Conference held in association with the League of Nations at Geneva in May, 1927, defined rationalisation as:—

The methods of technique and organisation designed to secure the minimum waste of either effort or material. It includes the scientific organisation of labour, standardisation both of material and products, simplification of processes, and improvements in the system of transport and marketing.

But the origin of the term was in the German word, "rationalisierung," adopted as a description of the process followed in Germany during the war with the objects of rationing output to keep it within the limits of current market demands, and securing a simultaneous reduction in costs. Whilst it is early to pass judgment upon the results of rationalisation, there is sufficient evidence already to show that this process in the hands of the owners of capital will not meet the problem of unemployment, even though it may equate supply to demand in particular industries. The case of the consumer is that unemployment can only be solved by making supplies of goods and services available to all the population whose wants are not yet satisfied, and at a price which brings supplies within their reach. Rationalisation, so far as it has gone, provides little more than an opportunity

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for capitalists to save for themselves profits which are rapidly dwindling because production has outstripped consumption. The old outlook upon this question reveals a widespread belief that there is only a limited market for the product of labour and capital; yet, with masses of the world population remaining submerged below the poverty line, it must be apparent that there is at present no such limitation, except such as lies in the artificial and selfish limitations raised by mankind.

If the consumers' case is properly understood and recognised, and is given its place in the councils of nations, there is at least some hope that self-interest will be so subordinated and made serviceable to the common good, that demand may be maintained not merely in relation to existing production, but to increasing production, and with the satisfaction of this demand there may be produced races and peoples with higher standards of life and of culture, because they are based upon service instead of upon self.

### VI.

#### Women as Consumers and Voters.

The future of consumers' direct representation in Parliament, and also upon local government bodies in this country, will undoubtedly be very much affected by the extension of the franchise to women upon the basis of complete equality with men. The women of our nation, and more especially the women of the millions of working-class households, are essentially

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the domestic chancellors of the exchequer. The price of essentials as well as of comforts, the provision of abundant supplies covering alternatives to meet choice and taste, standards of purity, and health factors, are all matters in which women are likely specially to interest themselves, and in which their judgments will be of supreme importance.

Woman's interest in these matters is a common one. There are, of course, fairly large numbers of women, wives and daughters, with husbands or fathers whose incomes are such that whatever their womenfolk may desire or fancy can be obtained for them without considerations of expense. At the same time, quite apart from the millions of working-class women, there are millions more—who, for want of a better term, may be described as belonging to the "middle class," and whilst not facing the blast of poverty which meets some of their sex, nevertheless spend their lives in arranging, planning, and fitting in of things because they are subject to a fixed and limited income.

What looks to be a fair competence at the time of marriage often turns out to be an income of bare proportions only, when children arrive to be fed, clothed, educated and started in life, and, with such charges to be met, little opportunity is afforded for providing for old age.

To women in such circumstances there is bound to be an overwhelming interest in the problems of obtaining essential goods at reasonable prices. If this can be said with truth of the middle-class woman,

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how much more forcibly does it apply to the working-class woman? In thousands of cases there is not even a guaranteed income of the most limited amount, and every week sees a struggle to avoid running into debt. Supplies and prices are vital questions, therefore, to the great mass of our womenfolk with limited incomes, and on matters affecting purity of food and health generally, all the women, rich and poor, really should stand together. For example, some years ago in the richest suburbs of New York, epidemic disease was traced to certified milk for which well-to-do people had paid prices which would be prohibitive to the poor. The State took action by ordering *all* milk to be pasteurised, with wonderfully beneficial results to the infant population. In cases of this character the interests of women, rich and poor, are bound up in such a way as to bring new force and direction to efforts for reform by the organisation of their votes.

Woman has had a very long battle for her emancipation, and it is significant to remember that in the co-operative consumers' movement in this country she has always been given equality with men. The training that the co-operative woman member has obtained as to how Government activities, national and local, legislative and administrative, affect her home life and domestic welfare at every point will undoubtedly be of great value in pressing the claims for representation of the consumer in Parliament and upon local government bodies and for legislation in the communal interest. Success in this direction is

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probably much nearer than is generally recognised. Bishop Westcott wrote years ago that:—

When a great idea has grown familiar it is not far from accomplishment.

And when it is remembered that the votes of women will actually represent a majority of the electorate, it is not too much to hope that the representation of the consumer will be provided for from now onwards in such an increasing degree as has only previously been contemplated by the pioneers of consumers' co-operation. This, however, will not be achieved without a great deal of education and organisation, for the sectional interests referred to by Dean Burroughs are still rampant.

Emerson wrote, in his essay on politics years ago, that—

Great causes are never tried on their merits, but the case is reduced to particulars to suit the size of the partisans, and it is the case for the consumer that in the long run, the meeting of his needs provides the solution of most of the problems that beset humanity, and if this be the case the political interests of sections must give place to the good of the whole.

SELF AND SOCIETY

# The Nation and Its Food

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# The Nation and Its Food

## I.

### The Advent of Big Business.

IT has become fashionable lately for men of eminence in other callings to enter business, and, in so doing, to leave the work in which they have gained distinction—economics, science, law, civil service—and apply their gifts to the different, but often kindred and sometimes wider problems of trade and industry. Some of the consequences of this process may prove to be of serious social importance, but we have to recognise it as one of the significant facts of our times. It marks the frank abandonment of that silly pretence that there was something undignified about "trade" which has formed so substantial an ingredient of British snobbery in times past. The old story of the man who was found drowned, with a label tied round his neck, "Born to be a man; died a grocer," has ceased to have significance. It all depends upon the variety and extent of his grocery enterprises.

From the point of view of the business world this tendency to enlist men of conspicuous and proved ability is altogether to the good. If we are to be guided by the findings of some of the different Royal Commissions, or by the "reconstructions" that have been so prominent a feature in industry, there is

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clearly room for the exercise of a better quality of ability than had previously been employed.

The real reason, however, for this movement is probably to be found in the fact that business "at the top" is bigger than it was; it presents wider opportunities, more attractive possibilities, as well as greater monetary rewards, than formerly. These results necessarily accompany the great amalgamations of recent years. There are now, for instance, only five main railway systems instead of a great number. Single organisations are in control of the manufacture and marketing of many vital chemicals and raw materials, of many building and food materials; indeed the process has made such rapid progress lately that the list of commodities which the Committee on Trusts reported in 1918 as wholly or partially controlled would seem scrappy and insufficient to-day. The pace, also, is being accelerated; and the processes of control, by interlocking directorates, by financing corporations and otherwise, are becoming more intricate and powerful every day.

The extent and ease with which unification may be extended to manufacture, or to marketing, depends largely upon the character and the geographical disposition of the particular industry; but an almost invariable accompaniment of latter-day controls has been the institution of united selling agencies which have, to a great extent, eliminated competition between the ultimate retailers, and provided the individual customer with no alternative but to pay the price ordained.

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The process of consolidation, hitherto, has made little headway in the great industries of coal, iron, textiles, and agriculture; but in the case of coal we may certainly count on its rapid extension in the near future. The success of the recent anthracite merger, from the point of view of profit, is a significant illustration of what we may expect to be the method of approach. In the case of the scattered and highly individualistic industry of farming and food production, the possibility of producer amalgamations, even for the most clearly advantageous purposes, is intensely difficult, as many unsuccessful experiments have shown. Whilst, however, the vast number of scattered producer units in the case of agriculture make it difficult to obtain combination for the purpose of effecting improvements or economies in the process of production, the same difficulty does not apply to the increasingly centralised methods of marketing their supplies. In any event the multitude of producer units and the general community, as consumers, are those most vitally concerned in the conditions and rewards of the processes of production, as well as in the final cost of the articles supplied. Between these two sets of individuals of all sorts are the intermediate agencies of marketing, and it is these which lend themselves most readily to consolidation. This concentration of marketing lends itself almost as readily to the control of supplies and of price as does monopoly in the production of the raw materials themselves, in, for example, such cases as oil, nickel and other substances where the supplies are limited

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in their distribution, and where, consequently, by the purchase of concessions or otherwise, a corporation may be in the position of controlling a large part of the world's supplies.

So far, therefore, as the common necessities of life are concerned, the multitude of producers is represented by a limited number of markets, and the markets for overseas supplies are fewest of all in number but vastest in their operations, and those concerned are necessarily thrown closely together. It is a simple matter, therefore, for the Union Cold Storage Company to arrange a price with its American associates for beef imports from the Argentine. It is more difficult, but, as experience shows, quite a practicable matter, for an association of butchers to maintain a standard of retail prices out of all proportion to those realised by the farmer in the local markets. But it is immensely difficult for the farmers themselves to secure a greater share of the retail price.

The most obvious danger to the general community at the present time is the consolidation of these middle interests, independent of, and often detrimental to, the interests of the producers and consumers. The recognition of the dangers attendant upon combines, however, should not blind us to the fact that the danger lies, not in the combination itself, but in the nature and purpose of its operations. In most branches of industry, except agriculture, the individual has already given place to the company, and the company is giving place to the association, and in many ways it is desirable that it should. There is no

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justification for waste, wherever it occurs, or for a multiplicity of officers, directors, purchasing and transport arrangements, with their exaggerations of overhead charges. The coal trade, as displayed in the reports of three successive Royal Commissions, is perhaps the most conspicuous instance of this kind of waste, and we may expect that the advent of men of better training and wider vision into the direction of colliery amalgamations will effect economies not only in overhead charges, but, let us hope, promote the development of recovery plants and a wider application of science to the industry, with some abatement of the prodigality that has hitherto characterised the waste of this precious material. At the present time the jargon for this sensible and commonly recognised necessity is to style it "Rationalisation"; but, whatever the term employed may be, the fact is that such achievements can be obtained only by organisations acting on a big scale.

### II.

#### **Rationalisation in Practice.**

If the promotion of industrial efficiency and the avoidance of waste were the governing purposes of combinations, we might heartily support their development; but, unfortunately, human nature and the forces of cupidity have so far decreed quite otherwise. There are, of course, instances in which increased profits have been largely used, not only to improve equipment, but to increase wages, to give better conditions of employment, superannuation, and

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various amenities to those engaged in the industry; but we have only to compare the striking decline in wages of recent years, and the contemporary increase of the larger incomes, to see that, in bulk, at any rate, these agreeable exceptions do not sensibly affect the result.

The first consequence of increased profit, as a rule, is to add to share values, so that, whilst the *Bankers' Magazine* records an increase in value of £91,909,000 of specially listed securities during the first six months of 1928, there was a contemporary decrease in wages of an average of £105,000 per week, notwithstanding the previous prodigious wage decreases since 1921. The issue of bonus shares in addition to high dividends is unquestionably in most cases the first and most obvious result of high profits. Not so long ago, for instance, Marconi shares were purchasable at 10s., but at the time this is written\* they are quoted at 79s. This rise is chiefly attributable to the prospective new merger of cable and Marconi interests with the Post Office Beam system, and the likelihood that the shares formerly worth 10s. will be exchanged for three or four £1 shares in the new consolidated company. In other words, the capital holdings in these shares will be increased three or four times, and dividends will require to be earned upon them before either employees or customers will have any prospect of profit. It is a common enough story: the present plight of many cotton mills is the consequence of such past inflation. But the point here is that, however

\* March, 1929.

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necessary or desirable combination may often be from the point of view of industrial efficiency and economy, experience does not warrant us in expecting that the results accruing from combinations will be shared in any appreciable measure by the general community. Up to the present the consequences of combinations have been to add enormously to the wealth of a few, whilst the bulk of the community look on with increasing uneasiness, and often with unemployment and poverty added.

It is this ominous result of combinations that constitutes the danger. If the managers of some of our great combines would give more thought to the rightful share of the *labour capital* contributed by those who work for them, and assess a little less highly the importance of the *cash capital* of their shareholders and be less anxious to extract the uttermost penny out of their customers, they would find that the bulk of the people would not be disposed to grudge them a better profit. The exclusion of this distinct but vital consideration prompts one to welcome the advent in the direction of great enterprises of the new type of recruit. I do not doubt, for example, that that former great civil servant, Sir Josiah Stamp, coming into a prominent place in railway management, has had an important share in providing the more far-sighted policy in relation to their employees that has characterised the railways during recent years.

Apart, however, from the well-known combinations, the emergencies of the war brought about a much

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closer alliance between all sorts of selling agencies than had existence before. To a great extent these alliances have continued or become closer, with the result that there is a multitude of associations competent to maintain selling prices against the consumer, although the associations themselves may not be accompanied by any pooling of interests or common systems of working. No co-operative store, for instance, can sell a patent medicine, or other listed article, at less than the retail price decreed by the Proprietary Articles Traders' Association, although it may be willing to sell at a lower price and still able to obtain a fair profit. If they transgressed, however, the supplies of the listed articles would be stopped. Similarly, it appears, the Grocery Proprietary Articles Traders' Association is now attempting a like procedure. The Food Council has reported more than once of the powers of master bakers' associations to maintain the price of bread in different places at a price higher than was warranted, either by the cost of flour or by the cost of manufacture and distribution, with an allowance for a fair profit. Quite recently\* they reported the case of a baker selling bread at a penny a loaf less than the Newport Master Bakers' Association desired, and in which the association had induced the millers to withhold flour, although the Food Council reported that the baker in question was making a profit which they described as "amply remunerative." It would be difficult to imagine a better illustration of the operations of this kind of

\* October 29th, 1928.

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price understanding—even when the price association is quite of a loose character—than was afforded little more than a year ago, when good English wether mutton was sold in the local markets at about 4d. a pound, but it was quite unaccompanied by any fall in the average retail price. Price agreements have, in fact, now advanced so far in the case of most articles of common use and consumption that the ordinary consumer and most retail shopkeepers are quite helpless—whether it is the price of a box of matches, a pound of soda, a coal scuttle, or a pound of tea. The case of tea, perhaps, is as striking as any. There has been a fall in wholesale prices during the last year from an average for 1927-8 of one shilling and 9.62 pence per lb. to one shilling and 4.81 pence per lb. for the present year, but, except in the case of teas supplied by the Co-operative Wholesale Society and by a few more public-spirited private stores, there has been no fall in retail prices.

### III.

#### Commerce in Food.

The importance of these considerations, applied in bulk, lies in the fact that 60 per cent of the national income is spent on food,\* and this average includes the expenditure of those classes with whom food expenditure forms only a small proportion of their ordinary outgoings, so that the percentage with the mass of the people is higher still. Food prices, indeed,

\* Report of the Royal Commission on Food Prices, par. 9.

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are the dominating consideration in the average working-class family budget, and in this matter the consumer is unable to resist, because people cannot refuse to buy food. There is, indeed, no subject in the internal economy of the nation comparable to this in its magnitude.

The Royal Commission on Food Prices told us that the amount of money annually spent on food, drink, and tobacco was approximately £1,700,000,000, and that, out of this vast total, the sum of about £600,000,000 represented the cost of imported food-stuffs of all kinds at the port. With regard to the price paid to the home grower we are on much less firm ground, and the number and volume of the excellent Reports on this subject testify to its uncertainty. In the case of fruit and vegetables the market price is no indication of what the producer receives; indeed, we have been provided with many well-authenticated cases in which a grower may get next to nothing of the price realised at the wholesale market. Judging from the findings of the Linlithgow Report on the Distribution and Prices of Agricultural Produce, and from the valuable "Economic" series of Reports by the Board of Agriculture, it appears that the grower of fruit and vegetables rarely gets more than a third, and commonly less, of the price that the consumer pays.

Without burdening this pamphlet with unnecessary figures, it is certainly safe to say that the consumers of this country pay at least from £500,000,000 to £700,000,000 a year more for the food they consume

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than the price that the same food is sold for at the ports of importation or, on the wholesale markets. As to how much even a small figure in the price of a common commodity will contribute to swelling this huge total is revealed by the fact that the increase of a penny in the price of a quartern loaf augments the national bread bill by £10,000,000. The Board of Agriculture Reports on Markets and Fairs, the Linlithgow Report, and, indeed, every other report that has been made on this subject, all tell the same story. They reveal to us a marketing system which is an orgy of overlapping and waste. The multitude of traders' associations have not contributed to the abatement of this waste, so far as it affects the consumer; on the contrary, through the efficiency of their price "stabilisation" arrangements, they have helped to maintain it.

Here, then, there is a unique opportunity, as well as an urgent need, for organisation and combination designed to help the producer and the consumer, rather than to exploit their helplessness. Up to the present there has been only one constructive contribution. It is that of the co-operative movement, and the tale of its development, from the humblest beginnings and against persistent and almost indescribable difficulties, to its present vast dimensions, furnishes an epoch in our national domestic history that is worthy of a master pen. In saying this one is not either disparaging or failing to recognise the claim to public tribute of those numerous retail traders who, by enterprise and by competition in the best

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sense, have sought to provide for the public at moderate prices and with a fair margin of profit. But the fact is that, with the increasing unity of those who control the bulk marketing upon which the retailer must draw, the latter is becoming more and more restricted in his freedom of action and compelled to sell at prescribed prices.

The vital consequence of the co-operative movement, however, and the justification for describing it as a "constructive contribution," lies in the fact that it brings the individual consumer into association with the bulk supplier, and, in some cases, with the producer also, without a conflict of interest. The numerous and extending dairying operations of many local societies, and the vast grain-purchasing and milling operations of the Co-operative Wholesale Society—as an example of its activities in bulk—are illustrations of the methods that have been developed whereby the gap between the producer and the consumer is being bridged. Except for the comparable services of municipalities in the supply of transport, light, and heat, these represent the only substantial contributions hitherto made towards the solution of the problem here under consideration.

But the co-operative movement has had to make the best use it could of the system it has found. It has little power to alter it. Sometimes, by accepting it, it has been over-tempted to secure substantial quarterly savings for its consuming members, rather than to encourage price reduction, and in this connection the recommendation of the recent Joint Committee of the

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Co-operative Bodies on Municipal Trading on Meat, Milk, and Bread Sales is heartily to be welcomed:—

That co-operative societies be urged to extend their distributive trades and to sell as near cost as possible in the same way that a municipality would do; and that the Central and United Boards be instructed to take up this matter with societies with a view to securing energetic developments of trading policy on these lines. •

The co-operative organisations, however, like others, vary in their efficiency, and present the difficulty, inherent in bodies so governed, of maintaining the pursuit of a common policy and the promotion of equal standards of efficiency; but they do provide a great instrument ready for courageous and widespread use on national lines. Nevertheless, it is impossible to envisage the creation of an orderly, economical, and efficient system of food marketing unless it has behind it the sanction and authority of the State.

Before, however, attempting to indicate what appear to be the essentials of a national marketing system, there are two other matters that call for mention. The Report of the Food Council in 1926 on Short Weight and Measure was a disconcerting revelation of the extent to which "this country lags behind in the elementary business of securing that the consumer gets what he asks for and pays for." "Nor does it accord with common sense that, while the elaborate machinery is established by law to ensure that sellers should provide themselves with correct scales, weights, and measures, no provision

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should exist for ensuring that the quantities of foodstuffs actually sold should be what they are represented to be, with the two exceptions of bread and tea."\*

Short measure in Milk was found to exist in 70 per cent of the cases examined in the metropolitan district of Essex. In the case of a large firm retailing milk in bottles reputed to hold a pint it was found that more than half the bottles tested could not possibly hold that quantity, and the council concluded on that basis that the firm made £1,400 a year from the sale of milk that it did not supply. They reported that the giving of short measure in milk appears to be "astonishingly prevalent,"† as well as constituting a real hardship to honest traders. After a detailed survey of the prevalence of giving short measure in other commodities, the Food Council concluded with no less than 22 separate recommendations mainly designed to strengthen the law against these practices. In that connection it may be observed that, whilst it is right enough to punish wrongdoers, when we have strengthened the law as we will and fortified it by an army of inspectors and others charged to see to its administration, we shall still have achieved a result far inferior to one that would place a premium upon honesty rather than upon dishonesty.

When we turn from the question of short measure to that of Adulteration and Misdescription, we are confronted with a body of reports on milk, butter, cheese, jams, custard, egg-powder, medicated wines,

\* Par. 59, p. 25.

† Par. 49, p. 23.

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and many more, which provide not only incontestable evidence of the prevalence of improper practice, but of the ineffectiveness of our present legal apparatus; and, incidentally, of a measure of public gullibility that is a striking tribute to the power of advertisement. The great mass of these defects is clearly traceable to the lack of any efficient marketing authority operating to secure their prevention rather than their punishment.

We are told of egg-powder that has never seen an egg, but is coloured baking powder; of diabetic flour at 7s. 6d. a 7lb. bag consisting almost wholly of ordinary wheat flour; of "lemon cheese" which has never known eggs, butter, or lemons; of fruit cordials without any fruit and with phosphoric acid instead of lemon juice, and so forth. The manufacture of jam and marmalade particularly seems to lend itself to exploits which are horribly unfair to many of the large firms which supply the genuine article, as well as to the buyers of the goods. Turnips, marrows, and all sorts of fruit substitutes, with suitable dyes and synthetic flavouring agents, are what the people often get instead of what they pay for from manufacturers of this description. In a recent paper on adulteration, with which he dealt at length with "improvers" in flour, Mr. G. D. Elsdon, B.Sc., the Borough Analyst for the city of Salford, made this surprising comment:—

It is no exaggeration to say that the present position of the flour-milling industry in England should not be tolerated in any civilised country, whilst at the same time it may be admitted that only in such a country would adulteration of this type be attempted.

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So far as Milk is concerned, those of us who live in the country are worse off than our fellow citizens in the towns. Many of the co-operative societies have established splendid milk services through which the people can obtain a full quantity of clean milk, and, happily, these societies are rapidly extending their operations. Many of the branches, also, of the United Dairies give a similar clean and reliable supply. But the fact that these dairies extract dirt by the pound, which the rest of the people have to swallow, is sufficient to show how ineffective, so far, have been our numerous Milk and Dairies Acts; whilst, all the time, the purification of milk is an easy and practical process, and tuberculosis from infected milk has been responsible for the greater part of the cases of child tuberculosis in the form of glands in the neck, in the bones and joints, and in the fatal tubercular meningitis.

### IV.

#### The Need of a New System.

There is no escape from the conclusion that the policy hitherto pursued in this country has been conspicuously unsuccessful. We have sought to secure clean food in right quantities by penalties, by inspections, by regulations, and so forth, but we have never attempted to deal with what lies behind the defects, namely, the devising of a system which would place a premium upon good production, and which would store, grade, and distribute our food supplies with economy and efficiency.

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With respect to marketing costs, the case is infinitely worse. I refuse altogether to believe in a system that represents that it costs as much (or more) to transport and retail a side of beef in the course of a day or two as it does to rear, feed and tend the animal for nearly three years, to pay all the expenses of labour, rent, taxes and transport—perhaps across thousands of miles of sea—and to pay a fair profit to those concerned, including the essential producer.

I refuse to believe in a system that represents that it costs twice or three times as much to transport and sell a cabbage within a few hours as it does to cultivate the ground, sow, plant, and clean it, market the produce and pay all the costs of the grower, and leave him a decent profit for an operation that has taken some months to carry through.

A system of that kind is manifestly a bad system. It is unreasonable in itself, and unjust both to the producer and to the consumer, and we must refuse altogether to believe that it passes the wit of man to devise a better.

In the light of present tendencies it is as certain as anything can be that in the not distant future the choice before the nation will be:—Whether it will, itself, deliberately set about devising a better system or whether it will leave the field open, with its immense opportunity for personal gain, to be taken possession of by great combines, fortified by the direction of men of higher quality of mind and training than those who have hitherto been engaged in business.

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It cannot be denied that a combine directed by men of first-rate ability, as, for example, that controlling the underground railways and most of the bus system of London, could furnish a much more efficient system. But the power that such a combination would place in the hands of a small number of persons operating for profit, as against the overwhelming public need of a better standard of life and of greater security for the producer and the consumer, would be so great that it is impossible to think that a rational self-governing community would long tolerate it.

But why should we allow ourselves thus to be exploited? There is no reason at all except it be that we are so indolent or brainless that we cannot help ourselves; and we must refuse to entertain a conclusion of that kind.

### V.

#### Essentials of a Good System.

Whatever we do in the way of developing better marketing arrangements there are two preliminary considerations that would be lost sight of only at the price of disaster.

First, as concerns retailing, the existing arrangements for the supply and distribution of foodstuffs are so varied and complex, and, in respect of individual purchasers, are commonly so old-established, so firmly rooted in tradition and regular practice as well as in mutual personal regard, that any attempt savouring of arbitrary or destructive method would be foredoomed to failure. People simply would not work

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it. Moreover, even in the case of a single commodity, the task would be so great and so involved that the only policy capable of being successful would be one that sought to enlist the co-operation of, rather than to antagonise, those who were rendering essential service, and who had experience and goodwill.

It is true that any national system would evoke the opposition of those who are clearly superfluous, and needlessly swell the number of agents, jobbers, brokers, speculators, and others who add to cost, but who render no actual or indispensable service; but anyone who faces realities must recognise that it would be necessary to aim at making the processes of retail sale cheaper, easier and more attractive than they are at present.

With regard to the co-operative movement, the opportunities which a well-devised system would open out to it would be almost limitless. So far, it has had to struggle against all manner of opposition, and, notwithstanding, has made giant progress. If, however, the nation set out deliberately to encourage co-operation in purchases, collection, transport, storage, distribution and sale, the calls upon it would be so manifold and so pressing that the real difficulty would be to grapple successfully with the new tasks.

The second consideration affects the individual consumer; and it is that local customs vary enormously even in our small country, and that there is scarcely anything that people resent more than an interference with their domestic habits and practices. We may therefore assume that no marketing system will be

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successful that thrusts itself upon people. It must commend itself to their support by the advantages it presents.

If the foregoing considerations are sound, it follows that we should design our proposals to secure, if possible, a start on the right lines, refraining from being too ambitious in detail, anticipating that the development and extension of the scheme would proceed as experience is obtained.

Accepting these preliminaries, the following, at least, appear to be *essential features* of a satisfactory marketing scheme:—

- (1) It should encourage the producer, as well as the honest trader and manufacturer.
- (2) It should eliminate wasteful increases of costs between the producer and consumer.
- (3) It should enlist the co-operation of all those who are competent by experience and training to render useful help.
- (4) It should be sufficiently elastic to meet local needs, and contain within itself an incentive to the development of all sorts of co-operative endeavour between the producers, the consumers, and those engaged in marketing.

The governing *purposes* of a national marketing scheme may be presumed to be:—

- (1) To minimise price uncertainty.
- (2) To secure, as far as possible, a fair price to the producer as well as to the consumer by the reduction of intermediate increases of cost.
- (3) To associate with the scheme a readily accessible system of short credit to the producer, and

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- (4) To promote the co-operative purchase of supplies, and of their collection, storage, grading, and distribution.

In seeking to embody the foregoing purposes in a workable scheme, it would appear that:—

- (1) The executive work, in the main, would require to be on a commodity basis, and especially with regard to such commodities as wheat and flour, meat, milk, and fish. Garden produce and fruit, as now, would no doubt be grouped together.
- (2) With regard to wheat and meat, as the Committee on the Stabilisation of Agricultural Prices (January, 1925) found, the solution of the present difficulties of price uncertainty could only be overcome by "the centralisation of the whole of the machinery concerned with the importation of wheat and meat."
- (3) The necessity of securing, so far as possible, more stable prices for the purchase of supplies according to quality, and a fairly uniform schedule of selling prices, would involve the existence of a single financial pool for averaging out costs, profits, and losses. (It may be pointed out, in passing, that a concern like the United Dairies Limited, embracing a number of businesses, has necessarily provided a financial pool.)
- (4) A proper scheme of marketing aims at the methodical and adequate *supply of the needs of the market*, rather than the immediate sale of what the producer has to sell, so that a storage and distribution system operating on a large

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scale is essential. In this connection we may recall the fact that it has often happened that an abundant crop is less profitable to a grower than a poor crop, and of late years we have often seen great wastages of plums, potatoes, and other produce owing to the lack of any adequate system of collection and storage.

- (5) Associated with the storage scheme, facilities would require to be provided to encourage proper grading, packing, and standardisation of supplies, as well as a co-operative scheme of collection and transport.
- (6) The provision of short-term credit to a grower on the security of a forthcoming crop would meet one of the most urgent needs of the farming community who constantly require to sell things before they are ready because of the lack of such credit facilities—the Canadian wheat pools afford an excellent example of a system of credit provision which would be applicable to several kinds of supplies grown at home.

## VI.

### A National Marketing Authority.

If the foregoing represent the essentials of a sound National Marketing Scheme, it is obvious that they would require the existence:—

- (a) Of a Central Agency (National Marketing Authority) staffed by experienced people and with adequate command over statistics, storage, and grading, and

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- (b) Central, Executive, Marketing Authorities or Boards on a commodity basis with Local or Regional Authorities federated with the central body.

In this connection, of course, any proposal would at once be met by the stupid outcry about officials, and we are always confronted by the difficulty of inducing people to remember the armies of agents and brokers, dealers, and all the rest of it who are superfluous, and who are now many times more numerous than any officials a department would require, and take an infinitely greater toll of the consumer. We may recall, for example, that the National Trading Account and Balance Sheets for 1920-21 told us that the whole administrative costs of the Ministry of Food, including even the costs of the war-time burdens of food committees and rationing, only amounted altogether to less than half of 1 per cent—an astonishingly smaller figure than that now exacted by intermediate agencies. Does anyone think, for instance, if the national marketing of coal were included, that it would involve the employment, as is the case now, of 27,000 separate offices, with clerks, staff, and other expenses?

A National Marketing Authority would require to be made up for the most part of experienced persons representing the executive bodies in charge of the different commodities, and its main business would be:—

- (1) To promote the development of marketing arrangements, with a general community of policy and action.

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- (2) To investigate costs, and, so far as necessary, fix fair prices.
- (3) To investigate the suitability and necessity of existing markets and fairs, and to sanction and require their amalgamation or adaptation.

The Executive Marketing Boards would probably take the form of statutory companies, with State or other capital provided for the conduct of their business.

With regard to wheat and flour, and meat, as already indicated, the National Board would have to be equipped with a monopoly of the power of import and the sole right of purchasing for import. It would trade as a responsible business organisation, and would require to present annual audited balance sheets to Parliament, and, in general, would aim at carrying on its operations without incurring loss or without accumulating profits. An important function would be, so far as possible, to keep prices steady over reasonable periods. In the case of wheat it would certainly be possible also to operate a scheme of this kind without interfering with the considerable international trade that is centred in London, Liverpool, and elsewhere, and shippers would be left as free as they are now to buy in the world market and to offer their supplies either to the National Board or to importers of other countries.

The Milling of Wheat is already concentrated for the most part in three great combines, apart from the extensive milling operations of the Co-operative Wholesale Society; and milling would, no doubt, be organised as it is now in regional groups, with one

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Controlling Statutory Corporation, and the Co-operative Wholesale Society's mills and their associated regions would be free to operate as a unit and to extend the sphere of their operations. The regional groups would obtain their supplies from the National Board, and the flow of prices would be based on the purchase price, plus a fair profit.

The home farmer would probably welcome the opportunity of the ready sale at a reliable price, especially when it was associated with facilities for short-term credit. There would be no necessity to place upon him an obligation to sell to the Regional Authority, and there would certainly be no obligation upon the National Board to buy wheat that was not of good milling quality.

If the business were handled with good sense there is no reason to suppose that it would be difficult to secure the co-operation of alert and capable retailers in connection with the sale of bread at the fair prices fixed in the different districts from time to time; and, as already stated, it would obviously be good sense, as well as necessary, to seek to do so; but it would be the business of the regional organisation to promote by every possible means co-operation and economies in purchase, storage, baking, and distribution. We should probably find that the local retail Co-operative Societies would rapidly become federated for all sorts of purposes with their regional suppliers; but it would certainly be necessary to empower the Regional Marketing Authorities, in case of difficulty, either through municipalities or otherwise, to assist in the promotion of public or municipal bakeries.

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It would be tiresome to burden this pamphlet with details forecasting the possible organisation of the national Meat and other authorities; but there is probably no branch of organised marketing in which, more than in meat, the promotion of fair and honest sale, collection, transport, storage, and distribution has a greater opportunity for assisting the producers and at the same time securing some abatement of the present unwarrantable increase in the price between the markets and the customer.

The progress of organisation in the marketing of Milk has already proceeded so far that it would not be a very big step to the creation of a National Milk Board, with competent agencies for the collection, cleaning, and distribution of milk, and I do not doubt, as we found in the war time in other matters, that, once it was recognised that the nation was determined to carry through a comprehensive scheme and deal fairly, great concerns, like the United Dairies, would be ready enough to contribute their quota to the general organisation. At the present time people consume far too little milk, especially the children, both in town and country, and the opportunities and premiums that an alert marketing authority can offer to the development of co-operative schemes in milk and in milk products are almost endless. It would be for the marketing organisation to provide facilities for the collection and cleaning of milk. The premiums and incentives to the producer to improve his methods must begin at the collection of his milk. From this starting-point, as in Denmark and elsewhere, we can

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provide inducements for the improvement in milking and milk production that is so urgently necessary. A man has only to walk around the cowsheds in multitudes of our villages to see that the influence of our Milk and Dairies Acts has not yet penetrated either to the cow or to the milkmen.

The market authorities that dealt with Garden Produce would have, perhaps, the most difficult task of all in front of them at the beginning, but they would have one which would possess, perhaps, most of all, greater and earlier rewards, both for the small-holder and for the housewife. Anyone who goes about the country with his eyes open must see that the opportunities for useful self-supporting co-operative schemes in this direction are legion, and are almost hitherto unused.

The primary reason why so little has been done in these various directions is that we have not had any organisation in existence equipped with power and responsibility which deliberately set about fostering such improvements. Indeed, in all probability, the most valuable part of the work of the marketing authorities would consist, not so much in what they did themselves, but in what they induced others to do to their mutual advantage.

### VII.

#### Conclusion.

In all these matters we are not without experience. The conditions of the war period in many respects were more difficult than those of peace when we are

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able to draw supplies freely from all parts of the world. Nevertheless, for all who are willing to learn, the war taught many lessons readily applicable to a treatment of our present necessities, and the records of them have already been furnished in many authoritative State papers, reports, and books.

The main issue, therefore, which this pamphlet seeks to raise is whether we are prepared to apply our experience and capacity in an endeavour to minister to an obvious national need, or whether we are to be content to look on, whilst others, equipped with the requisite ability and with their eyes wide open to the vast opportunities, are enabled to use them for the reaping of countless riches for a few.

We can, if we will, arrange the purchase of our wheat supplies in such a way that we deal directly with the producers in the Dominions and elsewhere through their grain "pools," and so eliminate the greater part of those price fluctuations that are due to the operations of the "bulls" and "bears" that have their hunting grounds in the option markets of Chicago, Winnipeg, Liverpool, and elsewhere. Best of all, on this basis, we could give to the British farmer, in advance, a reliable guide to the price he could expect for his next year's crop—after a time it should be possible to offer prices more than a year ahead—and so minimise the desolating influence of that uncertainty which has often made the wheat-grower's prospect so hopeless, and which has been so important a factor in causing the diminution of arable cultivation.

We certainly could by the grant of suitable powers

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to a central body do more than authorise a well-intentioned but ineffective publicity to the findings of the Food Council, and so prevent the housewife being exploited in Bread prices as it has been abundantly proved she often is being in many places.

We can, if we will, emancipate the farmer in the local cattle market from the rings, and subsequent public-house "share-outs," of dealers and butchers, and introduce a welcome reliability into the prices of beef, mutton, and pork. Incidentally, it should be possible to release the pork producer from his present impossible position of having to buy his feeding stuffs after the present marketing methods have done their worst, and to sell his produce at the take-it-or-leave-it price decreed by the mysterious agencies that decide it without any apparent relation to available supplies.

Similarly, we could organise the disposal or storage of Fish, for now, whilst people want cheap fish, thousands of tons of it every year are returned to the sea or passed on to the manure heap in order to keep up prices. The present atrophied condition of many fishing fleets, whose names and records are enshrined in our island story, and the unemployment of the heroic fishermen when the adjacent seas teem with fish that the people want, is surely a condition that a rational and patriotic policy should not tolerate.

We could, if we would, provide organised transport and a just market for the Fruit and Vegetable grower and for the Small Holder, and thereby do more than all the village institutes that ever were or will be—valuable, indeed, as they are—to revive activity and

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interest in many country places. We could, at the same time, provide the consumer with better graded and more attractive supplies at reasonable cost.

We have done things more difficult than any of these. We did them when the national will was there, and when service and co-operation were living and vigorous realities.

The difficulties are not so much in the tasks themselves, despite their manifest complexities, as they are in the powerful influences that could be exercised in the press, and in a thousand other ways by those agencies that find at present such generous rewards in operating between the producer and the consumer. Most of all, however, the difficulties would arise out of the inertia of established habit, the disposition to accept things as they are, and in the lack of obvious appeal that accompanies the piecemeal character of the daily toll that the present system levies on the multitude of the people.

SELF AND SOCIETY

The Consumer  
in History.

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# The Consumer in History:

## I.

### The Consumer Emerges.

WE must go back to very early times, if not indeed to the Garden of Eden, to find the first consumer. This self-evident reflection leads on to the thought that we need a definition of "consumer," before we can profitably seek him out in history. It has been said that almost every modern man is taken as a family group, about one-third producer and two-thirds consumer. In earlier days a man might be exclusively producer, but in that case his existence lay before the dawn of history. History begins with discontent, with the development, slow or sudden, of new desires. In economics a consumer generally seems to mean "he (or she) who consumes what he has not produced." How early in history does this type of consumption occur? Just so soon as men and women meet each other for elementary forms of barter. The purely pastoral peoples, cultivating their moving farms, and living almost like parasites upon their own flocks and herds, will at first desire nothing that they cannot provide.

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Nevertheless, if they once see it, they will certainly begin to want something which they cannot produce—it may be a woven coat of many colours, a stick of ivory, a string of shells, a nugget of gold, or a steel blade from Damascus.

The desire is sufficient to constitute one half at least of an economic demand. The demandant is the potential consumer, and as the consumer emerges history takes a great leap forward. The cause, where it may be ascertained, is almost always the accidental overlapping of two societies or two civilisations. Among the hunting peoples, demand arises somewhat more spontaneously and slowly. The earliest hunting type, belonging to the forest regions, is purely migratory; the woman moves with her mate, carrying the baby, without any natural facilities for doing so. Her personal property is necessarily reduced to a minimum, and her effective desires are reduced to a shadow of the predatory instinct of her husband. But in the second stage of the hunting group, "the woman drops the baby and discovers the home," and begins to develop the arts. Probably the earliest demands of any complexity came from the woman. Primitive man was a trifle more willing to be content with mere food and warmth. Woman had more difficulties to overcome. She must usually contrive to please two or three, not one, and she must go on with certain exacting tasks when she is physically disinclined. And so it comes about that many of the household arts and early forms of agriculture owe their origin to the woman, who thus fills in the time while the baby

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sleeps and her man is chasing the dinner. When he returns he makes her a fish-bone needle, and she rapidly learns the difference between good needles and bad. She learns the elements of weaving, and of pot-making, and when her group has developed into a village, she learns who makes the best pots or linen-cloth in the village.

So grew up the rudimentary forms of exchange, which depend upon differentiated demand, and differentiated skill. From this point in history we find the battle ranged—producer *v.* consumer, and the consumer becomes a separable element in history, whose demands must be studied if we are to trace the growth and decay of civilisations.

### II. • •

#### English Peasant Consumers.

Time and space, however, forbid us to attempt to trace "the consumer" through ancient and unfamiliar civilisations, where his development varied infinitely, according to peculiarities of climate, vegetation, soil, or race. It is a more manageable plan to trace the history of the "consumer" against the background of English history, with its earlier immediate connections in Western Europe.

Mediæval society, like earlier forms, was based upon the fact, or the assumption, that all men ought to be producers, either in rural or in urban groupings. When England was re-peopled by the English, and again by the Danes, the great majority of the population was settled on the land. Each family ideally

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had about 120 acres of arable land, more or less, according to the quality of the soil. With this arable land the head of the family had certain rights over common pasture, and certain powers over timber, sufficient to build his house, to burn on his hearth, and to make his fences—housebot, firebot, and heybot, as they called it, sometimes adding ploughbot, wood enough to make his ploughs. To plough his land he needed eight oxen, and in many districts he would also have three or four horses for the lighter work, and perhaps as many as a hundred sheep, and a herd of pigs running in the woods.

When the population increased, and war and invasion threatened the peaceful settlements, the "lord" either emerges for the first time, or greatly extends his claim, and the peasant family saw its holding slowly decrease, until about the time of the Norman Conquest it is clear that the average householder has only a quarter of the full holding—about thirty acres, with two oxen. To give a concrete example: When a boy at Abbots Langley came of age, about the year 1260, his guardian was bound to hand over to him and his wife two robes or tunics of *blu*, or of the best cloth, two oxen worth 8s., one horse worth 5s., sixteen sheep worth 16s., and three pigs worth 3s., together with his land properly sown according to the season of the year. Two-thirds of it would be sown with wheat and oats, and the rest would lie fallow, while the remainder of last year's crops would be in the barn, since the tenant had to agree not to remove any of the corn from the holding.

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his the boy was expected to manage to live. The tenant almost certainly produced a small surplus above his needs, for he invariably possessed a little money.

In this case he might not sell his corn, but he could sell a calf, or a young pig, or his sheep, or their wool, or a few eggs to the lord, or he might go to work at another man's harvest, or work for his lord for wages, after he had done his *servitium debitum*, his appointed days. If he only earned 2d. per day, yet it sufficed to pay his fine in court when convicted of "unjustly blaming" the lord's harvest beer, or when he wished to take up another tiny plot of land, and a week's work (if he could get it) would buy a pig.

In a life organised on these simple lines it is evident that a family was not altogether without resources, or without the satisfaction of property, and yet its wants were few. A man was hardly in any economic sense a consumer, in fact he consumed almost nothing that he did not produce. His few indispensable needs varied in different districts, and were generally satisfied at the fairs. He was almost certain to need iron in small quantities, to tip and "shoe" his wooden plough, and by the fourteenth century the superiority of steel was becoming recognised. It was imported in bundles, or "sheaves" of thin rods, and even a small estate such as that of the nuns of Pray, in Hertfordshire, generally bought one or two bundles a year. Nails, also, were a fairly regular necessity, and were bought at prices varying from 4d. to 10d. per thousand, in surprising variety. Tiles and tile

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pegs could often be bought from a local craftsman, and lead for roofs was an occasional expense in all bigger houses, together with the metal for making coppers, or brass pots. Mill-stones had usually to be bought, and were often brought from France and sold at the ports. A few articles which, no doubt, could have been made at home were often bought because it was easier to buy small quantities than to go through the slow process of making. For example, when a horse-collar was needed, the leather would be bought, possibly the wool for stuffing, and certainly the canvas to line it, and a big "pack-needle" and thread. This is true of quite small estates, and is probably true also of the small peasant holder who, as we have seen, always had some money. The number of small craftsmen in a thirteenth or fourteenth century village bears witness to a somewhat complex demand—the demand of the manor house and the manorial demesne, of the neighbouring monastery, or of the small town five miles away, and the demand of the villagers themselves, many of whom were both agriculturalists and craftsmen, but who early understood the value of some degree of specialisation. Hence the blacksmith, the tiler, the weaver, the tailor, the shoemaker, the carpenter, and the mason were all beginning to cater for the small private consumer—the man who has not only "wants," but "efficient demands," that is, wants which he is able to satisfy by means of a medium of exchange. The study of the growth of unorganised craftsmen in the villages is one which has received very little attention from

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historians; where there are no guilds it is difficult to ascertain precisely how production was carried on, and almost impossible to trace the growth of "consumption" among the poorer classes. Nevertheless, as soon as the "efficient demand" of the peasant began to grow, the stationary condition of society was at an end and the active history of "consumption" may be said to begin.

### III.

#### The Later Middle Ages.

The acute period of change, in the Middle Ages, may probably be placed in the fourteenth century. The value of money was slowly declining as the quantity in circulation increased, and customary payments were losing their economic significance. Prices rose considerably, and wages rose a little; rents in many cases remained stationary, or actually declined, through the dropping off of personal services. In these favoured cases the small landholder grew prosperous, the surplus produce of the land remained with him and did not pass to the landlord, and he accumulated a little store of capital. Less fortunate peasants, of course, went down and became mere wage-earners, but the total result was undoubtedly to increase the demand for specialised production. Both the small farmer and the labourer increased their consumption of that which they had not produced. In literature the quickened demand is usually termed "greed"; there is a well-known passage in *Piers Plowman*, blaming the labourer

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for demanding more and more luxurious hot meals in place of the customary bread and herrings and beer which had been his usual fare. The poet Gower, who died in 1402, sums up the situation in words which seem to have been repeated in every later century:—

“ The world goeth fast from bad to worse, when shepherd and cowherd demand more for their labour than the master bailiff was wont to take in days gone by. . . . Labourers of old were not wont to eat of wheaten bread; their meat was of beans, or coarser corn, and their drink of water alone. Cheese and milk were a feast to them, and rarely ate they of other dainties. Their dress was of hodden-grey. Then was the world ordered aright for folk of this sort.”

But changes in the standard of living had come to stay. In one of the Chester plays of the fifteenth century there is a scene in which the shepherds pull out their provisions from their satchels, and display among three of them new bread, onions, garlic, leeks, butter and green cheese, ale, meat, pudding, oatcake, sheep's head soused in ale, pig's head, sour milk, and ox-tongue. “ Surelie here is good growsing, for in good meat there is much glee.” We may perhaps assume that a popular play is not likely to have invented an entirely improbable bill of fare. It is worthy of notice, too, that Englishmen were commonly of opinion that they lived much better than their fellows in France or Germany—the land of wooden shoes and black bread. In the seventeenth century

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Fuller wrote of the "Dutchmen" that "their masters used them rather like heathen than Christians, . . . early up and late in bed, and all day hard work and harder fare (a few herrings and a mouldy cheese), and all to enrich the churls, their masters," whereas in England "they should feed upon beef and mutton." Certainly, with few exceptions, the immigrants into East Anglia in the sixteenth century seem to have thought the same. In the fifteenth century it is possible to trace everywhere a remarkable growth of "consumption."

As a modern Chancellor of the Exchequer gauges the prosperity of the nation by the fact that every consumer has largely increased his consumption of tea and sugar, so we may guess at the increasing prosperity of the fifteenth century by the constant complaints against undue luxury. The complaints run through all ranks of society. It is not only the poor complaining of the luxury of the rich—it is the rich complaining of higher standards among the poor, it is moralists and economists complaining of the extravagant dress of the citizen and his wife, it is the reiterated complaint that the merchant now lives like a king.

The State tried to meet the change by *Sumptuary Laws*; repeated Acts of Parliament endeavoured to regulate the dress of different classes of society. No woman who was not of noble rank might wear velvet; no man might have his doublet and hose too extravagantly slashed and stitched.

Nor was this method of control confined to England.

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On the Continent, especially in Germany and the Low Countries, the same complaints are made, the same kind of laws passed. In a German town in 1485, the following description is given of the equipment allowed to a distinguished burgher's wife—eight dresses, six long cloaks, three dancing dresses, one plaited mantle, two pearl hair bands (not costing more than twelve florins), a tiara of gold and pearls, three veils, silk fringes to her dresses (not gold or pearl), and many other items of jewellery, none of which, unless the betrothal or wedding ring, should cost above twenty-five florins.

The early Flemish and German paintings confirm our impression of the wealth of goods to be found in every prosperous house and on every prosperous tradesman or merchant. The ostentation which to some extent surprises us, was due to rather varied causes. In part it was due to a desire to maintain credit—to look as prosperous as possible; it was due also to the fact that dress, furniture, luxuries of all kinds were a form of investment, and being far more durable than similar goods in our day, they formed a reasonable method of putting wealth into safe-keeping—just as a man who fears bankruptcy may be wise in buying a diamond tiara or a rope of pearls for his wife. Even in the Middle Ages the law discriminated to some extent between the personal *paraphernalia* of the wife and the property of the husband. But, whatever the reasons, it is very clear that the end of the Middle Ages saw a great extension of "consumption."

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The problem of consumption in the towns is obviously more complex than in the villages. Industry was far more specialised, and though still combined to some extent with agriculture, it is evident that urban conditions were slowly prevailing over agricultural activities. The craftsmen, at first perhaps combined into one great merchant guild, and afterwards into separate craft-guilds, were primarily producers, and their organisation was largely directed towards the needs of production. Moreover, they did not live only by "taking in each other's washing"; from the earliest times of which we have any historical knowledge there was some overseas trade, organised by the towns, and supplied apparently by the producing guilds. But the municipal authorities early became aware that the citizens were both producers and consumers, and that the guilds themselves could be roughly divided into the producing and the distributive guilds—that is, the leather workers, the weavers, the cap-makers, the goldsmiths, were primarily producers, and producers of goods which were not immediately indispensable to all the citizens; while the bakers, butchers, fishmongers were distributive guilds, whose wares were immediately consumed, and consumed moreover by all the citizens. Hence the disputes so often discoverable between guilds were frequently functional in origin. One of the most constant and important reasons for municipal action was the need for arbitration between consumers and producers. It is usually said that the guild, unlike the modern trade union, was bound by rules partly

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intended to protect the consumer—rules, that is, determining the quality of the product. In so far as this is true—and some such regulations are to be found in the rules of most guilds—there are two reasons which may well have been more effective than altruism. It was necessary, in the first place, with a very limited consumption, to secure the *quality* of goods in order to be certain of disposing of them. A good name was part of the guild's stock-in-trade, and without it sales would have been dubious and uncertain. Mediæval man seems to have had a greater uniformity of desire than his modern successor, who often seems to prefer variety to good quality. The appointment in the cloth industry of *Alnagers*, who measured and sealed cloth and assessed the duty on it, was a national effort to save this good name, for the sake of international trade as well as for the sake of a revenue. Indirectly, the consumer is thereby protected. Secondly, the consideration for the consumer was natural enough in a society organised on municipal lines, with the towns as the chief circle of exchange. Such protection as there was for the consumer must often have been the result of pressure from the municipal authorities, who took their responsibilities, at least as regards food supply, fairly seriously.

This question of the protection of the consumer is one of perennial interest in history. The protection afforded by the State is sometimes explicit, sometimes tacit; and the whole question belongs almost as much to the realm of law as to that of

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economics. Broadly speaking, the consumer is protected against the acquisitive instincts of the producer by the current views as to the keeping of contracts in good faith. Whether good faith is purely utilitarian in origin, and aimed at an immediate and material advantage, or whether, as Locke declared, "the keeping of faith belongs to man as man," and is inherent in his social nature, it is absolutely necessary to the consumer, and the more complex his needs become, the more does he need protection, either by the State or created by his own efforts. Primitive codes of law and custom often gave a rudimentary protection to the consumer by penalising fraud. Roman law, intensely individualistic as it was, expressly disclaimed responsibility. *Caveat emptor* is its motto; let the buyer beware of the other man's trick. In reaction against this view, the early Christian Fathers preached that the seller must admit his full Christian responsibility, must state the faults and quantities of his goods fairly, must not take advantage of ignorance, and must admit "mercy" and "truth" even into his commercial dealings.

The mediæval theory of the "just price" is interesting to us because it crystallises this idea of the protection of the consumer. The worker belongs to a recognised order of society with a recognised standard of living, and the price which he is entitled to charge depends upon the cost of material, combined with the *recognised scale of remuneration* for his labour, which in turn depends upon his recognised standard of living. He makes for a known market,

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and he calculates for a uniform cost of production, and knows nothing of diminishing or increasing returns. But the looker-on, who sees most of the game, will see that no sooner does he demand better food, a sounder house, or a more elaborate dress, than the "just price" will begin to go up. The consumer will begin to complain, but his complaint will ultimately be useless. Government, moralists, and economists in the Middle Ages tried to maintain the just price for the sake of the consumer, but it is not, in the long run, possible to protect the consumer of boots in the face of the growing insistence of the consumer of bacon. Such protection belongs only to a static condition of society. What remained of permanent value in such protection was the theory on which it was based—a Christian theory. Price ought not to go as high as the need of the consumer might permit, but only as high as will give a reasonable remuneration to the producer. Even in the Middle Ages this doctrine could not be enforced in practice, but in so far as it was the ideal held out, it must have influenced very many bargains, just as it still influences the demand for remuneration in the case of much learned or professional work.

There were, in the Middle Ages, no self-conscious associations of consumers, and yet we find a considerable number of "public works" undertaken by informal associations which definitely have the interest of the consumer at heart. The early Franciscan friars, who were among the first builders of water-conduits in English cities, had in view their own needs, as

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well as the general health of the community. As an order vowed to entire poverty, who could obtain wine or beer only by the charity of their neighbours, a supply of clean water was essential to them, and Oxford, Lincoln, and Chester benefited by their efforts. In the same way, when pious testators left money for the building of roads or bridges, or supported the guilds which kept such bridges in order, they were inarticulately acting as a "consumers' association." When the earliest pawnshops were devised by the Franciscans, as a means of supplying temporary loans without usury, they foresaw a need which could ultimately only be met by an organisation of consumers, combining to form a co-operative bank. The idealistic historians of the Middle Ages are apt to assure us that perfect harmony existed between consumers and producers, and that mediæval economic theory succeeded in reconciling their interests. Closer investigation, however (such as that of Mr. L. F. Salzman), leads to the conclusion that the interests of the craftsmen or producers were as a whole opposed to those of the consumers; it was obviously to their interest to keep up prices by the limitation of competition and of output.

### IV.

#### Elizabethan England.

The sixteenth century saw something of a revolution in the position of the consumer. The producer was growing steadily wealthier and more apt to produce on a large scale, especially as international

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trade developed, and demand for larger supplies, uniform in quality, stimulated production. But as the producer tends towards capitalism, so the number of wage-earning "consumers" increases, and the basis of consumption is broadened at the bottom of the scale. Again, the accumulation of capital, and the growing tendency to lend it at interest, or to invest it in a company or in some novel enterprise, was very marked, and for the first time seems to make possible a class of "consumers" who are not in any direct degree producers. Formerly such a class could hardly exist, save as pensioners, or on assigned incomes from land. From the sixteenth century onwards it is increasingly common to find men and women living upon invested capital, and, therefore, forming a small specialised group of pure consumers.

The Tudor period is essentially the age of the middle class, and, indeed, of the "middle man" in the economic sense. The question of *distribution* became acute, and it is interesting to notice how great was contemporary wrath with the distributor. Described as "brogger," "bodger," "broker," "forestaller," "regrater"—in a whole vocabulary of abuse—he appears as the villain of all economic troubles. Into his operations a strong element of monopoly, of "cornering," might often enter, but it is usually apparent that he was fulfilling a useful and necessary function, rendered all the more necessary by the difficulties of transport. Tudor England was liable to extremes of want of different commodities in isolated districts, and was unreasonably jealous of those who,

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for a substantial consideration, endeavoured to supply those districts. The history of the Welsh cattle drover, for example, is the story of producers who, by inventing a "middle man," performed a valuable service to the consumer—the English farmer who bought Welsh cattle at the fair.

Again, the Tudor period is emphatically the period of State control and protection of the consumer. The balance of industries and interests, at which the mercantile statesmen aimed, was to be ensured by legislation. The consumer is definitely told what he may not consume, and he is carefully instructed (by Act of Parliament in the case of fish), as to what he ought to consume, but apparently in England the extreme step was never taken of ordaining how much of certain monopolised or taxed goods the consumer must consume. On the whole, however, the interests of the consumer were protected by the constant legislation as to food prices and food supply; both the State and the municipalities kept up an active, if not always very clear-sighted, supervision of the question of distribution and the reasonable profits of the distributor. But what was statesmanlike in this policy finally broke down in the indiscriminate granting of monopolies, in which the interest of the consumer was definitely sacrificed to that of the privileged producer—not a whole class, but a few favoured individuals.

With the passing of the Tudor Government, and of the early Stuart monarchs, we pass into an age in which the State abdicates its care for the consumer,

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and the only motto in common use seems to have been: "Let the devil take the hindmost." The problem before us, therefore, in modern times is how and when and how far did the consumer decide that he would not be the hindmost.

The ever-recurring complaint of the social historian throughout the centuries was that the foreign merchant, or the capitalist merchant, was importing manufactured goods into England, raising the standard of luxury, creating a vast new army of retailers, and incidentally producing unemployment in the staple English industries. Convincing complaints reach us of the army of pedlars, packmen, itinerant traders and "bodgers," who supplemented and sometimes replaced the periodic fairs by more informal visits to church porches or abbey gates on Sundays. The moralist was annoyed, and the manufacturer, always a trifle too conservative, was alarmed. The economist, looking back, notes chiefly the widening of the basis of consumption. What is much less clear to the student is the vast extension during this period of what we know as the "shop"—the purely retail business on a permanent footing.

In the early Middle Ages the stalls in the market seem to have been more or less permanent structures; rent was regularly paid for them, and sometimes their design was legally laid down. Thus, at Codicote, a *hovel* was held to mean a little hut or building of four posts and a roof, but without walls or ceiling. The "shambles" of a butcher's stall are likewise defined. These stalls were open one, two, or more

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days a week, according to demand, and from the names of ancient streets we see how various trades were segregated, and the hovel became a shop, which is often both workshop and place of distribution. This change has been effected largely by the consumer, whose demand becomes both more individual and more capricious. But the shop belonging to a member of a productive guild is quite unlike the modern retail shop, since it is primarily a workshop. What we want to know is when the permanent retailer came into existence, apart from the guild. When does the consumer demand a shop which shall be at his disposal at all hours? When did the village shop of to-day begin its existence? Was the "truck" or "tommy" shop of the early nineteenth century something new in kind? We know the annual fair, the weekly market, the wandering pedlar, the wealthy guildsman by numberless descriptions. The permanent retailer is almost a stranger in social history or in literature, and as to the "consumer," who brings him into existence, he is equally seldom mentioned. Occasionally, in following random footsteps about the town, we meet the shop. The Royal Exchange, built by Sir Thomas Gresham, formed a quadrangle, the lowest rooms of which were covered in like a cloister, and used as shops. But these shops were dark and dank, and more like warehouses; the "upper pawn," or first floor, was the scene of fashionable business. The whole must have resembled the famous arrangement of the shops in the "Rows" of Chester. At one shop door a girl talks to the passer-by.

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“Would ye have any fair linen cloth? Mistress, see what I have, and I will show you the fairest linen cloth in London; if you do not like it, you may leave it; you shall bestow nothing but the looking on, the pain shall be ours to show them you.”

Language has changed, but the method of attracting or beguiling the consumer has evidently remained much the same through the centuries. Shopping in the Exchange was a fashionable morning pastime for ladies, rendered the more agreeable by the escort of one or two gentlemen of leisure, or some small boys most uncomfortably smartened and tidied for the occasion. What they bought is not hard to discover; the “London Cries” of the streets teach us how easy it was to fall a victim to the delights of “fine Seville oranges,” “Cherry Ripe,” a very fine cabinet, a fine scarf, good cambric, or fair bone lace; pins, points, garters, Spanish gloves, or silk ribbons, or “a new book, new come forth.” Less fashionable shoppers satisfied humbler needs on hot mutton pies, live periwinkles, fresh herrings, or ripe cowcumbers. Elizabethan England had moved far indeed from the old standards of the self-sufficing household, and the “consumer” is rapidly becoming a power in the land. As yet, however, he hardly recognises his own power, and the State, perhaps, recognises it only too clearly, and is too ready both to limit and to supplement the strength of an efficient economic demand.

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### V.

#### The Seventeenth Century.

The seventeenth century seems somewhat lacking in points towards a history of the consumer. It is the age of associations of merchants on a large scale—the great chartered and regulated companies, and of the re-groupings of the industrial workers into municipal companies—a half-way house between the guild and the trade union. For the first twenty years of the century private monopolies remained the great burden upon the consumer. Regulation of prices survived sporadically, but probably made little effective difference to the cost of living. The abolition of monopolies in 1619 was considerably more important in lowering prices.

But the Puritan tendency to individualism has, perhaps, been unduly emphasised, and, during the Commonwealth period, there were certainly signs that the Government was prepared to consider the needs of the poor consumer. On the whole, however, the Puritan mind was apt to regard consumption as almost a sin in itself, and there is no doubt that the enforced simplicity of life among Puritans and Quakers hastened the accumulation of capital in middle-class hands, while the consumer of this class was reasonably able to protect himself by his capacity to defer or decrease consumption.

The really serious problem of the seventeenth century was, however, financial, and it is only possible to indicate the problem here, without working out its effect upon the consumer. Since the reign of

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Elizabeth, the influx of silver from the New World had caused a steady rise in prices, with an accompanying rise in the cost of government and in the cost of living among private citizens. Wages, which have in them always an element of custom, seldom rise as quickly as prices, and at this time they were being artificially kept low by the somewhat irregular assessments of the Justices of the Peace. Taxation, in like manner, had in it a strong element of custom, and when the Crown tried to adjust taxation to the need for a growing revenue, a constitutional crisis was the result, which ended in the great Civil War. The great economic problem of the seventeenth century was the adjustment of social conditions to a change in the value of money, and there seems to be little doubt that the poorer consumers, less organised now than in the Middle Ages, and less capable perhaps of domestic production, suffered acutely during the process, in spite of efforts to help them.

Before passing on, however, to the consumer of the eighteenth century, and his relation to the retail trader, it may be useful to examine briefly the resources of the humbler types of consumers, whose great numbers were ultimately to compensate for the slenderness of their purse, in determining the lines of production.

The earlier forms in which wages were paid are worthy of some notice, since they throw some light upon the "truck" system of modern times, and they illustrate one of the most potent influences of the "consumer" upon economic history. By the four-

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teenth century it is usual to find a considerable number of regular farm workers who are being paid wages, in addition to the smallholders who owed compulsory labour. Often the regular workers are also smallholders, and the two classes shade into each other insensibly. Wages are found to consist of (a) a yearly sum of money, from 2s. to 6s.—that is, the price of a cheap horse or a quarter of wheat; (b) a weekly supply of corn, perhaps a bushel a week, which might be worth 10d. or 1s.; (c) a remission of rent and services, varying in value from 5s. to 12s. or 15s. per annum; (d) certainly some meals “at the lord’s table”; (e) some perquisites of timber, or hay, or fruit, or milk and cheese, or the last lamb, or the smallest pig.

It is obviously difficult to estimate the prosperity of a man thus remunerated; it is also evident that his needs as *consumer* are being satisfied in the easiest way, and that so long as quality of product and intensity of desire remained more or less uniform, he would continue to accept the lord’s corn rather than seek to purchase in a market some miles away. This elementary form of “truck” survived in some degree in agricultural wages down to recent times, and, though commonly advantageous, has been an important factor in retarding any organisation of consumers in country districts. Demand changes slowly, but when demand changes, organisation will change; if margarine and cinemas are preferable to butter and no cinema, the consumer will begin to do something about it. The organisation of a local milk supply is

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an obvious field for consumers' efforts. The mediæval town-labourer, while he was an apprentice, lived under something very like a "truck system," in which it might be necessary to regulate by contract the quality of his meals and dress. The remuneration of the "journeyman," the day-labourer of the guild system, is a question as yet imperfectly explored and his manner of living is very obscure. Whether he "lived in," whether he could or could not marry, how far his wages were supplemented by payments in kind—these are questions not easy to answer. Certain it is that he was the discontented element in the system—the man whose demand for a better standard of life would ultimately produce changes.

Throughout the sixteenth and the seventeenth centuries it seems clear that the assessment of wages by the Justices of the Peace was tending to keep wages artificially low, and thus to limit at the base the wage-earner's capacity as a consumer. The Poor Law system did something to keep him from dire need, and in country districts and small towns the little plot of land usually attached to his cottage, together with his share of common, made him to some extent a producer on his own behalf as well as for his employer. It would be difficult to produce a weekly "household budget" for this period, showing how the workman's slender wage was spent; but it is clear that his effective demand as a consumer was too slight and too irregular to be capable of much organisation. On the other hand, Defoe, at the end of the century, complains that one of the causes of poverty

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lies in the fact that the English working man "will eat and drink, but especially the latter, three times as much as any sort of foreigners of the same dimensions." But Defoe was rather apt to ascribe to the vices of the poor all the effects of the greed of the rich, though he admits elsewhere that higher wages, by stimulating consumption, would ultimately increase industry and trade and national prosperity. Among all his projects, however, he did not include any association of consumers—possibly because his experience had lain chiefly among the consumers of luxuries.

### VI.

#### The New Shopkeeping.

Defoe's well-known work on "The Compleat Tradesman" gives a remarkable historical picture of the lives of shopkeepers at the beginning of the eighteenth century. The mediæval world had gone; the modern store had not arrived; the City of London must have resembled the country town of our own memories. "Customers appear to have been extraordinarily trying; the arrogance which Defoe describes in fashionable purchasers is almost incredible. Subserviency is the shopkeeper's virtue; a good tradesman must dissemble his rage, even if he is obliged to run upstairs and kick his unoffending family to relieve his feelings. The 'compleat tradesman' at that time lives over his shop and keeps a small group of assistants and apprentices, for whom he provides a kind of family life, conceived on tolerably generous lines of reason-

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able supervision. He reads prayers to them every evening, unless he is so much given up to ostentation as to be unwilling to serve even his Maker. In that case he offers a small salary to the parish reader! He has a country house for his wife and children, but he sends them away and continues to attend to his business alone. He ought not, if he is to be successful, to ride or hunt, or learn to talk dog-language. A good man of business must take his recreations in his wife's parlour behind the shop. Indeed, a striking feature of Defoe's description is the utter lack of any reasonable recreations or limitation of hours. The master should be accessible from 7 a.m. till 12, and again from 2 p.m. till 9 p.m. The country gentleman's horses, dogs, and gardens are inappropriate; the society man's coffee house, gaming table, balls, or facilities for drinking were pernicious and a waste of time. Politics were impossible. If he wished to put his country first, let him give up business and enlist. His hours were inconsistent with the playhouse."\*

The voluminous descriptive literature of the eighteenth century seems to be curiously lacking in descriptions of the small shop of the period. Two of the most detailed modern works—Mrs. George's *London in the Eighteenth Century*, and A. S. Turberville's *Men and Manners*—have been searched almost in vain. Hogarth's delightful little handbill for his sister's millinery shop was the only reward. Plenty of material must exist, some of it in the books of

\* "Social and Political Thinkers of the Augustan Age."—ED. HEARNshaw.

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household accounts kept by careful middle-class housewives; some of it in the old tradesmen's books which have been preserved. The history of tradesmen's tokens, by which a scarcity of small coin was partially remedied, would produce more links. Towards the end of the century the pressing burden of poverty among the agricultural labourers led to investigations of their weekly purchases, such as are to be found in the Rev. David Davies' detailed work on *The Case of the Labourers in Husbandry* (1795) or in Eden's *State of the Poor*. But, broadly speaking, no detailed investigation has ever been made by any competent historian of the manner in which the ordinary household supplied its needs during the eighteenth century. Much might be done, by a very careful investigation of the cost of living of different classes, to show how far the extremes of poverty might have been avoided by some type of consumers' association. Possibly only a small fraction of the evil could have been avoided, but the way to far-reaching changes was pointed out by such early associations as the Hull Anti-Mill Society, founded in 1795, which sought to combat the high prices of food by attacking the cost of production and the employers' profits. Flour was not a very promising commodity to deal with in the days of a European war, but the success of the mill, which survived till 1894, shows how readily the profits of the industrial revolution might have been differently distributed, if better leadership and more political freedom had been available. Conditions in shops such as Defoe

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described had changed but little by the early years of the nineteenth century, for which Robert Owen has left us a vivid description of a shop assistant's life and hours. It might well appear that it is the shopkeeper who first needs protection against the capricious consumer. We have, however, no familiar contemporary description of a shop catering for the poor wage-earner in the eighteenth century, and, if we may trust the moralists of the period, it was the gin shop to which wages usually found their way. The sudden outbreak of gin drinking in the early eighteenth century must have had a demoralising effect upon the social habits of thousands of wage-earners.

Throughout the century, however, the type of demand was changing, and the shop changes with it. Domestic industries were dying in all directions; every invention, every development of machinery, meant cheaper goods for sale in shops and less willingness to carry on the traditional household crafts of baking and brewing, spinning and weaving. They disappeared at different rates in different districts, affected by local circumstances, such as the abundance or scarcity of fuel, and of the traditional articles of diet. When the industrial revolution came, bearing off the women into the factories, the change was rapid and unavoidable. For a short time, during the worst abuses of the Poor-law system, large numbers of women were employed in agriculture, more or less permanently, and the household arts underwent another degradation. The corresponding change, the

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evolution of the general village shop, or the small general store in the towns, is an economic change which has never been adequately explored. Before we have realised its appearance as part of the normal village economy, we are confronted with its abuse in the "truck shop." The rise of new centres of specialised industry made necessary the supply of foodstuffs and other indispensable goods, and it might often be to the interest of the employer to organise this supply, and of the workmen to utilise it. It was in this way that Robert Owen gained his experience, at the New Lanark mills, of the purchase and distribution of general stores. But in the hands of unscrupulous employers it is evident that such organisation of supplies might be a fruitful source of oppression and fraud, while the granting of a monopoly right to a single "truck shop" might create a tyranny such as had never entered the wildest dreams of a feudal lord! Perhaps the most vivid picture of the abuses of the system is that contained in Disraeli's novel, *Sybil*—a picture which was based on solid evidence for all but its sketches of personalities. The repeated legislation on the subject shows how essential it was to secure the workman freedom to buy in the cheapest market, and to empower him to receive the whole of his wage in cash and to expend it as he pleased. But difficulties of transport loomed large in the early nineteenth century; the building of railways, for example, meant large temporary settlements of migrant labourers, and the employer's shop or monopoly canteen died hard. In the Welsh valleys

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the system defied the law, and a truck shop was closed in Aberdare as late as 1868.

Cheapness, however, was almost more important than freedom. A benevolent tyrant, such as Owen, might dare to establish a monopoly with some hopes of success, because the benefits he could offer were so substantial; wholesale buying and greater facilities for transport could effect a reduction in prices which might double the purchasing power of wages. An important factor in the situation was the provision of credit for the wage-earner. Defoe had seen with his usual acuteness that the most common cause of pauperism was the unforeseen emergency—accident or illness, or unavoidable loss of employment. He had seen, too, that some form of insurance was the only means of preventing the evils of this type of poverty. The loan-funds or "stock" possessed by some parishes also provided to some extent against emergencies. But the "truck shop" was prepared to give the kind of credit which created poverty. Many of the speculative enterprises of the industrial revolution seem to have paid wages when and as they pleased, sometimes not oftener than once a month. Transport of cash was in some districts still difficult and dangerous, and if the manager with the wages was two days late, whole families might be in distress. Credit tickets on the shop were an obvious method of meeting the difficulty, but they only created fresh problems. A wage-earner who was a month in debt to the truck shop, or to his employer's stores, could hardly hope to free himself, and the shackles of monopoly closed

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upon him more tightly. Perhaps the closest parallel of quite modern times lies in the village shops of Ireland, many of which had established a local tyranny only to be combated by co-operative efforts.

In contrast to such perilous forms of credit, we find in some agricultural districts a long-established tradition of leaving part of the weekly wages in a trusted employer's hands until a bi-annual "settling"—a simple form of thrift which adds considerably to the purchasing power of wages.

The development of economic theory, and the closer analysis of economic conceptions, also played its part in the emergence of "the consumer" as a distinct economic force. The distinction between real wages and nominal wages—the distinction between the money rate of wages and their actual purchasing power—could only become clear when certain elementary facts as to currency and prices had been defined and made common knowledge.

## VII.

### Effects of the Industrial Revolution.

The early part of the nineteenth century saw a serious decline in the wages of many industries; cash wages declined in the competition of machinery; real wages were very seriously and uniformly diminished by the high prices of food, caused largely by the Corn Laws and the multitude of other duties; the rapid fluctuations of prices were almost more disastrous than their rise. The usual acceptance of the "wage-

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fund theory" made it the more difficult to hope for any general rise in wages. All these factors make a background from which it would be reasonable to expect that associations of consumers would emerge. As a matter of fact, however, attention was concentrated upon production. Distress was so acute that radical changes seemed as necessary in economics as in politics. Writers of "Utopias" had usually based their schemes upon some discussion of the amount of labour needed to support life. Sir Thomas More had suggested six hours a day as sufficient to provide for the "good life." Obscure writers of the early nineteenth century were busy asserting that the labour of one man and one horse for 340 days would produce corn enough for fifteen persons for one year; that one acre of land would support two persons; or that two hours' work a day would support a family. Some of these calculations seem a little optimistic in view of both the mediæval and modern practice of smallholders, but they contained an element of truth which made them highly influential.

Hence co-operation in production, with equality in distribution, becomes one of the most popular solutions of the social problem. Robert Owen's belief that human labour is the only natural standard of value, and that labour is the only source of wealth, led to a scheme for a complete change in the foundation of society—a setback in the processes of history, with a general reversion to the self-supporting village community. To produce and to enjoy were to be the ideals of such communities, while the more modern

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desires to trade and to accumulate were to be eliminated from human life.

In all the later phases of his life, however, Robert Owen brought an element of the fantastic into his scheme, which could only secure his own defeat. He seems to have expended all his practical good sense and experience upon his own experiments at New Lanark, and his efforts for the reform of the factory system and the passing of Factory Laws.

Nevertheless, the ideal of co-operative production held the field, however impracticable any individual experiment might seem. It was worked out elaborately by the French Socialists, Fourier and Saint-Simon, and finally by Louis Blanc, who in his "Social Workshops" (*Les Ateliers Sociaux*) endeavoured to show how co-operative workshops could be set up and financed at first by the State, while gradually becoming independent owners of their own capital. (It is important to notice, in this connection, that Louis Blanc's scheme was not identical with the "National Workshops," set up in the emergency period of 1848, and his ideas were not fairly tested by the revolutionary experiments.) It was probably natural and inevitable that associations of producers should arouse more, and more immediate, interest than associations of consumers. Man thinks of himself as a *creative* animal; it is perhaps one of the great distinctions between him and the lower animals that he is not content with consumption. The consumer is really a mental abstraction like the economic man, and it requires an effort to realise his existence. Pro-

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duction concerns the whole conduct and purpose and condition of life; consumption seems merely a means to an end. So at least thinks the normal man or woman—the citizens of whom the healthy state should be composed.

Hence it is at first only stern necessity, only the desire for necessary opposition to tyranny, monopoly, or gross inefficiency that brings into being the consumers' association. Just as in the Middle Ages the opposition to the lord's monopoly of mills was the typical cause of trouble, so in the late eighteenth century we have the Hull Anti-Mill Society, already mentioned, created in opposition to the private flour mills of Hull. This action of "a large number of the poor inhabitants of Hull" building their own mill, at a cost of £2,000, raised by subscriptions of 1s. 9d. a week or less, formed an emphatic protest against the dearth of food to the consumer. Although it could do little or nothing to mitigate the effects of war and of the Corn Laws, it could at least eliminate individual monopolistic policy; the wicked miller of mediæval legend was at least curbed in his activities by resolute combination. The movement grew very slowly; a second mill was started in Hull in 1801, and others followed at Whitby and elsewhere, partly as a protest against adulteration. That the enterprise was financially sound is evident from the fact we have noticed of the survival of the original mill for nearly 100 years. The Rochdale Pioneers Co-operative Society was soon constrained to add a flour mill to its other activities.

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### VIII.

#### Consumer and Producer.

This is not, however, the place to write the history of the origin of co-operation. That has been done by Mrs. Sidney Webb. All that has been aimed at here is an attempt, in looking back over history, to isolate "the consumer," and to show when and where he becomes sufficiently articulate to organise himself, with a view to increasing his *spending* power, rather than his earning power. Yet, if Mrs. Webb proves anything, she seems to prove that it is this side of economic life which is organised with most difficulty. Producers are slow to realise themselves as consumers; when once they have done so they begin to see that their consumption involves someone else's production, and that they cannot, in so far as they are a body with ideals beyond that of mere quantity, ignore the conditions of production. Hence the consumers' association, which wants cheap boots or cheap cocoa or cheap fruit, may be driven back to production—to owning its own factories and farms and plantations. The growth is slow and gradual, and many forces tell against the union of the two classes, but the moral of the experiment is very significant. Neither consumer nor producer can ignore the other. Even within the bounds of one society their interests may be opposed. And the relationship is far more complex than a question of wage. It has its bearing upon the whole national organisation of industry, and, as has been shown by Mr. Leonard Woolf, also upon international questions. Not only is the relationship

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between producer and consumer complicated by almost all the social and political problems of the world, but the consumer himself is not at unity with himself. It was not only Marie Antoinette who believed that cake could be substituted for bread. Men genuinely desire, after certain elementary needs are satisfied, to consume different objects. The opium smoker, and the prohibitionist, and the distiller of "potheen" have all to be fitted into a world which, if possible, shall be at peace. There are those of us who genuinely do not want artificial silk to oust the older cottons and linens which used to satisfy us. But an industrial world organised for production can pay no heed to minority groups among consumers. Nor can associations of consumers organised on a large scale. The way seems to be open to large numbers of small co-operative groups, organised for the provision of specialised services or commodities, and controlled by managers who have the outlook of artists. •

Under modern methods of production large minorities remain dissatisfied, suffering poor workmanship and crude colours when they both could and would pay reasonable sums for good quality. It would be an interesting experiment if certain great firms would reserve part of the advertising space so ably filled by "Callisthenes" and similar ladies, for a series of articles by well-known professional men and women who would explain "*How and where the modern shop or store fails me.*" We would suggest that half a dozen of our favourite contributors to *Punch* be invited to

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begin. Candid remarks by the consumer, which now never get beyond the ears of the shop assistant, might often result in an association of consumers, or at least in a different orientation of production. It is not true to say that the consumer can indicate his choice by his purchases. Those of us who are occupied in production, or in purely intellectual work, can often only spend a few minutes each day as consumers, and we save time by accepting the unsatisfactory object.

It is because I believe any reasonable economic future, for those who desire the "good life" rather than the maximum wealth, must lie with numerous and varied groups of consumers, that I would advocate more historical study of the whole subject.

The great difficulty of writing even a few pages under the title "The Consumer in History" is that the preliminary spadework has not been done. "The purchaser" has not been studied with the same minuteness as the producer. We do not know who purchased the goods made by the guild-brethren. We cannot easily follow a piece of cloth beyond the market-place or the Cloth Hall, into the very hands of the consumer. In many cases the original material does not exist for this study. But much could be done by a re-orientation of interest. Historians are already busy trying to trace in detail the consumption of English wool as a raw material. How did it find its way to the weaver? How far and where was there any home consumption of the professionally manufactured woollen cloth? Who bought the first

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cottons? When and why were they preferred to linens? In the case of a specialised industry, the mediæval English silk weavers and embroideresses, it is possible to give an almost exact answer to such questions, but this is rare. Again, there is, I believe, no detailed study of "the shop" in Tudor times or in the seventeenth century, yet there must be much literary and a little statistical evidence available. Eighteenth century household accounts and tradesmen's books, as already suggested, would go far to supply a detailed picture, but nothing of the kind is to be found in the "social histories" which multiply so rapidly.

There are here at least half a dozen themes for research students in search of a "subject"; some of them might make readable books. In any case the search would necessarily discover many elementary associations of consumers, and would illuminate the motives of such associations. That is, perhaps, the great desideratum. If the future lies with co-operation, it must be an infinitely varied co-operation.

Let me end with a memory, which is also an allegory.

Some years ago an idealistic but unwise journalist sat talking with a wise and idealistic writer in journals. Said the wise man to the unwise: "Why, John, to hear you talk one would almost think that production was a sin in itself."

One of these two is now a member of His Majesty's Government; it is, perhaps, safer to leave the reader to discover which.

SELF AND SOCIETY

# Capital, Labour, and the Consumer

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# Capital, Labour, and the Consumer

## I.

### The Purpose of Production.

IN a celebrated passage in his *Wealth of Nations* Adam Smith lays down the maxim that "consumption is the sole end and purpose of all production." Supplemented by the further statement that "the interest of the producer ought not to be attended to only so far as it may be necessary for promoting that of the consumer," he regarded the maxim as so self-evident that it would be absurd to attempt to prove it.

Clearly the maxim implies a possible conflict of interest between producers and consumers; yet, strangely enough as it appears, if one were to make a survey of the major controversies which have agitated the industrial world, especially since about the time when the passage was written, it would be found that the most stubborn of them have centred, not, as might have been anticipated, in the question of the relations between producers and consumers, but in the question of the relations of producers among themselves, and in that of the distribution among them of the product of their work. Nevertheless, a brief consideration of the maxim will be worth while, for no one acquainted with the wisdom of Adam Smith would ever accuse him of making statements which lack substantial basis.

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As already indicated, the maxim is divided into two parts. On the first part there seems little difficulty in agreeing with its self-evidency. While it is no doubt true that, at some time, most people have produced, and do produce, without thought of that which Adam Smith describes as the end of production, but only for the satisfaction yielded by their activity, if production is taken in its usual sense to mean such toilsome activity as would not be undertaken without the prospect of more tangible reward, consumption may be accepted as the end and purpose of production. The self-evidency of the second part of the maxim seems, however, more open to doubt. The question which at once suggests itself is: Who are the producers and who are the consumers between whom there is a possible conflict of interest? Evidently, every producer is a consumer, and every consumer is, or at any rate ought to be, a producer. Consequently, seeing that the producers and the consumers are the same people, it seems meaningless to speak of a conflict of interest between them. What is the difference between the interest of the producers being subordinate to that of the consumers, and the interest of the consumers being subordinate to that of the producers?

Here it is advisable to look at the context of the passage. Actually, the passage appears in the chapter in which Adam Smith concludes his famous indictment of the mercantile system with the insistence that under that system "the interest of the consumer is almost constantly sacrificed to that of the producer," and that "it seems to consider production, and not consumption, as the ultimate end and object of all

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industry and commerce." As is well known, the central feature of the mercantile system, as Adam Smith treats of it, was the restraints and regulations imposed in connection with foreign trade, with the ostensible object of extending the manufactures of the country, not (so he asserted) by improving them, but by preventing, as far as possible, the competition of rivals. When the passage is taken with its context, therefore, much light is thrown upon the whole of the maxim. The contrivers of the mercantile system, as Adam Smith puts it, were the producers, especially certain classes of merchants and manufacturers, and it was to these classes that the maxim had immediate reference. It was his insistence that, through the restraints and regulations, they were advancing their own interest, which was a sectional interest. On the other hand, the interest of consumers was a general interest, for, whereas everyone could not be a merchant or a manufacturer, everyone was a consumer or, at any rate, a potential consumer of the commodities affected by the restraints and regulations. The more general vindication of the maxim that the interest of the producer ought to be subordinate to that of the consumer is that the interest of the consumer is, in its very nature, more general in character than that of the producer. For a producer to exploit the consumer must mean undue restriction of supply, whereas the interest of every consumer is that supply shall be ample. Even though each consumer, as a producer, was in a position to exploit other consumers, he would be at the mercy of other consumers as producers, and not all the producers can be of equal strength.

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### II.

#### **Emergence of Modern Capitalism.**

Notwithstanding this vindication of the supremacy of the interest of the consumer over that of the producer, it was a long time before many of the restrictions on the foreign trade of this country, such as Adam Smith complained of, were swept away. In the meantime, changes in industrial organisation, which were already in vigorous operation when the *Wealth of Nations* was being written, had made sharper the distinction between classes of producers. This was especially the case as between large-scale employers and the large mass of workpeople. Previously the capital of these employers had been mainly embodied in materials which were "put out" to workpeople who, in their own homes and with their own simple instruments of production, performed operations on them, usually for a wage remuneration, and then returned them to the employer, who, maybe, after having had the goods finished, disposed of them in the market. The general position which was now developing was that a large part of the employer's capital was utilised in providing machinery and buildings, in which the workpeople were brought together to work, in conjunction with this machinery, under the direct instructions and supervision of the employer, invariably for a wage remuneration. Thus the employer became an industrial organiser, whose remuneration depended upon the difference between the amount he could obtain for his goods in the market and the expenses he incurred in producing them under the new system of organisation.

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Evidently, under these conditions the interest of each employer was to make this difference as large as possible, and the obvious way to secure this end was to obtain the maximum production in relation to expenses. In these expenses the wages of the workpeople were an important item, while, on the other hand, the efforts of the workpeople were an important factor in obtaining the maximum production. To an unenlightened employer, therefore, there was an inducement to keep wages at the lowest possible level and, at the same time, to require the utmost effort in return for them. Here we get the elements of the conflict of interest between producers to which reference has already been made. This conflict is different from that implied in the maxim of Adam Smith, yet it has an important bearing upon it. Consumption may be the self-evident end and purpose of production; but it is an end not likely to be fully attained so long as the conflict remains an unsolved problem.

In the first part of the nineteenth century the problem was intensely acute. Maybe, had they been pressed on the point, everyone would have agreed that consumption was the end of production; but the fact that consumers and producers are the same people was largely ignored, even by economists who might have been expected to recognise it. Influenced no doubt by the circumstances of the time, they so strongly emphasised the necessity of production as to give to production the appearance of an end in itself. According to the prevailing ideas, it was the duty of producers to produce, not so much to provide for

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their own consumption, as for some future consumption. In the current definitions of production insistence was laid on the futile distinction between "productive" and "unproductive" labour, and while the word "production" was confined to the production of material things, only those who produced more than they consumed were regarded as coming properly within the category of the productive. No doubt this teaching had a commendable effect in inculcating the virtues of hard work and thrift; and that it gave a grim satisfaction to those whose economic position enabled them to occupy a place in the defined category of the "productive" is a well-attested fact. Believing that the economic welfare of the country depended upon their exertions, the teaching created in them a feeling of superiority which found expression in an autocratic attitude to the mass of workpeople for whom the teaching had no message. What the latter saw and felt was their apparent subordination to the employer in that he seemed to have absolute power of determining the general conditions of their employment, as well as the more detailed questions of how, and when, and for what remuneration their work should be performed. To them the all-important facts were that the employer engaged them at the lowest possible rate of wages to produce commodities which he disposed of at the highest price he could obtain, and thus made a profit on their labour. If, when the commodities were produced, he could not obtain a price which yielded him sufficient profit, they lost their employment until the employer saw fit to engage them again.

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As they saw the situation, production was for the individual gain of the employer, and the workpeople were an exploited class. Had they ever heard of Adam Smith's maxim they would have had no difficulty in accepting it as a correct statement of the actual position, provided that the word "profit" was substituted for the word "consumption," and the word "employer" for the word "consumer."

### III.

#### Criticism of Modern Capitalism.

Nor was this view confined to the workpeople. In particular it was shared by many competent thinkers, who, in their writings, strongly criticised the existing economic structure of society, and propounded schemes for its radical transformation. On the other hand, the recognised economists of the time sought to explain the structure, and did so in such a way as to suggest that it was incapable of any serious modification. While the critics insisted on the glaring inequalities in the distribution of the product of industry, and on the subordinate position of the workpeople, the economists were more impressed with the productive capacity of the structure, which they attributed mainly to capital and to the enterprise of those who possessed it. Labour was regarded by them, not so much as a partner with capital in production, as an instrument of capital. Yet, by their loose use of the concept of "labour" they gave the impression that even they believed that labour, interpreted in the narrow sense, was the source of wealth, and that the amount of this labour embodied

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in commodities was the determinant of exchange value. Moreover, many of their statements regarding the wages of labour, especially when supplemented by the Malthusian view that the population was ever pressing on the supply of food, lent themselves to the interpretation that wages could not permanently rise above the level necessary to provide a meagre subsistence for a labourer and his family.

Basing themselves on the general views of the economists, and upon loose interpretations of some of their statements, the critics were able to ask questions to which the answers were by no means convincing. If labour was the source of wealth, and the amount of labour embodied in commodities the determinant of their exchange value, why did such a large share of the product of industry accrue to the owners of land and capital? In the analysis presented by the most famous economist of the early nineteenth century the fact was revealed that, as rent was merely surplus profit yielded by lands that were better than the poorest in use, landowners as such contributed nothing to production. But what was profit in general? The view of the economists was that it arose because of the service rendered by capitalists in accumulating and advancing capital to the labourers, thus providing them with their means of subsistence—circulating capital—and with tools, machinery, and buildings—fixed capital—whereby their labour could be directed to the greatest advantage. The capital thus used up was a cost, and profit was the difference between this cost and the price obtained for the commodities produced.

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This view did not in the least satisfy the critics, and it was opposed by a pertinent denial of the implication that labourers, while performing their work, had to be supported by past accumulations of capital, and by the insistence that, as each class of labourers was constantly producing what the other classes required, no accumulation was needed for this purpose. This reasoning had particular reference to circulating capital, but with somewhat less emphasis it was applied to fixed capital, with the addition of the contention that, independent of labourers, this capital was in no way an aid in production. The principal aspect of capital, it was asserted, was not that it was accumulated and advanced by capitalists as an aid in production, but that its possession gave capitalists a command over labour. But, recognising the existence of accumulations of capital, what was the explanation of them? It was generally admitted that they consisted of accumulated labour, and the critics contended that it existed, and that the capitalists had possession of it, simply because the labourers had been remunerated, not by the whole product of labour, which was their right, but only by the portion which was necessary for their subsistence. According to this reasoning, therefore, profit consisted of the difference between the whole product of labour and this portion, and it accrued to capitalists, not because of any real service they rendered, but because of their power to exploit the labourers. In other words, to use the language of later days, value was produced by the labourers, but they received of it only sufficient to enable them to

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obtain subsistence while producing, and the capitalists received the surplus value.

### IV

#### Proposals of the Critics.

It was with some such view of profit and of the relative positions of capitalists and workpeople in mind that proposals were made by the critics for altering the existing economic structure. Some of the proposals, if carried into effect, would have involved a deliberate renunciation of the advance which had been made in industrial technique and in general productive capacity. But, in the more important of them, the advantages of this advance were recognised, and the retention, even an increase, of these advantages contemplated. This was the case in the proposals of Robert Owen, the most famous and, partly, no doubt, because of his practical acquaintance with the industrial system, the most cautious, if in some ways the most extravagant, of the critics. In his village communities, as he conceived of them, he believed that by utilising the scientific improvements and arrangements which had become available the existing productive power could be more than doubled. Whatever appeal the criticism of the economic structure may have made, few were willing to forgo any of the productive power that had been acquired. Then, as now, the general desire was for the product of industry to be as large as possible, provided that a satisfactory solution of problems of the distribution of the product and of the relations of the classes engaged in industry could be discovered.

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The attempt of Robert Owen to establish his plan of labour exchanges whereby the labour theory of value could be put into practice, and production and consumption caused to coincide so that profit, as he came to regard it, could be eliminated, and the failure of these exchanges, is well-known history which does not require repetition. Many explanations of their failure have been offered; but, undoubtedly, the most fundamental was an inadequate recognition of the fact that when commodities have been produced the demand of consumers for them will determine their value. Ultimately, it is not because labour is embodied in commodities that they have value, but because they meet the effective demands of consumers—from which it follows that there is always a possibility of a divergence between value as anticipated by producers and value as estimated by consumers.

Thus, on the practical side no immediate large change of the economic structure resulted from the proposals of the critics, though on the theoretical side their criticism persisted, to reach its culmination in the writings of Karl Marx, and to be continued in those of his successors. It was pre-eminently in the trade union and the co-operative movements that the workpeople sought to strengthen their economic position, and both these movements were much more their own methods of meeting the situation than methods which originated in the minds of their sympathisers. In the former movement the workers aimed at strengthening their position as producers and have succeeded; while in the latter, in the distinctive form of consumers' co-operation, they

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have succeeded in strengthening their position as consumers, and to no small extent as producers also.

### V.

#### The Service of Capital.

In the meantime, progress was being made towards a better understanding of the true relations of labour and capital as factors engaged in the process of production. Strongly impressed by the industrial development that was proceeding and by the increase of productive power, the economists, as we have seen, emphasised the importance of capital, while their critics, more concerned with the welfare of the work-people, not only emphasised the importance of labour, but argued that as capital was but accumulated labour it was not an independent factor of production. Progress in this direction consisted, not in reaching a decision whether capital was different from labour in this sense, but in a clearer recognition of the fact that, when engaged together in production, labour and capital are co-operant factors, with a relationship between them of mutual dependence.

That this obvious relationship should ever have been a matter of acute controversy may seem surprising, and probably it would not have been had the capital in question been only that which was called "fixed" capital. It was in that which was called "circulating" capital that the controversy centred. Here, again, taking into account the indisputable facts that production takes time—one year from the commencement of the production of commodities to the time of their sale was frequently

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assumed—and that workpeople must consume whilst producing, the economists insisted that the possibility of such production depended upon the existence of a stock of capital in the form of the various commodities consumed by workpeople. This capital was circulating capital, and it was its assumed necessity and function which appeared to make the very existence of the workpeople to depend upon the capitalists. Moreover, this capital was regarded as being at any moment a fixed amount, which meant that the real remuneration which the workpeople could receive was also a fixed amount. If one received more, another received less, or if we suppose all had equal remuneration, then the amount accruing to each depended upon the number of workpeople. On this basis of reasoning it was impossible to arrive at any theory of distribution compatible with the view that labour and capital are co-operant factors in production. The remuneration of neither had any direct relation with its value as a productive factor. With commodities selling at a certain price, the net amount which accrued to capital depended upon the amount which had previously been paid to labour, and this amount again depended upon the amount of circulating capital available when the commodities were being produced.

It was especially against this view of capital and its function that the critics contended, and it must be placed to the credit of at least one of them that he detected its weakness. As already mentioned, it was insisted that, owing to the fact that production was continuous, commodities ready for consumption were constantly coming into existence, and that conse-

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quently there was no necessity for the maintenance of a stock. This reasoning was on right lines, and had it been pushed far enough it would have revealed the essential character of the service rendered by the capitalist in the provision of capital. This service consists of allowing a part of his income to assume durable forms as capital, which either serves the direct purpose of consumers—e.g., houses—or indirectly serves their purpose by acting as a factor of production. In other words, instead of the capitalist expending all his income on things for his own use, he waits for some of it. Thus the service he renders is best described as “waiting,” and it is for this service that interest is received on capital. Apparently the waiting involved in goods which are consumed immediately they are produced is practically non-existent, while that involved in things which are not thus consumed varies according to their durability. It is because of this consideration that the durable tools, machinery, and buildings, now utilised in industry, are rightly regarded as the typical representatives of present-day capital.

Sooner or later it was inevitable that the idea of a predetermined fund of capital from which labour was remunerated would disappear, but it was not until the seventies of the nineteenth century that the idea began definitely to give way. Moreover, up to this time no clear distinction had been made between the services of capitalists in providing capital and the services of employers as industrial organisers and managers. The term “profit” comprehended the payments for both services, and it was still associated with capitalists as its recipients. While in privately

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owned businesses this view of profit is not inappropriate, that the services and the payments for them are analytically distinct may be seen in the case of a joint-stock company, with its shareholders providing capital and receiving interest and dividends on the one hand, and its directors and managers organising and managing the concern and receiving fees and salaries on the other. It was not until these distinctions were made, and the idea of a predetermined fund of circulating capital disappeared, that the fact could be fully recognised that labour, capital, organisation or enterprise, and, of course, land, are co-operant factors in production, bound together by the tie of mutual dependence. This stage attained, a more satisfactory explanation of the distribution of the product of industry became possible.

### VI.

#### The Missing Factor.

In view of Adam Smith's insistence on the dominance of the interests of the consumer as the end of production, it is a surprising fact that in the analyses of the economic system which appeared during the larger part of the nineteenth century the consumer received little attention. It was not so much that his interests were ignored, as that they were taken for granted. Taking demand as having reference to consumers and supply to producers, the dominant forces operating in the economic system were regarded as those on the side of supply. As the situation was presented, producers were depicted as in keen competition with one another periodically supplying

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commodities to the market in the expectation that a price would be obtained which would, at least, cover their cost of production. If this expectation was realised, the producers continued their supply as before; if it was more or less than realised, then they increased or decreased their supply accordingly. Thus, while the market price might diverge from the cost of production, there were always forces in operation tending to bring it to that point. According to this reasoning, therefore, demand came into play only in determining the market price of the supply of commodities offered for sale at a particular time. As a force determining the normal price of commodities, the influence of demand was altogether secondary. The primary determinant was their cost of production, and producers, under the stress of competition, were ever striving to cause the market price to coincide with it.

But, now, having laid down this general position regarding the dominance of cost of production, which was given a more convincing appearance by the questionable assumption that the larger proportion of commodities were produced at a constant cost, certain qualifications were introduced. Thus it was recognised that in the case of non-reproducible commodities cost of production could have little or no influence on their price, and that the same might be true of monopolised commodities, for here the monopolist would seek to obtain a price which would yield him the largest surplus over cost. In the case of agricultural products, again, the view was adopted that the cost in question would not be the cost of all

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the units of the products, but only the cost of those produced under the least favourable conditions. In connection with the other units a rent would arise, but this rent was a surplus which did not enter into cost of production. Apparently, these are large qualifications, and when to them is added the tacit admission that at no time might the market price of any commodities coincide with cost of production it begins to appear that, if there is a dominant influence in the determination of price, it is not to be discovered in cost of production.

### VII.

#### **The Study of Demand.**

That economic analysis could not remain in this unsatisfactory state is quite evident. Consequently, it is not surprising that in the last quarter of the nineteenth century another school of economic thought, strongly critical of this analysis, should emerge. For our immediate purpose the significance of this school is that its adherents, instead of approaching their problem on the side of supply, approached it on the side of demand, so that, with them, the actions of people as consumers, rather than as producers, became the chief consideration. Those who belonged to the older school had recognised that for a commodity to be demanded it must possess utility, or value in use as they stated it, for those who expressed the demand, and that, if necessary, they would pay more for a commodity which had a greater utility for them than for one that had less, the amount actually paid being, of course, related to cost of pro-

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duction as already indicated. It is this conception of utility that was fixed upon by those who belonged to the newer school to explain, not only the determination of price in all cases, but also the distribution of the product of industry among the co-operant factors of production; and that the explanation greatly illumined the whole problem is not open to doubt.

To understand the reasoning of the adherents of this school it must be observed that they subjected the conception of utility to a much closer analysis than had been given to it before. Merely to say that for a commodity to be demanded it must possess utility was not sufficient. Bread obviously has utility; but the reference is to bread in general, and bread in general is demanded by people in general, not by individual consumers. To understand the demand for bread in general, however, we must consider the demand of an individual consumer and recognise that what he demands is loaves, not one loaf, but the number of loaves, say five, which he consumes during the period of one week. The important question is: What is the utility of these loaves? Apparently the utility of the total number is not the same as the utility of one, nor is the utility of any one the same as the utility of any of the others. Bread may be regarded as a necessary of life, and so, if the loaves are designated first, second, up to the fifth, the utility of the first loaf and the intensity of demand for it will be very great; but, the demand having now been partially met, the utility of the second loaf, and the intensity of the demand for that,

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will be somewhat less than for the first, and so on to the third, fourth, and fifth loaves.

It was on the lines of this illustration that the conception of utility was analysed. Underlying the demand of an individual consumer, not only for bread, but for any commodity, there was an all-pervasive law, the law of diminishing utility; and as market demand was composed of the demands of individual consumers, this law also underlay the market demand for any commodity. Once the existence of the law was recognised, a new light was thrown upon the question of the determination of price. Evidently, as the demand of the consumer in the above illustration is less and less intense for each loaf, from the first to the fifth, the price he will be prepared to pay for each succeeding loaf will also decrease. We have assumed that his demand is for five loaves a week, but it is clear that he will not pay more for the fifth loaf than he considers its utility to him warrants, and as in a competitive market there can be only one price for similar commodities, he will obtain all his loaves at the price which he is prepared to pay for the fifth, or the marginal loaf. In other words, he does not pay for the five loaves according to their total utility to him, but according to their marginal utility multiplied by the number of loaves; and the same is true of every other commodity he buys.

Here, too, we may remove the condition of a weekly demand for a given amount of a commodity, introduced for simplicity in the case of the loaves, and think of commodities coming forth in a continuous stream, and of the marginal demand prices for them

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corresponding with their respective marginal utilities to those who demand them. Thus, between the marginal demands for all the commodities that enter into an individual's scheme of expenditure there will be a relation in the sense that, if for a given unit of expenditure, the marginal utility of one commodity is greater than that of another, the former commodity will tend to be substituted for the latter until their marginal utilities, in relation to the unit of expenditure, coincide. On the other hand, it is not to be supposed that any buyer whose marginal demand price is continuously decreasing will be provided with an unlimited supply of a commodity. Here, again, the principle of substitution will operate, so that if the marginal demand price of any buyer of a commodity is greater than that of another, the former buyer will tend to get a greater proportion of the supply until the marginal demand prices of all the buyers are the same.

How this analysis was applied in the interpretation of the problems with which we have been concerned can be briefly stated. As will be readily seen, the importance of the interest of the consumer as the end of production could now be stressed from a new angle. It was now perfectly clear that unless production were so directed as to serve the interests of consumers it was just so much wasted effort. But, without going to this extreme, and assuming that the interests of consumers were served, there was the bearing of the analysis upon the question of the determination of price. Previously, as we have seen, cost of production had been regarded as the supreme

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factor in this determination; but now, emphasis was laid on the facts that it was consumers who expressed demands for commodities, and who, according to the marginal utilities of these commodities to them, were prepared to pay prices for the commodities. This, it was insisted, was true at all times, and regardless of the conditions under which commodities had been produced, or whatever their cost of production might have been. Even if they had cost nothing to produce, if they had a marginal utility for consumers they would command a price; while, on the other hand, if they had cost much to produce, but had only a low marginal utility for consumers, their price would be low. Clearly, the acceptance of this reasoning would seem to involve the conclusion that the dominant factor in the determination of price is not cost of production, but the analysed conception of utility, a complete reversal of the position set forth by the older school of thought.

### VIII.

#### **Present-day Theory.**

But, as the matter stands, it is evident that this conclusion is not entirely satisfactory; for just as there must be something which, at some point, places a check on the demand for particular commodities, so there must be something which, at some point, places a check on the production of these commodities. How the problem here suggested was met was by an extension of the above analysis (as it related to consumers) to producers. In the first place, it was insisted that as the prices of commodities depended

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upon the marginal utilities of the commodities to those who purchased them, so the money value of the factors that had produced the commodities was similarly dependent. This value, in fact, was only the prices of the commodities regarded as payments to the factors of production for their services in producing the commodities. The position was that commodities were produced in the expectation that they would have a marginal utility for consumers and so command a certain price, and it was in relation to this price that production was carried on. The fact that the various factors of production are co-operant was accepted, and one of the chief functions of the employer was regarded as that of making a selection of these factors and combining them into an appropriate productive unit. Evidently, no single factor would be utilised to an unlimited extent regardless of the others. The law of diminishing utility would operate, and just as the consumer demanded commodities to the point at which their respective marginal utilities corresponded with his marginal demand prices for them, so the employer demanded factors of production until their respective marginal utilities in the process of production corresponded with his marginal demand prices for them. Also, the further principle held that, if for a given unit of expenditure, the marginal utility of one factor was greater than that of another, the former factor would be substituted for the latter until, in relation to the unit of expenditure, there was a coincidence of their marginal utilities. Here again, too, the operation of the principle of substitution would bring about a position that, if the

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marginal demand price of any employer for any factor of production was greater than that of another, this employer would get a greater proportion of the supply until the marginal demand prices of all employers for that factor became the same. Thus, both on the side of consumers and on that of producers, the two fundamental laws were the law of diminishing utility and the law of substitution as they operated in relation to appropriate margins.

It is here unnecessary to consider the criticism to which this analysis was subjected, or to show how it was eventually seen that it was not nearly so destructive of the views of the older school as at first it seemed to be. As will be observed by the discerning reader, although the analysis appeared to depose cost of production as the determining factor in price in favour of utility, yet, in the explanation offered of why supply was limited, something had to be included which is not easily differentiated from cost of production. The introduction of the conception of the margin was of immense importance, and generally what the analysis did was to give a unity to economic theory, in all its ramifications, which it had not possessed before. Nowadays it is a commonplace to say that, in considering the determination of price, marginal demand prices and marginal supply prices, both conceived of in relation to a certain amount of commodities, must be taken into account, and that recognition must be given to the fact that these three quantities are in a state of continuous mutual determination. It was towards some such view that the older school of thought was groping, but it required

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the analysis of the newer school to give the view clear expression.

But more important for our present purpose is the light which the analysis had thrown, not only upon the relations of consumers and producers, but also upon the relations of the various factors that take part in production. The view suggested in the dictum of Adam Smith is one of the consumer as ever subject to the exploitation of producers, who need to be reminded that the interest of the consumer is the end and purpose of production. That such a reminder may sometimes be required cannot be gainsaid, but what the analysis shows is that at no time is the consumer in an entirely defenceless position. As we have seen, the price which a consumer will pay for any commodity is connected with its marginal utility to him, and the producer cannot break this connection. Certainly, if the producer is in a position to restrict supply, he may cause the marginal utility, and consequently the price, to be higher than if the supply were not restricted, but there is no guarantee that the advantage of the higher price will more than offset the disadvantage of decreased sales, especially, as may well be the case, if the cost of production per unit of the greater supply is less than that of the smaller supply. Moreover, there are very few commodities for which substitutes are not available, and, if the price of any commodity is thus increased then, in accordance with the above reasoning, the consumer may be expected to turn at least some portion of his expenditure from this commodity and utilise these substitutes. The consumer would rather

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have butter than any substitute for it, but, if the price of butter greatly increased, he would expend less on butter and more on the substitutes. The point to which he would have to readjust his expenditure would be that at which, in relation to a unit of expenditure, the marginal utilities to him of the butter and the substitutes are equal. In view of these considerations, therefore, it becomes apparent that, unless a producer has a rigid monopoly of an absolute necessary, his power of exploiting the consumer is subject to stringent limitations.

Turning to the other question on which the analysis had thrown light, a central place must be given to the fact that, in this analysis, the various factors of production were recognised as co-operant. With this recognition, controversy as to the relative importance of this or that factor ceases to possess interest. Though it is true that without labour and land there can be no production, and that, to this extent, they are the absolutely essential factors of production, it is evident that, under modern conditions, capital is also essential. It is these three factors which, when appropriately combined and held together by the factor of enterprise, constitute a modern productive unit, whose object it is to provide a supply of commodities for which consumers are expected to pay a price which will yield to each factor of production a remuneration at least equal to that which could be obtained in other available employments. That the remuneration of all the factors of production must be contained in this price is obvious, and the conclusion is at once suggested that ultimately any dissatisfaction with

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the amount of the remuneration must be a dissatisfaction with the prices which consumers are prepared to pay for commodities.

But, while, at bottom, this conclusion is sound, it requires qualification. Only in the case of the factor of enterprise, of which, for our purpose, the employer may be taken as the typical representative, is there a direct connection with the prices paid by consumers. The remuneration which accrues to the employer is profit, and the relevant distinction between profit and other forms of remuneration is that while the latter are definite amounts which the employer undertakes to pay to the various factors for the part they play in production, profit is an amount concerning which there cannot be such an undertaking with anyone. The true character of profit is best seen by regarding it as consisting of the difference between the contract expenses incurred in producing commodities and the price obtained for them in the market; from which it follows that, at any particular time, this difference may be large, small, or even negative. This being the position, the frequent complaints of employers that market prices are too low, and expenses of production too high, and their desire to have a larger measure of control over both, are easily understood.

Nevertheless, although the supply which any employer contributes to the market has an influence in determining market prices, and his demand for factors of production has an influence in determining their prices, in practice, both sets of prices may be regarded as determined for him rather than by him.

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Under these conditions, therefore, and ignoring any element of monopoly which a productive unit may possess, it is apparent that the profit which accrues must be related to the efficiency with which the unit is organised and managed. As already indicated, the attitude of the employer, as organiser, to the factor of production, is similar to the attitude of the consumer to commodities. For the employer, as for the consumer, supplies are available at certain prices, and underlying the demands of both are the law of diminishing utility and the law of substitution. Thus, the employer, like the consumer, will demand any particular factor of production until its marginal utility to him corresponds with the price he has to pay for it, and this connection cannot be broken. There are many ways of organising a productive unit, and there are many grades of labour, and many forms of capital. Although the various factors of production are co-operant, they are, at the same time, and to no small extent, substitutes for each other. Consequently, if for any reason the price which has to be paid for any particular factor of production greatly increases, the employer, like the consumer, will tend to readjust his expenditure and utilise substitutes to the point at which, in relation to a unit of expenditure, the marginal utilities to him of the factors of production he demands are equal.

It is in the light of this analysis that the eighteenth century dictum of Adam Smith and the nineteenth century controversies regarding the relations of the factors engaged in the process of production have to be viewed at the present day. While the analysis

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had done much to clear away the intellectual mist which had surrounded the questions at issue, it must be recognised that it had not shown that, in practice, there could not be a conflict of interest between a favourably situated body of producers and the consumers of their products; nor that there could not be a divergence of views, or even a conflict of interest, between employers and workpeople as to the remuneration to which the latter are entitled or the conditions under which their work is performed. Nevertheless, to those who looked closely enough, some indication was given of the limit to which, in the first case, pressure may be exerted on consumers, and, in the second case, to which bargaining can proceed, without serious reactions. Finally, the analysis had not shown, notwithstanding deductions to the contrary, that an individualistic organisation of industry is the best that can be conceived. Rather, it had shown what is essentially involved in the working of any economic system whose end is to provide for the material wants of the members of a large community.

### IX.

#### Place of Organised Consumers.

In the opening paragraph the fact was mentioned that the question of the relations of producers among themselves, and that of the distribution among them of the product of their work, had been the chief subject of controversy in the industrial world for many decades. Stated in another way, the first question is one of the relative positions of employers

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and workpeople, while the second has particular reference to that share of the product of industry which takes the form of profit. The outstanding attempts that have been made to find a solution of these questions are well known. The solution which at one time was regarded as the most complete was the setting up of co-operative productive establishments, owned by the workpeople employed in them, and consequently in which there was no employer, and in which if a profit existed it should accrue to the workpeople owners. Into a detailed explanation of the limited success of this solution there is no need to enter. It is sufficient to say that co-operative productive establishments have not proved themselves sufficiently efficient to expand in competition with other forms of industrial organisation. Somewhat wider success has been attained by schemes of co-partnership and profit-sharing, but, again, these schemes are confined to a small number of concerns, and do not make a strong appeal to the great majority of employers and workpeople. While by both parties, though perhaps for different reasons, really effective co-partnership is felt to be impracticable, there seems to be much force in the contention of the workpeople that, in so far as there is a differential profit due to the superior advantages of a particular concern, their share in it ought to take the form of higher wages and more favourable working conditions. On the other hand, when we bear in mind that profit, in the narrowest sense of the term, can only exist when there is a positive difference between the price obtained for a product and its

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actual cost of production (including a suitable remuneration to the employer for the functions he performs), the fact that there can be no guarantee that there will be a constant large profit of this character goes far to explain the attitude of employers. Moreover, the assertion of the workpeople that they do not desire to share in a profit which results from high prices to consumers, caused by a lack of coincidence behind supply and demand, ought to be given due weight.

Clearly the attainment of this coincidence at all times is eminently desirable, for it would imply that supply prices (composed of actual costs as just defined) and demand prices are equal. In a world in which changes are constantly taking place, both on the side of supply and of demand, the complete attainment of this equality at all times is almost unthinkable, and so long as this is the position there must be a possibility of profit, in the narrow sense of the term, as well as of loss, or, from the point of view of the consumer, of high prices and low prices. As we have seen, if this profit falls to producers, and they are desirous for the amount to be large, it is to their interest to restrict supply and so cause demand prices to rise above actual costs; but with consumers the opposite is true. The desire of consumers must be for an ample supply, which means that their interest is more general than that of any particular body of producers, which must be sectional. On the whole, therefore, it would seem preferable if profits and losses there be, for their direct incidence to be on consumers rather than on producers.

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But the attainment of this position clearly involves that consumers should undertake the responsibility for production, either through all its stages, or for such as are nearest to them, and, to a large extent, this is the actual position in state and municipal undertakings. Here the taxpayers or ratepayers make themselves responsible for the provision of capital and for the other expenses of production. If a profit arises on the undertakings, owing to the prices charged being higher than cover actual costs, it accrues to the whole body of taxpayers or ratepayers, most of whom, presumably, are also the consumers. There are, however, the flaws that, if any taxpayer or ratepayer is not a consumer, he will benefit from the profit which has arisen because others have paid high prices, and that, in any case, there is no guarantee of an exact relation between the amount which any taxpayer or ratepayer may have expended in utilising the services of the undertakings and the share of the profit which accrues to him; a profit on municipal tramways may ease the burden of rates for those who use some other means of transit.

Evidently these flaws are inherent in the compulsory character of the membership of states and municipalities, and could only be eliminated by participation in the undertakings being open and voluntary, and by a division of profit in proportion to the relative amount expended by each participant as consumer of the services which the undertakings provide. No doubt it is quite impossible for these theoretical conditions to be realised in any state or municipality, but it is a striking fact that, in the

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other large example of consumers making themselves responsible for providing the capital and for the other expenses of production, these conditions do actually obtain. The reference here is to the consumers' co-operative movement, which was born in this country more than eighty years ago, since when it has thrived to its present enormous dimensions. With a membership as large as some states, and much larger than any municipality, it is distinguished from them by the open and voluntary character of its membership, and by the distribution of any surplus over actual costs in proportion to the amount expended by each member in purchasing the goods which the movement supplies. Moreover, while membership is open to all who wish to enter, including those employed in the movement, it consists mainly of those who may be described as workpeople. Thus the movement caters for a homogeneous class of consumers; and that their demands ought to be estimated more accurately by one source of supply than the demands of a heterogeneous mass of consumers by many competing sources of supply is obvious. It would seem, therefore, that in this movement, if anywhere, there is opportunity for that desirable equality between supply prices and demand prices to be nearly attained, and for profit, as a difference between actual costs and price, to be eliminated. That this is one aim of the movement is expressed in an authoritative statement that surpluses remaining after expenses have been met are regarded as virtual overcharges due to consumers in proportion to their respective expenditures.

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### X.

#### Position of Producers in Consumers' Undertakings.

In conclusion, what of the position of the producers under these two chief forms of consumers' undertakings? Evidently in neither has the employer as a private individual any place. The state or municipal employee works for the consuming public, which includes himself, and thus shares in any surplus over actual costs. The co-operative employee is in a similar position in relation to the members of the co-operative movement. Assuming that he is a member, he has equal rights with every other member in controlling the movement, while again he shares, in proportion to the amount of his purchases, in any surplus over actual costs. But, although in these undertakings the private employer is eliminated, the functions which he, as organiser and manager, performs are not eliminated. Neither in state, municipal, nor co-operative undertakings are the detailed problems of organisation and management radically different from what they are elsewhere. Though the immediate solution of these problems is in the hands of men who themselves are employees of the consumers who are ultimately responsible for the undertakings, the facts are not altered that general directions and detailed instructions have still to be given and complied with, and that questions of remuneration and conditions of work have to be considered in relation to their costs. These questions always involve two views, one which is rightly conservative, and one which is rightly progressive,

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and between these views, even in these undertakings, there is ample scope for divergence. •

It is because of this fact, and in order that the progressive view, may find appropriate expression and be given due weight, that state, municipal, and co-operative employees, just as other employees, embody themselves in trade unions. And it is well that they should, for in industry, as elsewhere, it is by a wisely directed pressure of the progressive view upon the conservative view that stagnation is avoided and healthy advance assured. Nevertheless, as between the undertakings for which consumers are ultimately responsible and private undertakings, there is an additional difference to those already mentioned. It is that, as these consumers are much more concerned with the quality of the service they receive than with any profit which may accrue to them, and that, as in their undertakings, a collectivist control is substituted for an individualist control, there is freer scope for the expression of a social conscience on questions in which the position of the workpeople is involved. Thus it is not a mere accident that the level of remuneration and the general conditions of labour in these undertakings are usually equal to, and not infrequently in advance of, the best that obtain in other forms of undertakings. To what extent, and in what directions, consumers' undertakings may develop beyond the present it would be foolish to attempt a forecast; but that, as they now exist, they set a standard according to which the position of outside workpeople may be judged is by no means the least important of their social aspects.

