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**INDUSTRIAL
POLITICAL ECONOMY**

INDUSTRIAL
POLITICAL ECONOMY

THE FUNDAMENTALS

By
EDWARD HENRY HEMPEL
COLUMBIA UNIVERSITY



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To
LUISA FRIAS HEMPEL

“POLITICAL ECONOMY

“considered as a branch of the science of a statesman or legislator, proposes two distinct objects; first to provide a plentiful revenue or subsistence for the people, or, more properly, to enable them to provide such revenue or subsistence for themselves;

“and, secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.”

Adam Smith, *Wealth of Nations*,
Book IV. Vol. 2, p. 204.

PREFACE

The world today is seeking the right economic doctrines just as earnestly as it sought for a real religion in the early days of our civilization. The people are weary of theorists who only speculate, of charlatans who talk but do not know, of egotisms, false and deceitful.

The masses turn to action. Gigantic are the struggles that are being waged; terrific the losses that are being caused, and uncertain is the future.

Such is the situation which prevails today in industrial economy. Industry is technically the most exact, advanced and beneficial human enterprise ever put into practice. Economically, it is the scene of grief and strife.

Why do we have such contrary basic trends?

Not so long ago, when manufacture was about to be expanded into large scale and mass production and any technical mistakes would have meant failure, the inventors, scientists and producers began carefully and in an impersonal manner to investigate the technical knowledge which had been acquired throughout the ages in every land.

They tried to find those methods which would give best results. Today, engineering is a group of sciences so well developed that there is rarely ever a doubt as to what is right and what is wrong, and it is free from politics for just that reason.

The economic and political phases of industrial economy, however, as yet have not been much investigated in this manner. They simply were developed by interested groups, parties, politicians and those in government positions, as current trends, proposed philosophies and opportunities allowed.

Those in power tried and still do try to force their own ideas upon industries. Today, industrial political economy is still a science in its swaddling clothes. It thrives on theories, belief and personal opinion, on promise and demands. It seems that no one really knows what would be right for industry and what should be avoided, and where there is doubt, there wrong beliefs and fallacies can prosper.

Reformers do not care to have us delve into the past. They are content with what they offer. But those familiar with the

past can recognize in many of the newest schemes the same experiments that have been made before, and they can study them and the results which were produced. Thus vitally important points are brought to light and knowledge is obtained which can be used to choose the methods that will stand the test of time and to appraise the current plans, to judge their outcome and to avoid mistakes which have been made before.

Fact knowledge of industrial political economy and systems, thus, is bound to be as useful and important as fact knowledge is in any other science.

To make a first attempt in this direction this book is offered. It has been difficult to get the facts on policies and reasons, to show the what and why and how of economic action, and also to test the value of the laws, which have determined the rise or fall of industries and nations.

The past is gone and dead—for some. For others it is the source of valuable findings. When three thousand scholars, drawn from the most diverse fields, were gathered at Harvard's Tercentenary, they—for once—agreed that what is needed most is "knowledge of man in his environment," and that the time has come to use the "wisdom of the ages" in order to obtain true and reliable social and economic findings.

At first, it might appear a waste of time that anyone should try to solve industrial problems of today by studying what happened long ago in Greece and Rome; what later occurred in Holland, France; and what the English nation did to make her people prosperous—through work and industry.

These times may seem too remote to be of help in finding means of bringing peace to industry, of giving pay that would be fair, of finding out if governments should direct industries, or whether private enterprise should carry on and in what form and manner.

Yet, if we search and finally come to know what has been tried before, we realize that only names and men and magnitudes have changed, as industry progressed and grew, but that the problems are the same which troubled nations then as they now trouble us.

Greece, Rome, the Netherlands, France and England: what have they been? What are they now? Why are they where they are?

Two thousand years of experience could not be told in a

single book without condensing the details and stating only those that are of vital importance. But even so we come to realize that we can form conclusions which are quite different from those derived from theories and academic thinking. By bringing theories down to earth and basing everything on facts, we can learn how to cope with problems and decisions that involve the happiness or misery of millions. It all depends on finding out the "true dynamics of economic action."

E. H. HEMPEL

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* In all official English sources the words "labor" and "Labor" are spelled "labour" and "Labour," especially when they are used in reference to labour as a political party or economic group. Wherever implication of these authentic meanings was desired the original spelling was maintained.

FIRST PERIOD

**THE EARLIEST FORMATION OF
INDUSTRIAL ECONOMIC PRINCIPLES**

EVER since civilization reached the point where it developed systematic thinking and reasoning and later on schools of thought and sciences, those concerned with the economic progress and social well-being of man have come to focus their attention on how society should be "organized," in order to make the living together of people possible, useful and fruitful for all.

On this point all the social, economic and political doctrines agree, in spite of great diversities in approach, fundamental differences in considering details and varying methods of research and presentation. Whatever their main theme or direction may be they all state that what we need is "organization," a definite pattern of coordination, some system of economic behavior, that would create a social order which common sense and human judgment could and would recognize as just and good for all, and fair for the greatest number.

From the earliest beginnings of human civilization this general desire for organization has been extended especially to those groups of the population who made things, who supplied the needs and wants of others and who by doing this became important and essential factors at first in the life of their neighbors and later on in the destinies of their nations. The goods-producing nobles and their slaves, the masters and their journeymen and tenants, the manufacturers and their workers, and nowadays industry in its complex and far-reaching totality, all have needed "organization" if the rest of the people and the state in its entirety were to prosper.

Even while land ownership and agriculture were still recognized as the main and most desirable occupations, especially for the upper classes, the organized possibilities of creating wealth by the production of goods was not overlooked. Today industry and industrial organization are generally recognized as the most important foundations of human society, mainly because they have been able, if properly directed, to provide employment and living for the steadily increasing number of those who cannot be absorbed by agriculture any longer, and because they create additional

CHAPTER I

ECONOMIC INDIVIDUALISM IN GREECE AND ATHENS (1000 B.C.—146 B.C.)

describing some of the earliest beginnings of individualistic production and the rules evolved by custom and governments on crafts and trade.

THE SOCIAL AND ECONOMIC BACKGROUND OF GREEK MANUFACTURE

Greece, almost throughout her history, was inhabited by many clans and tribes, forming different states. This split Greece into competitive units.

War was common among them and was then, as it is today, a prime stimulant for the creation of goods. More and new goods were needed by the tribe intending to go to war and the new processes and devices, which had been used to fill the increased war demand, were afterwards used for peace time production. Thus many new products were created and peaceful progress followed.

Up to 1000 B.C. none of the Greek tribes had any "economic system." The autocratic leaders, or kings, and later their appointed or chosen sub-leaders, who guided their clans in all affairs, merely saw to it that their followers did not quarrel among themselves, that all grew and produced what they needed, and that they exchanged whatever they could on the principle of fair barter, for which they had definite rules.

With the exception of these leaders, all Greeks had the same social standing. In the earliest days they all were free men. The wellborn formed no caste at first, and had to work for their living like any other member of the clan. Only gradually some men became "ennobled," and were recognized as such, for greater fortitude, loyalty and assistance to their leaders, primarily in times of war but also for special services in economic matters, such as being able to supply things needed in larger quantities or of better quality.

Artists, philosophers, singers and poets rarely became nobles or, as the Greeks called them, eugeneis. They sup-

plied things of no direct practical value. The eugeneis, on the other hand, supplied the energy and initiative needed to make the useful things, and they were therefore given the slaves captured in the wars.

The slaves worked for their masters in times of peace and for the common good and the leader in times of war. Always they formed the greater part of the population. Among the working slaves were skilled, semi-skilled and untrained men, fundamentally the same types that we have among workers today. Originally all slaves were prisoners of war, but soon the Greeks began to trade slaves in the market.

In addition to nobles and slaves, the Greeks had a class of free citizens, who were either of Greek stock and, therefore, had full rights, or who were free but not members of the clan. The latter paid tribute for their freedom and were compelled to render military service, but had no civil rights. For this reason the members of this group frequently attempted to improve their lot by migrating to other lands.

The Greeks were well versed in seamanship and long before 800 B.C. had begun to settle not only on the Peloponnesus but also on the various islands and in Asia Minor. The first comers always took possession of the land in every new settlement at home or abroad and when free Greeks, mostly of the tributary class, came later to settle in such a district or city, they were welcome but were obliged to do the heavier work and pay tribute to the resident landowners who had arrived before them.

The newcomers were not allowed to buy land, but their trade and skill were appreciated because the more they could produce or the finer was their product, the more commerce, domestic and export, developed. The trading was done mostly by native landowning nobles who thus obtained additional income and, therefore, were friendly toward the craftsmen and the traders from other towns.

THE CONSULS

As trade among the cities began to flourish the Greeks instituted Consuls, Proxenois, appointed to protect all those who came from other cities to trade or to settle as producers. These consuls were law-makers and, at the same time, served as economic information officers, collecting trade information from all other consuls of other cities. They supervised the

quality of products, the weighing procedures, the mode and kind of payment, the exchange of money, and the deeding of contracts, and performed various other activities to foster trade and crafts.

The Greeks also devised a unique method for enforcing fair dealing in trade without resorting to war, which formerly had often been the result of malpractice or deceit, both of which were highly resented. The consuls denounced dishonest traders by special messengers to all other consuls throughout Greece and in the Colonies, and to be "denounced to all Greece" meant exclusion from all Greek markets; the delinquent's goods were unsaleable and his business was ruined if he did not make good the damage he had done.

The Laws of the Consuls Pertaining to Trade. The legal codification of rules for business and foreign trade began at about the time of Solon in Athens, 549 B.C. When the Greeks created these laws, they did not have to provide for a very complicated economic background, but, as these rulings represent some of the earliest and most fundamental trade laws ever codified, the philosophy expressed in them is of great interest:

1. *Domicile of the trader.* It was decided that the trader should have a permanent domicile in the city and not just come and go. This requirement to have a domicile within the country or the city can be found in the legal requirements of almost every country today.

2. *Rights of the foreigner.* The same legal status was given to the foreigner as to the national trader, and no strings were attached to it except in cases where foreign countries or traders violated the rules laid down by the consuls. The same principles can be found in any modern commercial treaty.

3. *Spirit of legislation.* Character was valued highly and good faith was considered of great importance. Fraud was punished by death. Modern laws are much more lenient and, therefore, it is not surprising that we now have many social and economic evils that were entirely unknown in ancient Greece.

4. *Return cargo.* When a foreigner borrowed money in Athens to buy Greek goods for sale in his own country, he had to agree to send back the ship within a certain time, loaded with a saleable cargo. Athens preferred that wheat should be at least one third of the total return load but did

not insist on fulfilment of this requirement. However, it was necessary to guarantee that there would be a return exchange of goods. The wisdom of this economic principle often has been disregarded, especially in modern times. It is therefore interesting to note how long ago this fundamental policy for sound relationships in international trade was established.

5. *Interest rates.* 10 per cent was the usual interest rate and money was lent freely, but many money-lenders asked 15 to 20 per cent without being considered usurers. The interest rate depended entirely on the status of the borrower and on the competition of the lenders. Today we have much more money and very low interest rates, indeed, but the banks are reluctant to lend money because they are enmeshed in a net of rules and regulations established by law and banking practice.

6. *Currencies.* Some Greek states had leather, wood, iron and other token currencies. These were useful for local purposes only. No neighboring states accepted them and, therefore, trade was in large measure restricted to lines which could be bartered. Athens started the minting of gold and silver, and by using freely these means of exchange, obtained the greatest volume of commerce among any of the Greek states. Today with embargoes on gold in most countries and the handling of gold transactions almost exclusively in the hands of governments, international trade as in olden days has returned to bartering and its revival is bound to be delayed so long as nations expect to foster it with paper tokens, high duty rates and other restrictive measures.

7. *Debt laws.* The non-paying debtor was permitted to stay at liberty if he was able to put up bail, but he had to work in order to pay his debt. Our modern laws, which put debtors in jail and let big stock swindlers go without forcing them to make at least an attempt to repay their debts, are certainly much less effective than those established by the ancient Greeks. Even Plato, who was an oil merchant, was jailed for not paying a debt and was bailed out by his friends. Thereafter he became famous and well-to-do through being forced to make efforts to repay his friends.

All these laws not only show a very high degree of fairness and common sense, but are in many respects as good as, if not better than, many modern philosophies upon which some countries rely to develop their trade and industry.

INTERNATIONAL RELATION

The Laws of the Consuls indicate that the Greeks, especially after their civilization had reached a higher level, extended their trade relations regularly beyond their own nationals. They traded with Phoenicians, Etruscans, Romans, Egyptians, Carthaginians and other Mediterranean peoples, and even made trade pacts as soon as trade relations had reached a certain volume and permanency.

The First Historical Trade Pact, 509 B.C. Piracy was one of the major handicaps in the earliest international trade relations. The Carthaginians, who were Greek settlers in the northern part of Africa, and the Romans agreed on a pact for the mutual protection of their ports and their merchant fleets. The pact, which was concluded in 509 B.C. by Lucius Junius Brutus and Marcus Horatius, was graven on brass tables which were discovered by Livius and Polybius in the archives of the aediles in the capitol of Rome. It contained definite rules specifying the harbors where ships were compelled to land and where the traders had to trade in order to be subject to supervision. Charges for using these facilities were definitely stated. Specific provisions were made for policing against piracy, which at first was practiced by Athens and then by Rhodes. All tasks of policing imposed on each participant were stated definitely. The various allies of each, as well as the main contracting parties themselves, were forbidden to steal while they were on land, or to pirate while at sea. Landing without good reason was not permitted anyone.

Still more important is the fact that any extension of benefits by one party to another automatically should be extended to the alliance of the other party, and that all participants in the treaty should be benefited alike. (Polybius III, 22.) Here, then, is the first multilateral reciprocity treaty drawn up by semi-barbarians against and with pirating barbarians centuries before reciprocity treaties became the major instrument of modern times for the development of international trade and trade relations.

The Second Historical Trade Pact, 348 B.C. The second treaty concluded between Rome and Carthage is still preserved. It was prepared for much more highly developed

commercial relations and, in particular, it was concluded in order to prevent the Romans from going out in search of plunder, from opening new trade posts and from building new cities in Africa without the consent of the Carthaginians. Water and supplies were to be given in case of need to any ship wherever it landed, but after the ship had been supplied it was to depart without violence and without taking anything from the neighbors of the harbor where it had sought refuge. Violence was to be prosecuted as public cause. It is interesting that this practice has become international law.

GREEK CUSTOMS UNION

By Pericles' time (461-429 B.C.) Athens had become the main foreign trade center and the economic leader of one thousand independent minor city communities. They were friendly toward each other and, in a manner, recognized the services rendered them by Athens by paying small sums into the Athenian treasury. From this source approximately 600 talents were collected in each year. Alcibiades (421-407 B.C.) asked for 1200 talents and on a few occasions easily collected 1300 talents per year. As soon as these voluntary contributions failed to cover the bills for war and for services rendered, Alcibiades surrounded this voluntary trading district by a customs barrier, thus forming the first Customs Union in history. He levied duty not only in the Athens marketplace but also in numerous agencies along the now much longer frontier.

MANUFACTURE

It should be obvious that the Greeks who had developed national and international trade in this manner, traded not only in foodstuffs but also in raw materials and manufactured goods. To start with, the Greeks had developed the clay and building industries, just as was done in almost every country thereafter. Some makers—for instance, Rhaecus and Theodorus in Samos—formed all kinds of pottery in clay and sold their products in relatively large quantities in the seventh century B.C. Debutades of Sicyon used clay for roof ornaments and tiles which found a good market in Athens. Eucheir and Eugrammos were potters in Corinth. Some inhabitants of Samos applied themselves to gold and

silversmithing and sold their wares all over the Mediterranean. They obtained their silver, gold, iron and other raw materials from the Phoenicians who also taught the Samians how to shape their metals, and there can be no doubt that this kind of contact spread and gradually formed a better, more objective and more efficient people.

THE STATUS OF THE PRODUCING CLASSES IN ATHENS, 440 B.C.

As the spirit of commerce was highly developed throughout the Greek world, all those engaged in manufacture or producing for trade were highly esteemed. Pericles not only pronounced the high esteem for work publicly, but put it into law.

New inventions or improvements were made the craftsman's special right. The slave's invention remained his property, not his master's. The one who thinks and does things should also own the right to them. This was the policy and the law of Athens. Prizes and rewards for inventions were given by the government, which helped the master to progress and made it possible for the slave to buy his freedom.

Few artificers were native freemen. Some were free aliens; most were slaves. But the working slaves enjoyed a good deal of freedom and their daily life was much the same as that of the poorer citizen. They were inferior only before the law and public office. Most slaves served in the homes of the rich or on their farms, but a great number were engaged in producing goods. Originally they made only as much as was needed for the use of their masters, but eventually they produced more than the household needed. When this point was reached frequently a number of the slaves were set free to produce for themselves. The free craftsmen produced for local or export trade, and good merchandise always found a market. Many rich Greeks also owned special establishments where they employed skilful freed slaves and paid them well for their work. They asked for good work, and the marvelous artistic and commercial products of the Greeks show the effort which their freed slaves made.

The working slaves were protected by public law against beatings and inhumane treatment and they could ask to be given to a more humane master. Fundamentally, the attitude of the government and of the judges was always friendly toward the slaves, who in later years were even permitted to

attend public gatherings. It was recognized that slaves and bond-servants really made the money for the patron, who did no actual work. Thus it was reasoned that they were to be treated almost as well as their masters. The slaves could buy their freedom or have somebody buy them out. If a patron released his slave, the slave was obligated by law to be loyal to the man who had freed him.

PRICES

Commodity prices were usually very low, especially for food products. Ten Greek gallons of wine cost one mina, equal to approximately \$19.70. Five to eight pints of honey cost 5 drachmas, equal to approximately \$1.00. Fruits, sold in special baskets, were priced exceptionally low. One woolen coat cost only 10 drachmas, equal to \$1.97. In general, however, prices changed, and we know that they almost doubled in the time from Solon to Demosthenes (594-351 B.C.), with considerable fluctuations in between. There was no definite relationship established as yet between abundance or scarcity of gold and the price level. The price level in the days of Greece was dependent rather on the amount of money made available by the money-lenders. Prices went up when money was lent freely by money-lenders and down when credit was scarce. It seems logical, therefore, to conclude from Greek history that basically the major factor in determining price levels is not the gold content of any currency, but the attitude of those who own funds in making them available for economic purposes. Observance of this simple but most important fact should have kept many a government from tinkering with its currency.

TAXES

No very reliable information is available on the Greek tax system, but we know that after democracy had been established all taxes were voted upon and approved by all the freemen before becoming effective. Government officials at first received no pay at all, as their work was honorary and no special staffs were kept. However, after the masses had succeeded in having their own leaders appointed in the *aesymnetae*, poor men came to hold office, and to retain them in their jobs it became necessary for each member rep-

resented by them to contribute something. The followers gave whatever they could in actual goods, but soon a definite system was worked out to pay these representatives in coin.

Direct taxes, especially those payable in money, were not really to the liking of the Greeks and any attempt made by the rulers to levy such taxes soon became the main cause of their unpopularity and removal.

Therefore, they resorted early to indirect taxation. They established and collected definite fees in connection with various public functions. There were fees for weighing goods, for warehousing, for lawsuits, for the use of the market, for docking facilities and for protection on sea voyages. Furthermore, trade licenses and franchises were invented to provide indirect revenue and were given for a fee to all who wanted to exercise certain trades. Land taxes could not readily be imposed because the land was owned by the free and they had, at least in the early days, the special task of protecting the entire community against attacking neighbors. Land taxes were instituted only after more peaceful relations had been established throughout Greece and the rich started to live on the work of their slaves.

Property taxes became an important source of income for the state as soon as the landowners began to rent houses, to put up shops, or to carry on mining, trading or shipping. Property, employed for these purposes, yielded profits and therefore the Greek legislators did not hesitate to tax it on the ground that the state protected the property. Rentals could be checked easily by asking the lessee how much he paid.

An income tax on commercial activities was also levied and could be ascertained easily, as there was a rule that trading should be carried on only in public warehouses or in auction rooms where prices and deals were made in public.

Direct taxes on production were unknown, but an indirect tax when the goods were sold and an excise for the use of the market were levied. Thus the Greeks were the first actually to levy a sales tax, without calling it such.

A tax was levied on imported goods. It was called a duty and was substantiated on the ground that it cost the government money to maintain the utility structures in the harbor. Some of these had been constructed as really beautiful buildings so that the visitor from abroad should be impressed and might talk about them after his return to his own country.

The general duty paid in Athens was approximately 1 per cent ad valorem and was levied on all merchandise imported by ship. It was called the "Hundredth" or One Per Centum. Merchandise imported over land frontiers paid 2 per cent ad valorem. The higher land-duty was established because land frontiers needed more protection and control and to discourage competition in the neighborhood, if possible. The Greeks, thus, were also the originators of the protective duty. This duty was called the "Fiftieth."

When wars and extravagance forced the Greek rulers to undergo heavy expense, direct taxes were finally suggested to the people by appeals to their civic pride, and anyone owning more than three talents had to pay a small part of it to the treasury for civic activities. At first further direct taxes were asked occasionally for the building of a temple or a theater, and originally the state levied the tax only for building the premises, but not for giving the shows. This was left to men of good income who could entertain their fellow citizens by providing an imported poet or a drama with a powerful chorus. Furthermore, the government could call upon any citizen to equip a ship or to perform almost any service for the state. Still these gifts were called "benevolent donations" and everything was truly acknowledged in public and entered in the tables. But gradually this "donation taxing" became permanent taxation, and while it was convenient for the state, it held the germ of abuse and later became a serious cause of decay.

POOR LAWS AND RELIEF

The Greeks, and especially the Athenians, took good care of their orphans and of their physically unfit and aged citizens. Each Athenian who could not work was entitled to one obolus a day. Everyone else who was a free citizen was expected to support himself from his land or trade, or from the results of the work of his slaves. Solon in Athens had made idleness a misdemeanor. However, as time went on and political rights gained in value, the number of those who capitalized on their rights and who intended to live but not to work increased. They wanted support without deserving it. Many of them were slaves who had been freed, but who had no funds and to whom freedom had brought not the hoped-for elevation, but disappointment and unemployment.

To please as many as possible, Agyrrhius established a law that everyone attending the ecclesia as a juror should get not only one but three oboli per day. The ecclesia was a daily public gathering given to the settlement of disputes of all kinds, primarily commercial, and it was, of course, an easy and welcome opportunity for many to earn three oboli per day without doing much except attending a lawsuit and voting on it. This was the first government relief measure in history, and, while all recipients were highly pleased, Athens thereby began unconsciously to commit slow economic suicide.

The desire for more oboli and the number of applicants gradually became uncontrollable. When finally one third of all free Athenians desired this relief and got it, and free corn, oil or other foods as well, Aristophanes referred to this practice in the *Wasps*, mentioning that it would lead to extortion and would spoil many.

THE DECLINE OF ATHENIAN LEADERSHIP

When Aristophanes made his prophecy in 420 B.C., Athens was still at the height of her power. She dominated the greater part of Greece and many islands and colonies on other shores. The golden age of Pericles had raised Athenian civilization and culture far above those attained by any other nation of that time. For centuries the products and the style of Athens had been considered the best, and her traders had been selling Athenian goods in every part of the Hellenic world. Greeks and foreigners alike had flocked to Athens to learn how the Athenians made things, or to practice their own craft in the famous city.

In 404 B.C., sixteen years later, Athens was forced to surrender to the Spartans, who destroyed the walls of Piraeus and took the entire Athenian fleet with the exception of ten ships. Athens' political and economic powers were broken, never to rise again.

This sudden end of a most glorious and beautiful period of classical civilization is attributed by most historians to the envy of the Peloponnesian states, who provoked the Peloponnesian war which started in 431 B.C. and lasted 27 years. They offer all the historical records and explain the end of Athens' supremacy by citing a list of battles in which Athens was defeated.

Superficially they may be right, but it is most surprising that Athens' political and economic supremacy both should have been destroyed so easily, and at the same time. Not all producers and traders are handicapped by political developments. Ships can be replaced, goods can be produced and good merchandise can be sold even by a defeated nation if it has economic courage and determination enough to do it. But the Athenians made only the most feeble efforts to maintain their economic leadership after they had been defeated, and these efforts were never carried through.

Therefore, it would seem reasonable to conclude that conditions other than military defeats brought about her breakdown and, on close analysis, one easily finds so many economic reasons that it is difficult to establish them in their proper order.

Unemployment and Faulty Relief Policies. One should come close to the truth in attributing the decline of Athens primarily to excessive unemployment and to the human but very unwise support which was granted to those whom modern theory would classify as unemployed workers and political loafers. So long as they were not organized they did not endanger the economic stability of the country; but when demagogic politicians organized them in order to get into power through their votes, and when the government gave them unemployment relief and further spoiled them by free plays and gifts of all kinds, more than one third of the population, who should have brought about recovery by their work and efforts, became definitely unfit and unwilling to work for a new future.

Demosthenes pleaded in vain that the government should provide useful work instead of shows, but no serious attempts were made in this direction because the funds had been exhausted by the various wars and because the current tax revenues were spent on paying the numerous delegates and for relief for the masses. The Athenian governments remedied the evil but not the cause of it, which was the idleness of the masses. At no time were efforts made to improve conditions by giving the producers and craftsmen influence in government and by organizing them in such a manner that they might create work and expand their trades, which would have attracted the idle to more useful activities than politics. Instead of applying economic remedies the Athenian govern-

ments applied political cures in the wrong direction. They gave more relief, more political rights to the masses, and finally turned against those who alone could have helped to avoid disaster.

Exploitation of the Rich. When finally relief requirements exceeded regular revenues, the people's representatives voted extraordinary levies from the rich. The rich paid what was requested from them, but gave no support to any measure that could have brought economic recovery. On the contrary, they restricted their activities so that work became still scarcer and freed and dismissed still more slaves, aggravating the basic evil. The rich Greek landowners were model citizens; they lived in the country, they attended the religious rites, they gave to the poor, they avoided gossip; but they ceased to take an active part in the public life of their country.

Speculation. Much speculation in trade, prices, money-lending and land started as soon as the economic power of the government showed signs of breaking down. The government was helpless against such practice and soon the manipulators succeeded in raising or lowering prices at will. While many were on relief, huge profits were made by those who held large visible and invisible supplies of commodities and sold them at high prices. General hopefulness alternated frequently with panic-like feelings, and the uncertainty in which everyone lived seriously handicapped a return to normal conditions.

Commodity Monopolies. Aristotle reports that a way to get order out of the chaos was suggested by Phithocles. He advised the government to become the monopolistic buyer of tin and lead, most of which was imported into Greece and could be easily bought at a fixed price, and proposed to sell the metals at any price which the government might desire to set. He recommended the price of 6 drachmas per talent weight, while ordinarily the price was 2 drachmas. This scheme was never tried because the government was afraid of the reaction it would have on the users of these metals.

Emigration of Artisans. Soon those who could afford to do so sent their funds abroad to countries which had more stable conditions and assured a more definite prosperity.

Also many of the skilled craftsmen, discontented with ever-changing conditions in their homeland, emigrated for good and started new industries abroad. Under the rule of Isocrates, not even skilled men could find work in Greece. Therefore, he advocated joint emigration, but, just as has happened in modern times in other countries, only the best went while the majority stayed at home and insisted on drawing the oboli, public support and entertainment.

Foreign Relations. Recognizing the danger which would result from the emigration of the artisans who represented the only reliable element left in the state, Xenophon recommended attempts to improve trade with foreign nations. The scheme was actually applied but with little result. It came too late and the friendly relations and the friendly feelings which had been artificially created were not permanent. Lip admiration but not economic cooperation was the outcome. The foreigners knew the Athenian situation too well and, anxious to work for their own benefit, did not see any reason why they should assist in bringing the house, which they saw so grossly neglected, into order.

The representatives sent out to promote foreign good will and trade had little to give in terms of concessions, and as the foreigners had developed their own production and trading facilities, they did not need much of what Athens could produce and offer. Already Demosthenes had often decried the selfishness of these foreigners. "I do not promise you that they will be generous in their turn to you, for they are not," he had said after warning the people that the negotiators they sent there would get little if any result. Time has proven him right: Rhodes and others became mighty powers; Athens declined.

SUMMARY

Greek industrial economic history does not offer many economic methods applicable today. But in it are found the origins of many customs then established which are still in force, or which have been turned into their opposites.

Furthermore, Greek economic history emphasizes the value of economic principles and the importance of choosing the right ones. The Greeks were the first people who succeeded in gaining economic supremacy on the principles of indi-

ments and individualism, and their history clearly shows why they failed.

Their governments were strictly political governments and, as such, subject to all vicissitudes which can occur in politics. They definitely lacked and failed to develop any economic means to cope with the rising of an idle proletariat, and their history, like that of other nations, proves that even the strongest political or economic unit can be destroyed by a numerically small but organized mass, boring from within by political methods.

The decision to pay government relief to the proletarians, instead of organizing the economic resources of all those who could create work for them, proved to be one of the most serious mistakes in the history of Greece. It had the fatal consequence that the producers and masters were left entirely unorganized and finally at the mercy of organized mass politics.

The Athenians erected the most beautiful buildings and had the highest standard of living among their contemporaries. Individual enterprises also had built up a vast and important foreign trade, but when internal political pressure and external competition combined against the producers and traders, trade, and with it production and the high standard of living, dwindled forever.

Agriculture has been stressed for centuries as an economic factor and as the backbone of all economic prosperity, but the history of Greece and of other countries proves that agriculture is one of the weakest means to make a country permanently prosperous. Agriculture can provide food for get but economic existence for only a limited number of adv. Greek policy which had deliberately fostered the of downers found them willing to supply food but unable to provide work for the idle population.

The history of ancient Greece shows that economic permanency and prosperity do not seem to depend for their very foundation on the achievement of the highest possible standard of living, nor on undue regard for agriculture or trade, but mainly on the elimination of idleness among the masses, which can be achieved only by the proper economic development of manufacture and industry.

In Greece the government did not interfere with manufacture directly, but levied constantly higher taxes which finally caused higher costs of living and higher prices for all

Athenian goods. This aggravated condition encouraged the production of goods in other countries with the prices against which the Athenian producers could not compete and which permanently precluded any revival of economic prosperity in classical Athens.

The prices asked by any nation for its manufactured goods thus appear already at the dawn of industrial economics to be an element of extraordinary importance for the development of its economic welfare. From the history of Athens one is led to conclude that any measure tending to raise prices is bound to be detrimental to a country's producers and to the entire nation. In any case, prices play a most important role in industrial economics and, as there are many who believe that high prices mean prosperity, it will be well worth while to follow this phase closely through the ages.

ROMAN PROFESSIONAL GROUPS (700 B.C.—500 A.D.)

the craftsmen's associations, the Roman guilds, the Roman rise to power, the classic form of the totalitarian state, upheld for more than a thousand years, and why it then declined.

THE CLASS SYSTEM OF THE CIVES ROMANI

If the architecture applied to the public buildings of a people reveals its ideology and soul, then the beautiful columns which we find in the Greek temples—each one standing alone—can be interpreted quite properly as a reflection of the individualism characteristic of this nation.

Genuine Roman architecture does not use columns. The buildings of the Romans were mass constructions made of stones or bricks masterfully joined and nicely subdivided into definite fields, sections and levels. Instead of artistic columns, they built pillars, clumsy perhaps but solidly constructed and each one connected to the neighboring pillar by the Roman arch.

The social and industrial order which they developed is quite similar. The Romans lived and thought in terms of social classes, probably more than any other people before or after them. They all were proud to be *Cives Romani*; they worked and fought for the glory of their nation, but even while doing this, each one was fully aware of his social status and of the class to which he belonged.

The feeling and the desire for social equality, so early developed in the Greeks, was almost entirely missing in the early Romans. As Rome had been founded in a country which was already inhabited by Etruscans, the descendants of the founders of Rome who finally succeeded in spreading their influence and power were from the beginning a class different from the Etruscans, and it was almost natural that men should gain further prestige and nobility in the measure that they contributed leadership and influence to the growth of Rome.

Similarly, those who could assist these men toward this end deserved honors and rank, but to a lesser degree, and so

down the line to the strata of those who were not free and had to render their services as slaves.

Thus, class differences and distinctions of rank were created and defined early. By the middle of the sixth century, B.C., Roman citizens not only were properly classed but also registered by census. They were rated according to their possession of money and their various rights.

In the top class were citizens owning at least 100 minas, which were equal to 100,000 asses or 10,000 drachmas (approximately \$1,930), and who were entitled to membership in this class by birth or marriage. They were called Equites equo publico, because they received from the state the horses on which they went to war, rendered military services or merely practiced. They were the patricians, the social and financial top strata of the class hierarchy; together with the next group of classes serving in the cavalry, they numbered approximately 1800 at the time of the first census (550 B.C.) and 8000 in the year 300 B.C. (Titus Livius I, 43.)

The next group of citizens who were not quite so rich included five classes. (Cicero, *De Re Publica II*, 22.) They received not horses, but money to buy them. This money, called Oes Sequestre, came out of tax funds. These five classes were almost equal to the citizens of the first group, but had to vote after them. Together these two groups represented the politically influential top strata of Rome.

Then followed numerous classes of citizens who owned their own horses, Equites equo privato. These were the people who had gradually become men of means and desired to distinguish themselves by rendering cavalry service. They were not considered as noble as the other classes; nevertheless, they were recognized, especially in the later years of the Roman Empire, for many public offices at home and in the colonies.

After these came innumerable other classes of citizens, each one by law provided with special standing and insignia.

To be permitted to appear in public with a stripe of purple, a special finger ring or a garland of roses might seem to us a trifling matter, but it was of greatest importance to the Roman citizen. Class determined his political rights and this led to such definite class and rank consciousness that finally feuds developed, especially after Julius Caesar, when the lower strata of Romans, who had distinguished themselves in wars, political life or other activities, began to struggle

for more social and political recognition. Veterans came home as rich men and, of course, desired to be honored in a special fashion for their services. When Rome acquired large colonies and some of the native nobles had assisted the Romans, they too had to be classed and ranked, and thus the Roman class system spread over a great part of Europe, Africa and Asia.

The tendency to make class distinctions went so far that even the soldiers, slaves and prisoners were subdivided into special groups which gradually gained social importance.

ROMAN ASSOCIATIONS

It is, therefore, not surprising that, in contrast to the more pronounced Hellenic individualism, the Romans became gregarious and wished to associate also in their professional lives.

In the beginning, no special or common purpose or pursuit induced them to do this. It was the logical outcome of their earliest tradition. The desire for mutual recognition was spiritual and intellectual rather than practical. A man of certain standing or occupation became a special individual altogether, automatically obtained his rank and standing and, naturally, was desirous and willing to recognize any other individual of the same status, just as he was anxious to be recognized by the other men of his group.

It is on this basis and principle that Roman private economics developed in their very specific and unique features, and this desire to recognize and to be recognized among men of the same standing and occupation is the typical Latin root for many good and some less favorable developments in the history of the Romans, and also of many other nations during the middle ages.

The first step was always the formation of a secret, semi-secret or open association. As the practice of religion was obligatory for every Roman, it was natural that these associations or societies should adopt, at first, religious purposes as their own. The word "Sodalitas" was one of the first to indicate societies primarily religious in character. Sodalitas, meaning brotherhood, was modified into "Sodalitium," to signify a society which added a certain amount of gaiety and entertainment to religious pursuits. If these societies practiced a religion which was not quite in line with the Roman State's religion, they were called "Paganilia" or "Compitalia," and

were somewhat under suspicion; sometimes they were nothing but amusement clubs.

However, the majority of societies were "Collegia" or "Corpores," which means associations, societies, corporations, corporate bodies and also guilds. They represented serious groups of men of the same standing and occupation, who had joined on the principles of social and professional mutual recognition, for religious and other purposes.

Early Professional Collegia. The priests were among the first who combined in associations. Their main aim was not only to meet each other and render the public prayers, but also to prevent their rites from being exploited or overthrown by newcomers with other ideas. Originally there were four different associations of priests. Others were added as the number of gods and temples increased.

Frequently a religious college associated itself with one or more organized groups of merchants, and out of these combinations resulted two new ranks: The Mercuriales, who were real priests, praying especially for the merchants; and the Mercatores who, in the combination, became lay members but were in fact rich merchants who helped in the rites and contributed to the upkeep of their own society as well as to the support of the society of the priests. As religious services had to be observed by every Roman, the priests came finally to have contact with all professional associations to which they offered the temples for religious rites. The priests also helped in the annual celebration days of the various associations, the most famous of which were the Ides of May; but they rarely attended the annual banquet held by every association or guild, nor did they participate in various other gatherings which were held by professional guilds.

First Organization of Craftsmen's Associations. Plinius and Plutarch report that the first craftsmen's societies or guilds were established by Numa Pompilius as early as 700 B.C. In the first century of the Roman dominance, the inhabitants of Rome were still split into racial groups and the people of the different nationalities were constantly quarreling and fighting. The craftsmen especially caused trouble, and apparently made it their special purpose to distinguish themselves in these fights.

In order to eliminate the dissent and many other evils of minor character, Numa combined artists and craftsmen into

various corporate bodies according to their professions. He established the corps of

1. flute players,
2. goldsmiths,
3. carpenters and similar,
4. dyers,
5. cord makers,
6. tanners,
7. coppersmiths,
8. potters,
9. all other craftsmen,

and gave them all charters and statutes containing the same rules and regulations.

By giving the various crafts common professional interests instead of political ones, the right to assemble and the divine cult to observe, Numa in large measure prevented and banned dissension in Rome. He eliminated partisan strife and national fights and, in addition, obtained a harmonious mixing of arts and crafts. To insure peace and to provide for internal order and opportunity for advancement where it would do no harm, Numa also established by law the indicated hierarchical order of rank for the professional groups, and by providing for each guild the possibility of outdoing the other and being advanced in this ranking, he turned chaos into peaceful and friendly rivalry in the endeavor to be good, patriotic and religious, and to be properly recognized and rewarded as such.

As this policy had proved extraordinarily successful and did not impose any burden on the state, Numa's successors continued it, steadily elaborating on the number of professional associations and on their ranking, which later was established in line with the merits which they showed in maintaining law and order and in furthering the progress of the state.

Those who may find the list established by Numa rather incomplete should remember that it was drawn up almost at the dawn of modern civilization.

The status of these professional associations was recognized in the Twelve Table Laws. (Plinius XXXIV, 1, XXXV, 46.) Further details about their rights and obligations can be gleaned from the *Digestus Justiniani* (*Digestus* Lib. IV, Lit. VI, l 5, § 12):

“Quibus collegiis vel corporibus, quibus jus coeundi lege permissum est, immunitas tribuitur.

“Scilicet eis collegiis vel corporibus in quibus artificii sui causa unusquisque adsumitur; ut fabrorum corpus est.”

“To these collegia or corporate bodies, to which the right of combining is granted by law also immunity is conceded.

“It should be up to these collegia or corporate bodies to take into their guild any craftsman on account of his trade, as it is done in the carpenter’s guild.”

Further details are reported by Florus (Florus I, 6):

“Ab hoc (Servio Tullio) Populus romanus relatus in census digestus in classes, curiis atque collegiis distributus, summaque regis solertia ita est ordinata respublica, ut omnia patrimonii, dignitatis, artium officiorumque discrimina referrentur.”

“Since Servius Tullius (578-534 B.C.) the Roman people are reported by census, they are grouped in curiae and guilds and by highest royal decree the entire public life is so organized that these bodies settle all disputes in reference to inheritance, standing, professional and official matters.”

The curiae were political district bodies, each originally established and acting for ten families who did not practice any profession. Those families which practiced a trade or profession were coordinated in the guilds, which acted for them as political and legal bodies.

BASIC ROMAN POLICIES APPLIED TO CRAFTS

From these facts it is evident that at a time when Rome was beginning its enormous upswing and success, the Roman legislators decided upon and applied the following fundamental principles in their statecraft:

1. The government desired corporative or association membership for each and every one exercising a practical art or profession. They adhered to this principle from Servius Tullius (578-534 B.C.) to the last emperor, Romulus Augustulus, who abdicated in 476 A.D.—a period of more than one thousand years. This same principle was applied not only in Rome but also in all the provinces where it was upheld by

the Roman governors, and by the local administrators in cities and villages.

2. The government required from the start that *all* people active in certain crafts should be members of the same guilds. Membership was not restricted to the masters, free citizens and owners, but the law provided also that workers of minor rank as well as slaves had to be admitted to certain gatherings and especially to the religious ceremonies which were maintained as a required feature of all these professional associations.

It is a masterpiece of classical thinking that the Romans recognized the need for some means of reconciling the diverse interests of the various classes and that they provided in the church a catalyzer for the mutual adaptation of the economic molecules.

In modern times this need for bringing together all members of a profession, workers and employers, is being grossly neglected and class war instead of cooperation is frequently promoted.

The Roman legislators, kings and later the emperors reasoned very sagaciously that the harmonious development of manufacture would be served best by bringing the potentially warring parties as closely together as possible instead of keeping them apart. That they referred to the church and enlisted its services is mainly due to the fact that the State Church was the most respected institution open to all.

It is interesting that the Communist Russian government does not enlist the services of any church for bringing about closest cooperation among the workers and the management, but instead is now using education as the best means for communizing old and young, leaders and led, bolshevik director and laborer towards the common industrial aim, which is for them peace in industry and steady development and evolution towards economic success. Mussolini and Hitler employ Fascist doctrines to unite *all* those active in industry, and only the Anglo-Saxon countries have not as yet seen fit to inject some kind of unifying aim into their industrial economic policies.

3. The government forced craftsmen and their workers to join trade guilds, but did not interfere with their policies on manufacturing activities. On the contrary, it was decreed that the guilds should have immunity to handle most matters for their members, including even legal matters.

In this ruling we have the reason for the quick and amazing progress which the Roman producers made and the explanation of why they so easily gained superiority over the Athenians and all the producers in the Mediterranean. The Roman producers, while they remained technically individualistic, had economic leadership. The Greeks and the other nations did not establish this form of coordination, and the joint economic thinking of the guild members proved itself easily superior to the individualistic planning and acting of the single producers and traders of the other nations of this era.

The essential feature in the Roman arrangement was that the producers were at liberty to think their own way economically and that the government did not prescribe how they should think.

Only occasionally, when the Roman rulers felt that certain guilds were not in line with the law and with the aims of the state, especially if they followed religions not recognized by the state, were these professional associations suppressed. For centuries, however, Roman rulers adhered to these basic policies, and always renewed the charters of the major associations.

Consecutive Regulation of Crafts. In view of these principles it is not surprising that very few laws in Roman history regulate manufacture. Outstanding among them is the Lex Julia, instituted by the Senate in the year 64 B.C. Sometimes this law is cited by advocates of government interference with manufacture, and to it is attributed the purpose of suppressing trade associations and self-rule of industry. But it is not correct to say that by this law the government would have interfered seriously with industry. The Lex Julia is nothing but an emergency law, later supplemented by the Lex Pappia Poppaea, which was given out in 9 A.D., at a time when legislative powers shifted generally from the comitiae, or local legislative boards, to the new Senate established by Julius Caesar.

These laws were directed not against manufacturing associations but against all those clubs which were disguised as professional associations, although practically they had become nothing but political clubs striving to overthrow the government in power. It should be remembered that at that time Roman legions had rioted and revolted on the frontiers,

and naturally the emperors were anxious to eliminate any possibility of plotting against them.

The Lex Julia merely corrected a loose and undesirable charter situation which had been created by previous rulers who, in the desire to collect gifts from those to whom charters were given, had permitted them to organize without close investigation. The law also put an end to certain strictly political societies which had been created by the demagogue Claudius. The Lex Julia prescribed that all associations, without exception, must apply again for new charters in order to obtain the rights of the Three "C's," namely, the rights of Coire (to gather), Cogi (to enforce), and Convocari (to call together), which together represented the constitutional rights of professional associations.

Aside from this and repeated suppressions of politically and religiously undesirable associations, we find hardly any legal interference with professional association rights.

Under the emperors, associations desiring recognition filed application with the Senate through a lawyer. The Senate at first submitted the application to the emperor, but later decided within its own authority on the application.

The basic rules for the decision had been stated by Emperor Augustus, and the charters usually contained the following clause:

"You desire to associate for the furtherance of your private interests. I (Augustus) permit you to do this if—at the same time—you are useful to the public cause, be it as a society (corpus), be it individually. Those not rendering any service will not enjoy this favor."

Interesting is the fact that the Romans gave full rights to Jews. As they declared by taking out a charter that they would follow only religious and not political aims, Julius Caesar gave them special permission to practice their religion even in Rome and they were especially allowed to have a community chest, to give banquets and to gather at will.

INTERNAL ORGANIZATION OF THE ASSOCIATIONS

No definite information has come to us on the internal rules and regulations of the earliest craftsmen's guilds. We know that the members performed their religious ceremonies together and that they kept peace, but we know very little of

the extent to which professionalism was part of their activities.

Towards the end of the empire, however, the craftsmen's guilds had very interesting and complete professional codifications, most of which can be found in the Codex Theodosii, in the Codex Justiniani and in the codices of the other emperors of the declining Roman or Byzantine Empires.

The codifications were established primarily for the Roman colleges but were adopted throughout the empire. Naturally, the regulations were not entirely uniform for all the various provinces, because different conditions prevailed. However, we know the following:

Membership. While it was common practice at first to recognize each man on his ability to exercise a certain trade and to make him automatically a member of the craft association, in later years the colleges established the custom of admitting only those who could fulfill their own specifications. The Roman colleges, however, as a rule did not exclude anyone who could exercise his trade. Rarely was there any dispute on this point.

Training. It is unlikely that the early guilds offered special training or professional instruction, nor did they supervise the training of the younger members, as was done during the middle ages. In this point the Roman guilds were definitely different from the later ones. However, in all likelihood the members discussed the methods of production which they applied, the products which they turned out and the various features of their craft. By 300 A.D. we find reference to the fact that they already had *scholae* (schools), in which they gave instruction to the younger members, teaching them in part the rites of the colleges, the professional requirements, and most likely also, methods of production.

Financial Principles. Financially, each member worked independently, at his own risk, and in free competition with all other members. If one member failed in his enterprise, it was customary for another member of the guild to hire him to continue his profession, but he did not remain an independent craftsman. As the guilds dealt with the government representatives jointly through the speaker of the guild, undoubtedly big projects were discussed in the meetings whenever the guild was called upon to fulfill certain government

or provincial contracts. It seems, however, that even in these enterprises the financial resources of the contracting members were not pooled but that each one undertook to deliver as much of the contract as his facilities allowed.

Labor Problems. The employers, among themselves, merely discussed labor problems but did not take common action. Among their labor problems were prices for slaves and wages for the free workers, and for centuries these problems were settled within the guild, since masters and slaves were both members. The brothers of the employing kind merely talked it over and agreed with the brothers of the working kind.

In later centuries the workers were permitted to combine into a special sub-group of the guild if they desired to do so, and, still later, some guilds were given charters in which were united workers only, who worked for the state.

There were no "closed shop" principles. Whoever applied as a worker or apprentice had to be accepted, tolerated and protected in his rights.

Patronus. Because government orders constituted the most important and apparently also the most profitable orders for many of the trade associations, sometimes a senator who first had come in special contact with the guild through negotiations for the state, appeared on the membership list as a special friend of the craft association, or a "patronus." The politician knew the members of the local senate and was able to obtain minor favors; he obtained orders and also could act as negotiator between rival associations if any disputes arose. Nevertheless, there was no definite favoritism. The government saw to it that this was avoided. However, the function of the patronus, as we know from the records of various associations, became very important and was especially paid for out of association funds. Quite frequently these patroni, in turn, showed their appreciation by assisting the associations in erecting temples and images, and on other occasions when, for instance, they desired to have a special holiday or similar favors.

Of particular interest in this direction are the statutes of the *Navicularii*, the boatmen, one of the most powerful and important professional groups in ancient Rome. The association of the *Navicularii* in Rome was organized on the same principle and with almost the same statutes as all the local associations of *Navicularii* throughout the Roman Empire.

In view of their great international organization, they had eight patrons, composed of four senators and four other public officials; five members representing a life-time tribunal, and five members elected for five years to do the current administration work. They had more than one hundred twenty-three members all engaged in the shipping and forwarding business, and a number of junior members learning the profession. Thanks to the services of the patrons, none of these members paid any of the special taxes which were levied generally for the upkeep of the public horses, the army, the navy and for many other purposes.

Other important associations and guilds were those of longshoremen, oil traders, butchers, bakers, bankers, perfume merchants, goldsmiths, gold batters, shoemakers, furniture dealers, potters, furriers, workmen's clothing merchants, mirror-makers, oil pressers, tailors, hair-cutters, carpenters and many others.

Advantages to the Association Members. The enforced organization of all craftsmen into associations in the manner practiced by the Romans not only represented a considerable improvement in the organization of economic activities but also had many other beneficial results.

1. The various crafts obtained in these craft associations visible and corporative representation. This alone is of greatest economic importance, especially in the early stages of development. The visible representations made the fellow citizens conscious of these crafts and willing to respect them, help them and be proud of them.

2. The members of the craft association in turn were stimulated to deserve and retain this respect and the good will of their fellow citizens by a good, reliable and improving business conduct. The religious ceremonies helped further to keep business morals awake and this undoubtedly contributed towards a satisfactory and proper development of the Roman trades and manufactures in their early beginnings.

3. The free but poor craftsman found in these associations, and through them, the economic background which he needed to develop his business, and protection from the many difficulties which so often are placed in the way of the man who has to struggle alone. The guild association offered no financial help for business undertakings, but it provided

the social and economic approval of the craftsman and of his products. As the guilds were open to all, any man in good standing had his chance to make good in his chosen profession. Thereby a fairly quick and sound evolution of production activities was assured.

4. The unfree and low caste workers, being also members of the same guild association, were treated better than if they had been considered merely as slaves. Furthermore, they could find in these associations a means of overcoming their social handicap by displaying their talents at the meetings. It is most striking that the Communists in Russia are providing for their workers, through the Workers' Clubs, opportunities similar to those which the Romans provided for their working slaves in the earliest stages of industrial evolution.

5. The systematic and forceful development of the crafts helped greatly in bringing Rome to the political and economic power which she finally gained. Roman influence reached and prevailed for centuries in France, England, Spain, Switzerland, Austria, parts of Germany, Portugal, North Africa, Egypt, Asia Minor and the Balkans.

The Roman craftsmen who migrated to these colonies took with them the desire for the same trade association activities, social gatherings and religious ceremonies to which they had become accustomed in Italy. When they had trained foreign craftsmen in their profession, the Roman settlers permitted the natives, according to Roman principles, to become members of the professional association which they had founded. As the Romans did not always insist that the foreigners should adopt Roman religion, the religious practices were frequently disregarded; but the Romans and the natives held their banquets together and met whenever they wanted to observe a special holiday and on various other occasions.

By doing this the Romans brought to these people their own highly developed craft practices and the knowledge of manufacturing which they had acquired from many other nations, and thus not only benefited greatly these lesser civilized nations, but also benefited themselves still more by developing the resources of their colonies, by supplying their armies with local products, and by creating a better and more useful life for many Roman working slaves who were freed and became independent masters in the colonies.

Rome retained her power for more than one thousand years, not because the Romans were good soldiers, but because for centuries they were good administrators and employed sound economic principles and methods wherever they settled.

THE ECONOMIC POLICIES OF THE ROMAN EMPIRE

During the Republic the government restricted itself to real state government: preservation of the entity, protection of safety and frontiers, legislation of the most fundamental sort. Military measures and administration necessary for achieving these aims were the most important activities of the state. Taxes were levied only for these purposes and for the building of public roads, necessary primarily for military purposes.

Everything else, and in particular the production of all necessary goods and commodities for the population, was left entirely to private initiative.

Only contracts, which had to be given out by the government, were supervised and decided by the Senate, an honorary body. In the various provinces and cities, local senates exercised the same rights.

As the Republic grew and military activities expanded, road building, camp building, the supplying of food and arms, carpentering, bridge building and the making of armor became manufacturing activities of great importance. In most instances the requirements were filled locally and contracts were given out to many local producers who supplied the local military units.

In later years, when Rome had become under the emperors a very great power and was undertaking works of great magnitude, the Romans appointed special *Servi Publici* (public servants), who did all the administration work necessary to fulfill these tasks. The Romans also organized slave regiments, on military principles. The military working slaves, who had their own rights, were treated well, could marry and could attend the civilian association meetings and the rites since they were professional men. They could participate in religious festivals and, eventually, many of them were liberated for special bravery, performance or other reasons. The upper ranks of workers, and most supervisors and leaders of these legions, were drawn from the original slave

stock after they had been freed. If they fulfilled their tasks properly, honors and rewards were given to them. Quite often liberated supervisors were permitted to undertake certain contracts with their own funds, if they had any.

Not every kind of work, however, was entrusted to these men. The distribution of goods, for instance, called "Annonae" or annuities, was entirely in the hands of free men. Furthermore, the entire transportation business was in the hands of rich individuals who used their own private slaves for the performance of these activities. Arms, coins and similar things were made in government shops, but at no time did the Roman government attempt to undertake large scale work operations or production of civilian goods as a government activity. They always appointed private or liberated contractors to do and to finance the work with their own funds.

Not until the last two centuries of Roman rulership did the Roman governments attempt to obtain free services, contributions and regular payments from their craftsmen's guilds, and manufacturing, for eight hundred years free from any government interference, developed into a great economic activity. The enormous amount of goods, their variety and high class craftsmanship clearly reveal the tremendous stride which was made under the Romans in every part of the empire to bring the production of goods towards a higher level.

THE DECLINE OF ROME

Many causes have been offered to explain the decline of Rome. Usually and rightly the final fall is attributed to the dynastic difficulties and military defeats which Rome suffered, especially from the year 253 on, when the German tribes began to make serious trouble in the north. One may feel, however, that the decline was due not only to military defeats but also to internal economic conditions.

Misdirected Public Welfare. Originally each Roman was obligated by law to give to the state his time, his work and his fortune.

In this respect, the attitude of the Romans was the same as that of the Greeks. The state was entitled to any assistance which it might require. Therefore, the people would have to contribute whatever was necessary.

On the other hand, the people were considered entitled to share in any available surplus which there might be. This was considered not as charity, or public welfare, but as a political right of the Roman citizen. Tribute collected in the colonies, for instance, was distributed among the upper as well as among the lower classes. In 123 B.C. Gracchus decreed that grain collected in the provinces and brought to Rome should be sold at a reduced price to all those entitled to it. Gracchus said that in this manner the citizen who had not received land in the new provinces, or slaves, or other benefits, might share in the results of victory.

Caesar, coming into power in 59 B.C., found 320,000 recipients on the free corn list. This cost the government approximately 76,000 sestericii annually. He reduced the number to 150,000 recipients.

Augustus (31 B.C.-14 A.D.) increased the number to 200,000, but established certain requirements, namely, that poverty must be proven and the citizen must be in possession of all civic rights and must live in Rome. Thus Augustus encouraged a process similar to that which in Athens had led to the decay of the state.

Claudius (41-54 A.D.), in order to become more agreeable to the masses, decided to give all tributary grain away entirely free, not only to citizens but also to slaves.

Severus Alexandrus (222-235) and Aurelianus (270-275) gave bread instead of grain because the mob had no real use for grain any longer. Aurelianus gave two-pound loaves instead of one-pound loaves, but at irregular intervals. In 367 Valentinianus gave especially well prepared bread daily, instead of monthly as had been the practice under previous rulers. In giving out bread, he started the first bread-line. It was established in the Estrada which is the colonnade in the Roman Forum. There the recipients received the panis gradilis (free bread). Later even a breadbox was given to each recipient in order to take it home. He also was permitted to sell this box or to will it to his heirs in case of his death. Similar bread distribution was started in Constantinople.

Under Septimus Severus (193-211), the daily distribution of oil began. It was later abolished but was restored again by Severus Alexandrus (222-235). The recipients were also permitted to sell the oil at a fixed price.

Constantinus (323-337) initiated irregular donations of wine, salt, clothing and even of money.

This brief summary clearly shows how a perfectly well-intentioned policy degenerated into a serious evil, for these donations gradually undermined the morale of a great number of Romans, who merely had to collect what others contributed to the government.

Commodity Administration. Nero (54-68) had established a special agency which supervised these donations. It was called the *Cura Annonae*. This agency also was charged with the supervision of commodity prices and was expected to prevent and prohibit speculation in commodities by minor officials. The Roman government was also engaged in buying, holding and selling all kinds of commodities at especially pegged prices, a procedure which has been revived a number of times by modern governments.

All the commodities were collected in the provinces and undoubtedly the quantities of grain and other commodities brought to Rome by the government exceeded the privately traded quantities. Due to the price-pegging and selling activities of the government, difficulties arose in the open grain markets and in the years 200 to 300 A.D. the private merchants frequently complained about the policies adopted by the government or local administrators.

The Roman government, by making the procuring and trading in the most important commodities mainly a government function, actually succeeded in preventing speculative price excesses, but at the same time it discouraged and weakened private initiative in developing independent trade in these volume products. More and more the Romans became dependent on receipt of the provincial tributes and whenever a province refused to deliver, war was the only means which the government had to obtain the supplies. Thus the army developed into a superpower within the state which had to be catered to, especially and liberally, while at the same time the tribute payers became still more reluctant and obstinate.

As military power easily can be abused, many administrators amassed fortunes besides the rewards which they claimed for themselves and for their troops. This in turn weakened the morale of the force upon which the supply system was built.

Interference with Manufacture. When the desire for easy living had become the desire for luxury and extravagance, the nobles in the colonies and the emperors in Rome did not

hesitate to impose special regulations, payments, tributes and deliveries on the craftsmen's guilds, especially between 300 and 476, when Rome was finally captured by the Goths.

By these special regulations and tributes the Roman emperors finally undermined and endangered the most important factor upon which the development of the empire had depended militaristically and economically.

So long as the government restricted its activities merely to granting and renewing charters to the craft associations, and otherwise refrained from regulating their real professional activities, Rome continued to grow. As soon as the emperors began to regulate internal craft matters such as the buying of raw materials, use of raw materials, establishment of inventories, manufacture, sale and pricing of products, distribution and taking of orders, the traders and craftsmen began to lose the interest and the stamina which had caused their enterprises to prosper.

It was not so much the exploitation of the guilds as their growing economic indifference and passive resistance against such regulations which accelerated the decline. Many craftsmen and contractors simply stopped doing business or sold out when government pressure became too strong. Later on when the Roman government decreed that craftsmen could not sell their professions nor give them up, they simply disappeared and sought refuge in countries which were more tolerant. Other producers, after having abandoned their shops, entered army service or tried to hide in the country until they were found out and forced back to their work. The government steadily issued new regulations concerning the producers and the guilds, but by trying to enforce the regulations, it merely succeeded in breaking the guilds down at a faster pace. The severe regulations which were applied also to the workers, including even death, for burning or spoiling a piece of goods ordered by the government, merely helped to destroy finally the morale of this group, which already had been seriously shaken by the inhuman persecution of the new religion which many workers had embraced.

Religious Persecution of the Workers. The religion officially prescribed and offered by the Roman state for general observation had never been much more than a mass of mechanical rites. It had been left bare of any intellectual or spiritual doctrine, especially one which would have in-

spired the great number of those who had remained slaves and workers and had to work now under the new, severe regulations.

Therefore, when the philosophy of Christ was spread many of the workers embraced the new religion gladly and wholeheartedly, because it gave them an entirely new outlook on life and an inspiration much stronger than they could obtain from attending the official ceremonies. In view of the luxury and extravagance which they saw around them and the outright exploitation which they suffered in the late period of Roman rule, many definitely needed the spiritual consolation which the Christian preachers offered in their secret meetings, they made the cross their highest symbol and suffered stoically the persecution and punishment which unwise rulers imposed on them.

The masters learned about Christianity mostly from their workers and as they suffered equally from the suppressions imposed on them, they gladly joined their workers in adopting the new faith and in opposing the government and the ruling classes.

Rome finally broke down, not only because her soldiers lost some battles and because the nobility was no longer able to lead, but because the economic forces, the producers and traders who had helped to build up and maintain Rome's political might, became weakened and even turned against the government.

SUMMARY

The economic history of Rome clearly reveals the second basic "system" used in industrial political economy: production based upon guild association principles. So long as the government merely forced the members of the various crafts to get together, to recognize and understand each other and to cooperate, the system proved itself definitely superior to the unorganized industrial activity of Greece and the other countries of the ancient world.

Peaceful cooperation of masters and workers created a faster and more lasting progress in production and through the establishment of the same principle throughout the empire the Roman craftsman rendered to Europe an inestimable service.

Roman manufacture was not directed primarily towards the production of beautiful things, but rather towards the

production and improvement of goods needed by the masses, the armies and the civilian population, and the successful continuance of Roman dominance over the huge colonial empire was in no small measure due to the low prices which the Roman trader asked for manufactured goods. Against the simpler but at the same time cheaper Roman products other producers could not compete.

Peculiar to Roman production was its nationalistic character. This feature was never overstressed, and the foreign craftsman was welcome at all times, but he had to amalgamate himself with Roman aims. This policy, too, was one of the means which helped to tie the producers closely together, and the tolerance and moderation injected into it made it still more useful.

In view of the great success which the old Roman association system proved itself to be, it is not surprising that Italy, after almost two thousand years of economic experimentation, has apparently reverted to the classical Roman ideas.

Mussolini's industrial syndicates are novel only in their details. In their basic features they are not very much different from the classical craft guilds, and also state-enforced coordination of workers and producers can be found revived in Italy. Industrial peace is again enforced by the government, and while the modern Italians give credit to their contemporary heroes for devising their present industrial organization, many of their measures are fundamentally the same as they were known in classical Rome.

The details of organization are more elaborate, the underlying philosophies have been clad in modern terms, but the basic ideas on industrial organization are as old as Latin economic thinking.

CHAPTER 3

DUTCH BURGHER POLICIES

(600-1750 A.D.)

the craft and trade policies of a shrewd nation who wanted to be free and did not care for troublesome rulers, higher taxes, loans and wars.

Before discussing the industrial economic policies of France and England, which became the leading producer nations at the beginning of modern times, it is worth while to consider the earliest beginnings and policies of a people who became an important economic power in the early middle ages. The Dutch obtained economic supremacy, not because nature favored them with an abundance of all the resources commonly considered as necessary for the development of manufacture and trade, but because they gradually developed economic policies which were different from any of the classical systems.

The Dutch policies, representing the first systematic attempt of a Western European nation to obtain and to hold economic power on "democratic" principles, can well be considered as the third basic system of industrial political economy which was developed and applied in Europe.

EARLY HISTORY

The territory now called Holland had never really been brought under the influence of the Roman emperors, probably because it offered no riches and therefore the inhabitants, called Batavii by Tacitus, had successfully retained their independence as a tribe. They were recognized as "auxiliari et amici" (auxiliaries and friends) of the Romans, but were never subdued.

Their land was marshy and infertile, and many of the Batavians had gladly taken service as trusted soldiers of the Romans. They had served in the Roman legions all over the world and had come home with good pay and much booty. Many, also, had served in the Roman workers' regiments and had learned the Roman trades, the art of building, the art of making bridges, and the art of making goods.

Utrecht was at that time a small hamlet called by the Romans *Ultra trajectum Rheni*, which means "on the other side of the river mouth of the Rhine."

Clement Willebrod, an English priest, settled there and by the end of the seventh century had baptized the native *Batavii* and *Frizii*. He was their bishop and exercised considerable power over his barbarian flock.

It is not surprising that Utrecht at an early date became a commercial center. The Dutch, who were good seamen, kept only part of their imports from neighboring countries for themselves and sold the rest to all the smaller cities which were then just beginning to be developed. They also traded in woven goods which they made and invested the profits in more ships, the building of which was one of their earliest industries.

The Dutch paid regularly and fully the tributes which were demanded from them by the Romans and later by the Merovingian and German kings who, on various occasions, tried to exercise authority rights over their territory. However, at all times, they insisted on obtaining in return special grants for the pursuit of navigation, trade and manufactures. As they paid their tribute regularly, they had no difficulty in obtaining these concessions.

Between 800 and 1000 A.D., the wool trade with England was Holland's mainstay. The Dutch bought wool in England, took it home, made clothes of it and sold the clothes in England for more wool. Their product was dyed scarlet, an art which they had learned from the Romans. For the privilege of continuing this trade the Dutch paid three pieces of scarlet cloth per year to the German emperor and a similar number to the rulers of England.

When in 857 the Norsemen invaded and destroyed part of their territory, the Hollanders did not hesitate to start on an expedition north to obtain revenge. But when in 1070 the Normans returned and again devastated Dutch territory, many Hollanders from the province Zeeland emigrated to England where they were given land near Carlisle by William, whose wife was Dutch. Soon thereafter Henry also gave them land in Pembrokeshire where they wove and traded.

From 1180 to 1187, with Dutchmen on both sides of the Channel, the Hollanders not only continued their trade in wool and woollen clothes, but started to trade in grain and corn as well. Again they gladly paid the fees extracted for

this privilege by the Normans now residing in England, but they did not pay in coin. They paid in goods made in Holland, thus stimulating their weaving industry.

In the years after 1150, the Dutch developed the Rhine shipping trade. They built warehouses in every port and whenever the Germans attempted to come down the Rhine to the ocean they levied duties and thus fostered their own shipbuilding and shipping trade.

By 1153, they had organized fishing in large scale in the North Sea and later on also kept fishing fleets nearer their own shores.

In 1380, William Beakleson, a native of Zierikzee, invented a new curing method, the pickling of fish.

With the fishing industry they developed a net making industry and sold their products widely.

DUTCH ECONOMIC PRINCIPLES

As their activities expanded, the Dutch tried constantly to increase their population. They quarreled with neighbors but rarely undertook bloody feuds. They guaranteed peace and safety to all newcomers who knew a craft and to all traders who wanted to trade on their soil, with the result that numerous people emigrated from Westphalia, Brandenburg, Portugal and other countries and settled in the small but thriving communities.

By the end of the tenth century, fairs were established by the Dutch for the concentrated and seasonal sale of their products. In order to obtain workers, they in turn visited the slave markets which were common. Danes were sold in Mecklemburg and bought by the Dutch for from one to three marks or eight ounces of silver. These slaves were brought into Holland where they were considered almost as free men and were permitted, if they knew a trade or profession, to exercise it at their own risk.

The landed gentry, unlike in Greece and Rome, did not undertake to manufacture through slaves. In this respect Holland was entirely different from those two countries. It happened, however, that many burghers who were engaged in manufacture acquired land and tenants as their riches allowed. Thus they obtained income from their trade and from their estates, they improved the country more rapidly and were at the same time more secure in both pursuits.

The Dutch gradually succeeded, by paying regularly for all privileges which they received, in obtaining charters which made their cities almost entirely independent of interference by their rulers. Asking steadily for new "favours" the burghers finally were permitted to establish their own laws in the cities and to issue any regulations which they desired for the development of manufacture, commerce, labor, and similar problems.

The city burghers chose their judges from among themselves, and thus the law in Holland was enacted and interpreted by people who were familiar with Dutch mentality, custom and habit. In France, England and other Roman colonies, Roman administrators had imposed the Roman Law, which was not always suited to the needs of those countries.

The judicial system which the Dutch established was different from the complicated system developed under Roman law. They developed and applied the principle of arbitration in their legal philosophy instead of the principle of prosecution with its slow and costly procedure. Instead of appointing judges they appointed "peacemakers," to prevent extensive litigation. In other words, they forestalled long legal procedures by early and quick arbitration settlement. The reason for this wise move can be found in their far-flung commercial and industrial activities which did not stand long-drawn-out lawsuits.

Another Dutch principle which became well established at that time was the obligation that every Dutch district should take care of its own financial requirements and keep its expenses in line with its financial resources, with the understanding, however, that it should progress in line with the progress of the neighboring districts.

The origin of this policy is easily understood when one considers that Holland is endangered by floods. The dykes, built as protection against these floods, were only as strong as their weakest sections. Therefore, it was highly desirable that the dykes in one district should be as well maintained as those in another, and that progress in dyke construction and maintenance, while independently financed by each district, should be uniform in all.

Not until the most recent times did the Dutch relinquish to any great extent this principle of regional payment for public works. They never attempted to collect funds from

all districts to benefit one, but always cleverly appealed to the moral responsibility of each district to look out for itself as well as for the common welfare of its neighbors.

The Dutch also introduced a new principle into the appointment of public officials. While the Roman officials were appointed for a period of years only, the Dutch appointed their public servants for life. They controlled them closely and let them remain in office as long as they rendered satisfactory service. This eliminated the usual periodic disturbances, freed those in office from the necessity of political maneuvering to keep their positions, and left them free to attend to the duties of office on the principles of honesty, fairness and good work in the interest of all.

Another advantage of this policy was that all those in the community who did not aspire to public office for life were devoting their time and interest fully to the development of their own professions.

In the cities no burgher class of higher rank was permitted to develop. The Dutch established early a special guard whose main purpose it was to protect all; therefore, they did not need any class which would have to be privileged for rendering protective services.

By maintaining order, peace and permanency in almost every detail of their public and legal life, the Dutch provided the security so definitely needed for permanent and successful development of manufacture and commerce.

REASONS FOR THE DEVELOPMENT OF DUTCH INDUSTRIES

In 1205 only a few huts were inhabited on the present site of Amsterdam. In 1300 Amsteldam, as it was called then, was only a small village. Its inhabitants lived a quiet rural life, fishing, making nets and cultivating their fields. The first impulse towards the development of manufacture came from Flanders, a Belgian province.

In most cities of Flanders the weaving industry had been developed to sizable proportions and had been organized on principles very much like those instituted by the Romans in their professional colleges.

The first disturbances in the flourishing Belgian industry came from the appearance of new weavers who were not members of the guilds and who attempted to obtain business by furnishing lower grade fabrics at lower prices than

those set by the guild halls. In 1301 the guilds established regulations on quality and fraud in fabrics, in order to obtain more definite control of these competitors and further to localize the weaving industry in their towns. Many independent weavers thereupon moved away from the cities and settled in neighboring Belgian villages. Others, however, stayed in the cities, organizing and creating serious disturbances in the Belgian weaving industry. In Ghent several citizens and two magistrates were killed. In Bruges fifteen hundred men perished in fights between Hall members and independent weavers. Ypres even went to war about regulation enforcement against Langemarck, and in Poperingen and Brabant many serious outbreaks occurred among the weavers. Finally, some of the independents, tired of constant trouble, emigrated to Holland, especially to Amsterdam, where they found refuge and were welcomed by the burghers who hoped that their activities would help the city to develop into a greater community.

The newcomers fulfilled all hopes. In 1342, Amsterdam became a member of the Hansa League and thereafter grew rapidly.

Other cities became centers of manufacture at about the same time, when many of the Dutch nobles turned to robbery and plunder, and when, in consequence, the producers who had settled in Dutch villages and hamlets moved away and sought the protection of the cities. This move helped in the rapid development of industries and strengthened further the strong feeling among the burghers for protection of their common interests.

Civil war, on a party basis—not on a class basis—split Holland's nobles into Hooks, which represented the majority, and Kabeljauws, which represented the landowners who had become accustomed to extorting heavy charges from the manufacturing enterprises operating on their land. The civil war among the nobles continued until Philip II, Duke of Burgundy, took over Holland and Belgium in 1383. The war had split the nobles but not the ranks of the burghers. In 1427, they obliged Philip to restore peace and also the interrupted trade with Scotland, and even secured permission on December 6, 1427, to import broadcloth from Scotland for dyeing *ander bond*.

Thus the good burghers introduced "bonded production" and not only initiated in Western Europe a new policy favor-

able to the development of new industries, but at the same time freed the dyeing industry from its former dependence on "Contraveners," or smugglers, for imported cloth to be dyed and re-exported.

Labor and manufacture prospered under Philip II. Labor was entirely free and men hired themselves out for doing any jobs they wanted. While in the earliest history the Dutch had had slaves, by the time of Philip there were no longer any slaves or dependent workers in any of their various yards or shops.

When Philip died, 40,000 crowns of gold, 100,000 marks of silver and 2,000,000 marks worth of jewelry were in the Dutch Treasury. His administration had solidified the Dutch districts into one unit of good central administration but of local self-rule.

The local officials, established in their offices at low salaries, appointed for life and contented to serve, had become real pillars of the government as well as of their local communities and manufacturing groups. By intermarriage between the families of the officials and of the producing burghers, a new middle class had been formed which knew how to serve the state and also to preserve and enforce its own rights.

The foreign rulers governing Holland, of course, did not cease to exact taxes from the now prosperous country, and the local lords also continued their attempts to raise money from the burghers and their enterprises. Armies were laid upon the land, garrisons were quartered in the cities, fines were imposed under any pretext, but still the burghers continued to develop and to pursue their own commercial and industrial policies.

The year 1477 when Charles the Bold, Duke of Burgundy, was killed at Nancy, meant for the Dutch the end of a period of great oppressions.

The Hollanders again showed great common sense and farsightedness by refusing to recognize the claims of France when Louis XI attempted to bring Holland under French rule. They preferred to be governed by Charles' nineteen-year-old daughter, Mary, who successfully claimed the crown of Holland. They were tired of being harassed by kings and nobles, and hoped that female rule would be less violent and let them retain their own state and local rights. This preference of burgher policy for female rulers is one of the most interesting features in the history of this country and cer-

tainly has helped throughout the centuries to develop Holland into a prosperous and successful national community.

THE FIRST NATIONAL ECONOMIC PROGRAM

Under Mary the Dutch succeeded in establishing the first national representation and central government of their own. They had desired to establish it for many decades but never had succeeded against the opposition of the former lords and rulers.

In 1477, three months after Mary had ascended to the throne, the first States General was called by the representatives of all Dutch countries, cities and states. The speakers pledged formal support to their queen and also promised to defend the national honor, but submitted, at the same time, a very definite economic program of their own. They wanted economy in government and less taxes; they insisted that the currency under no circumstances should be altered; that tolls, excises and customs charged on imports or exports should be made absolutely conditional on the assent of the states. No new coinage was to be issued; trade, commerce and manufacture were declared absolutely free and no regulation or observance was to be regarded as legal which trenching upon this liberty unless duly authorized by the Dutch legislature of the burghers. (Torrens, *The Industrial History of Free Nations*, Vol. III, p. 139.)

These were the major and well-considered requests of the Dutch citizens in 1477. They were accepted and commerce quickly responded. New enterprises were undertaken and, though great struggles followed between the new rising nation and jealous neighbors who tried to handicap its trade by all possible means, Holland developed more rapidly than any of the other countries.

All went well until, shortly before her death in 1482, Mary married the Austrian prince, Maximilian, who almost immediately turned against the burghers and farmers and began to favor the aristocrats. Temple, the historian of this time, characterizes the conditions in his observation on the united provinces, as follows:

“A bad government fills a country with soldiers,
A good government with merchants.”

(Temple, *Observations on the United Provinces*, Chapter 6.)

DUTCH PERSEVERANCE

Disheartened and distressed, the Hollanders expected a decline in their affairs, but when Maximilian became emperor of Germany, he resigned the government of the Netherlands to his seventeen-year-old son, Philip, Duke of Burgundy, who appreciated the benefits of peace, both abroad and at home. He neither levied war taxes, nor did he distress his subjects by infringing on their privileges. Holland continued to prosper. Nevertheless, when he died very young, in 1507, the Dutch again chose a female ruler.

Margaret of Savoy was well-intentioned and clever and proved a boon to the Hollanders, who remained most unwilling to fulfill any renewed requests for money without securing for themselves new rights and privileges. This policy the Dutch maintained strictly, even after the government had been shifted from Margaret to Charles I, her brother, who was Archduke of Austria and who became King of Spain and Lord of Spanish America, and who gave her only the status of Viceroy. The Dutch also willingly paid part of Maximilian's debts to the King of England, but now, in addition to their other privileges, they asked for and received permission to trade in corn free from excise. On numerous occasions they refused to recognize the royal "money petitions" or decrees fixing the amount of their payments to the royal government. They also refused to purchase the government loans to which the rulers resorted when decrees were ineffective. When military action against the Dutch was threatened or undertaken, they temporarily slowed down production and trade and in this fashion proved their inability to pay.

When, after 1500, the religious reformation reached Holland, her inhabitants adopted it readily as an outlet from all suppressions. Luther's creed knew no truce with the old order. It was a philosophy of self-reliance and right-doing instead of hierarchic guidance, exploitation and threat. This appealed to the medieval Dutch and they almost all adopted this religion.

The Inquisition, forced upon them in 1550, merely welded them closer together. When, in addition to this, all Jews were warned to quit the realm on pain of death, and Catholicism was enforced too anxiously and became too intolerant, too self-conscious and too oppressive in its actions, the Dutch united on national principles, and Catholics, Protestants and

Jews, together with 400 noblemen and merchants, signed the "Compromise" to oppose the inquisition with all means at their command.

When the representative of their Spanish ruler, Lord of Barlaincourt, called them "beggars," or in his own language, Gueux, the crowd who petitioned him for more lenient treatment took it up immediately: "Beggars?—then beggars let us be!" Again they resorted to their old policy of stopping work and paying no taxes, and started a revolution with the slogan, "Vivent les Gueux!"—"Hail to the beggars!"

Alba was sent with 20,000 troops to quell the uprising. In 1567, he entered Brussels. A reign of terror in Belgium and Holland followed, and Margaret abdicated. The Dutch had no means of revenge on land, but on sea they resorted to piracy and made easy prizes of the Spanish merchantmen.

When Alba increased taxes on property and levied a 10 per cent tax on all sales and transfers, all Holland resisted. The burghers now closed their bakeries, breweries and mills, and seventy of them bravely died on Alba's order.

Philip prepared an armada of 300 vessels and 15,000 troops, but the plague killed most of the soldiers in the Bay of Biscaya and that ended the expedition. In spite of the fact that the inquisition continued in southern Holland, the Dutch had won their battle. The northern provinces declared themselves completely independent from Spain in 1579, they revived their commerce, and entered upon one of the most fruitful periods of their history.

THE BEGINNINGS OF DUTCH WORLD POWER

In order to administer the final blow to the Portuguese and Spaniards, who at that time dominated the world's most profitable commerce, the Dutch burghers made peace with their English rivals and together they fitted out expeditions against Lisbon in 1589, and against Cadiz in 1596.

In 1597, Spain, once the richest government of the world, was forced to declare its insolvency. In 1598 the Spanish monarch died and little Holland set to work to conquer the world.

Only a few years before, in 1595, the Dutch had traveled to the Far East and had returned rich with oriental goods and spices and in 1598 alone the Dutch built 2000 ships ready to sail all seas.

Partly in order to offset the British belief that England

was mistress of the sea, and partly to secure for the Dutch a proper legal status on the oceans, the Dutchman, Grotius, wrote and published his *Mare Liberum*, setting forth the doctrine of freedom of the seas for all nations. This doctrine was intended also to overthrow the claims of the Spaniards to the exclusive navigation of the Pacific and Indian Oceans.

Having thus established the legal background and doctrine for their conquest of the oceans and far-away lands, the Dutch also applied the doctrine of liberty within their own borders.

The States General, which was the national congress of Holland, pronounced in 1629 in their memorial that "commerce is of such a nature that it requires that everyone engaged in it shall be left full liberty to follow his own ideas (*ses penchants*) and inclinations. Today one may like to insure one's goods; tomorrow one may think it better not to do so. If liberty is taken away from the people, a shackle, a restraint, a bridle is placed upon their activities, the unfettered course of which is the sole foundation of commerce." (DeWitt, *La Richesse de la Hollande*, Part I, p. 150.)

Since 1618, the trade with India, Java and other places flourished and the Dutch succeeded in making many treaties with native princes, whereby they obtained the rights to settle, to establish garrisons and to trade. By 1650, in spite of all handicaps, the Dutch had developed a vast trading business with Brazil, Japan, India and Java.

Their ships sailed with woolen and linen goods and other products, and came home loaded with all the commodities traded in those days: corn, wheat, wool, cobalt, drugs, silk, indigo, spices, borax, camphor, sugar, white lead, minium, litharge, etc.

In spite of the fact that they became the most important international traders for Continental Europe, the Dutch did not forget to develop their own home industries. Their ship building, net making and pickling industries had reached great proportions. For the past three centuries they had been producing woolen cloth, lace and clothes of fine quality. Now they increased production to fit the greatly increased demand. Printing was established as an industry around 1650; glass making was taken up, and the fine arts stimulated the manufacture of dyes and paints. The dyeing of wool and cloth, also one of the earlier industries in Holland, was greatly improved and advanced at this time. It is interesting

to know that this industry was carried forward in large measure by Jews. The reason for this was that Christian teaching frequently condemned the "devil's dyes and deceitful dogwood and chemistry in toto." The Jews, unhampered by such religious teachings, gladly took up this line and soon developed a flourishing trade in chemicals, dyes, drugs, oils, fats, spermaceti and similar materials. They also contributed to the prosperity of the country by developing bleaching as a special industry.

By 1648 a temporary climax in economic progress was reached. The independence of all the Netherlands was recognized by Spain and the people were happy and well settled in a well-administered land. Six hundred and fifty thousand Dutchmen practiced handicraft work and manufacture; 450,000 were employed in fisheries; 250,000 sailed over the globe; 200,000 tilled the soil and 950,000 more had other callings.

The magistrates and city officials continued their liberal attitude toward artisan immigrants by giving them two years to pay the immigration fee which was levied merely as a charge for assurance of liberty and protection of free manufacturing rights.

In 1691, Sir Josiah Child reported that the Dutch followed every trade route and out-traded the British in almost every land. Their success was ascribed to the lower freight rates which they charged and these lower freight rates, as well as the lower prices asked by the Dutch for all kinds of goods, became the source of contention between the Hollanders and the British, which was aggravated for the Dutch by shortsighted policies of their own government.

THE DECLINE OF DUTCH SUPREMACY

From 1652 to 1751 unwise governmental interference and policies again did much harm to Holland. The foreign trade with the Americas, for instance, was given into the hands of a government company called The West India Company. In the beginning, well-managed and properly supervised by the conservative burghers, the company did much to establish Dutch influence on American soil. Soon, however, the influence of the burghers was reduced and the government administrators of the company, while apparently succeeding nicely, involved the company in more useless projects and costly enterprises than it could survive successfully.

The policy of the company finally consisted of "schemes of conquest in which they squandered more than would have established a host of free settlements, and which were doomed eventually to prove sources only of disappointment and disaster. The territories conquered by the company cost vast sums to gain and hold, traded but little with Holland, and were wrung one after the other from its grasp in the course of a few years by other powers. "Such is the natural fruit and punishment of monopolies and conquests." (DeWitt, *La Richesse de la Hollande*, Part I, Chapter 19.)

Another reason for the decline of Dutch international supremacy was the ascendancy of the Nassau family in 1672, when William took the throne. The usual war and foreign alliances followed. New demands for money were made and when direct taxation failed to yield enough to cover the costs of these feudal fights, or met with too much opposition on the part of the burghers, new government debts were incurred through the sale of government bonds. The Dutch were forced to buy these bonds and give their money for government projects which in no way benefited Holland. Finally, "Every article of use or ornament, of necessity or luxury, from the turf and gardenseeds of the peasants to the pleasure boat and equipage of the noble, was laid under contribution. And when these sources failed, recourse was had to direct taxes upon property and, by degrees, to an increase of the customs. During the administration of William III, it is said that the Dutch paid in direct and indirect taxes above the third penny of their National Income." (Davenant, *Discourses on the Publick Revenues*, p. 23.) And "some years later it was computed that the poorest artisan paid 100 florins to the State." (DeWitt, *La Richesse de la Hollande*, Part II, p. 165 ff.)

A tax on shipping hit business most severely, and the result of all these direct and indirect taxes was such an increase in prices that production was seriously endangered and sales activities suddenly ceased.

This time the Hollanders did not create this condition purposely but had to suffer it as a result of government pressure, government interference and a mistaken attitude towards private enterprise.

DeWitt, then Prime Minister of Holland, in need of further money for the Crown, made things still worse for the burghers by adding further taxes on fixed property, public

utilities and similar fixed sources of revenue, on the ground "that it cannot go away whereas manufactures and traffic may migrate and not return." (DeWitt, *La Richesse de la Hollande*, Part II, p. 209.)

All he succeeded in doing was to give the final blow to Dutch supremacy. Furthermore, as he paid only very low interest rates on the government securities which had been sold, interest rates generally became much lower than those in neighboring countries, Dutch capital was withdrawn from Holland and invested in France and England where it stimulated trade and industry much to the disadvantage of the country whence it had come.

Of course, the government in power in those days was never wrong, not even in Holland, and quick in finding excuses, William IV in 1751 promptly replied to inquisitive members of the States General with the argument that the decline in trade and industry was due "chiefly to the increased competition of other nations owing to their gradual acquisition of industrial knowledge and the cessation of those religious persecutions which in the previous century had driven so many of their workmen and capitalists into Holland." (DeWitt, *La Richesse de la Hollande*, Part II, p. 230.) The reasons stated undoubtedly were correct. But what William did not mention was the fact that a number of self-interested rulers had brought evil upon the land. Most of the wars had been unnecessary, unfruitful and costly. The loans made to other powers, allies and feudal followers either were never repaid or merely brought to Holland assets which proved unprofitable. Interference with business and trade and heavy taxation had broken down the self-reliance and pride which had made little Holland one of the leaders in European industrial and commercial affairs during the middle ages.

The Dutch colonial administration had been directed too much towards political objectives and too little toward the economic benefit of the country, with the result that eventually also a great part of the colonial possessions was lost.

The spirit of the Dutch people, however, could not be destroyed. It still remains and in modern days is carefully respected by wiser and more experienced governments. Queen Wilhelmina relies definitely on the better insight of the people; she has left industrialists and traders alone and does not regiment them or put them under code rules. The present policies of Holland are based on common sense and

non-interference with business and industry. Modern considerations have brought about economic reforms and legislation directed to giving the working classes greater social security. Furthermore, recent economic events in neighboring countries have forced the Dutch government to enact certain restrictive financial measures in order to preserve Holland's economic position, but nevertheless, trade, industry and banking, the chief sources of Dutch prosperity, are still freer from government regulation in Holland than in most other European countries.

SUMMARY

The history of Dutch commerce and manufacture brings clearly into the foreground two of the most important factors in industrial political economics, which were entirely lacking in Greece and which were only little developed in the economics of classical Rome.

They are: (1) the industrial economic determination of those who really produce, and (2) their tenacious opposition to the most varied attempts to interfere with their activities.

The Roman and colonial craftsmen accepted government interference and exploitation without offering much resistance. The Dutch burghers could not entirely escape similar efforts on the part of their rulers, but their history reveals an amazing variety of shrewd policies which they applied to avoid government interference, or at least to minimize its effects.

The old Dutch burghers were by no means master politicians. Tricky schemes and political boondoggling were not part of their program. Their economic principle is almost touching in its simplicity and fairness. All that they wanted was to be allowed by their rulers to do their trading and producing in the manner which they found best suited to carrying out these activities. They had made all economic arrangements which only enlightened modern theory could recommend towards a successful achievement of their aims. They set their slaves free; they practiced religious tolerance; they created a legal, social and ethical background of which any modern nation could be proud, and as long as they had their way, Holland expanded and grew rich. As soon as their government obtained the upper hand in economic matters, Holland declined and lost her supremacy.

CHAPTER 4

ARTISAN GUILDS IN FRANCE, ENGLAND AND GERMANY (1100-1500)

how all these countries became centers of production, how their crafts were organized and how the guilds created order, wealth and civilization for four centuries, until they over-organized themselves, and then fell prey to governments and rulers.

Fourth among the earliest "systems" of industrial political economy must be mentioned that developed by the guilds. Guilds had been formed since the days of Rome, but they acquired economic leadership and importance as formers and prime-carriers of civilization after 1000 A.D., when throughout Europe it became common practice for all craftsmen to become guild members.

Thus almost completely organized, guilds became the most important factors not only in communities but in the lives of nations. Their policies and practices gave to cities and to countries at large in the last centuries of the middle ages a distinct and rather prosperous appearance, despite all political troubles, feuds and warfares of rulers.

Their policies were those of the bourgeois; they did what they must, but liked to do as they pleased when they could. The guilds obeyed their rulers, but for four centuries developed an economic system of self-rule with new and distinct features.

ORIGIN AND EARLIEST PRINCIPLES OF THE GUILDS

Some economists, apparently not well acquainted with Latin or Roman institutions, have tried to trace the guilds and their earliest beginnings back to the family customs of the native inhabitants of France, England or Germany. Especially the drinking which was done was taken as proof for this assumption. The Teutons undoubtedly were accustomed to drink at family affairs such as birthdays, marriages and other occasions, but this did not create the guilds. (Wilda, *Gildenwesen im Mittelalter*, p. 1 ff.)

Other scientists—for instance, Hartwig, in his *Unter-*

suchungen über die ersten Anfänge des Gildewesens (Hartwig, *Die Untersuchungen*, p. 136)—believe that Christianity had most to do with creating the guilds. These economists too forget the Romans and their long stay in Gallia, Britania and even in parts of Germany and Belgium. They forget also the all-embracing spirit of Roman workmen and soldiers and their free mingling with the populations which they had subdued.

As has been stated before, the Romans established professional guilds in the provinces, as soon as peace had been established and the services of craftsmen were required. Moreover, they gave these guilds special rights and privileges. Thus the *Mercatores Aquae* of Paris, who handled the water supply, had the privilege of governing the city from the earliest days of the Roman occupation, and kept this until the eleventh century.

In London great influence was exercised by the *Gilda Mercatoria* (Merchants Guild) almost from its formation. There were similarly privileged guilds in York and it is characteristic of all countries colonized by the Romans, that guilds of various individual professions and lines of manufacture can be traced in almost all the larger cities. In those cities, however, where none of the professions was important enough to justify the establishment of a special guild, there grew up the other form of collegium, namely, the "general" or "citizens' guild."

Of course Christian practices were soon injected, since the Christian church, especially in the colonies, was always anxious to become part of public life. In Abbotsbury, for instance, Orcy, a friend of Canute the Great, founded a "general guild" in honor of God and St. Peter, and he made the first gifts. This was entirely in line with Roman practice except for the Christianized element. On the Day of St. Peter a great sermon was delivered, and all were required to attend. This was followed by drinking and the giving of gifts to the poor in the form of breads prepared and contributed by the members, exactly as had been done in Rome. Guests were admitted to the rites only by special permission of the master. Similar regulations were enforced in Ancient Rome.

Offenses by a member of the guild against a fellow member were punished by the guild.

The first guild in Exeter was organized on similar lines, but the members held three meetings per year and added the

requirement of caring for the families of all deceased members. This obligation also can be found in the statutes of some Roman guilds, especially in the third and fourth centuries, but became more important in the colonies as times became harder and it was more often necessary for guild members to help each other in personal as well as in business matters against robbers, murderers, thieves, nobles and others who sought to impose on the craft members or attempted by legal means to extort money from the guilds.

The whole philosophy, in accordance with which these earliest guild members in England swore that "All should bear when one does wrong and all should suffer alike," is simply the old Roman principle of solidarity of interest, slightly modified to more "modern" conditions. If one guild member killed another, or an outsider, all the guild members made good. If a member was killed, all helped together to avenge him. Release from the oath was granted only if the craft brother had got himself into trouble wilfully.

An interesting feature of the guild regulations was the master's obligation for his servant's deeds. The master was held responsible for any agreement his servant had made as his representative and had to make good any damage his servant had done. This stood for the Western European citizen guilds as well as for the strictly professional ones.

The burgher guilds spread rapidly in Holland, England and certain sections of France, while professional guilds flourished especially in parts of Belgium, France, Germany and Switzerland.

After the decline of Roman influence, the new rulers fully recognized the advantage of these professional associations. Henry I granted charters to guilds in London and Oxford. Henry II added other charters to guilds in York, Huntingdon, Nottingham, Lincoln and Winchester.

Records show the weavers' guild organized in Mainz in the year 1099. In Paris many trades were organized in similar associations at about the same time and their organizations were little different from those which had been organized by Roman masters and soldiers.

It is specially striking that in all these countries not only the workers of the masters but also the serfs who were in bondage to the nobility were permitted to join the various guilds on an occupational basis, irrespective of what they could do or who owned them, just as had formerly been the

case in Rome. The free man doing a certain kind of work did not hesitate to meet the serf in the guild. There were differences in social status and social rights, but none before the altar and before the profession.

The "obligation" to join the guild became of great importance in all Western European countries after the year 1000, but it, too, is definitely Roman, even if the real purpose of the revived requirement was to facilitate the levying of tributes and taxes. As long as these tributes were only small, the guilds were benefited because this policy had the effect of increasing the influence of the guild members in their communities. It developed a special esprit de corps in the various guilds and at last resulted in a separation of strictly craft guilds from the citizens' guilds, a move which we would term today a separation of business from politics. The obligation to join a guild was of great value also to those who came from other towns or countries seeking protection or the privilege to work, and as they increased the strength of the guild, the members themselves never saw any great or serious imposition in this "obligation" to join.

The advantages which the craftsmen obtained were civic and professional rights: the right to exist individually and as a body, the right to operate in a certain way, the right to regulate their own business in a manner they considered best, the right to choose their own leaders and many other rights which were gradually added.

INTERNAL SELF RULE OF THE GUILDS

The year 1363, in England at least, inaugurated a new and most important era in the status of the guilds. At that time they began to draw up definite professional regulations which they themselves approved and in a way enforced both within the guild and against newcomers and outsiders who did not desire to become members. These are the beginnings of professional self rule, on a non-political basis, with definite regulation of trade practices as a new feature added to all the others. It will be remembered that the Roman and the early colonial guilds had made no serious attempt to regulate trade practices or production, quality, prices, etc., until the Roman rulers enforced such regulations to the detriment of the guilds.

Political rulers in various countries soon recognized the

new movement within the guilds and the British and German rulers were even willing to assist them in the enforcement of their rules for various reasons.

The main problem in the years 1350 to 1450 in most of the European countries was the appearance of the independents who, as in Holland, tried to attract business by lowering prices and by other measures not entirely in line with the official craft practices.

Another problem was the appearance of craftsmen who, in order to avoid becoming members of a particular producers' guild, became members of the merchants' guild, for instance, but at the same time continued as producers of certain goods. They followed the rules of the merchants' guild but did not follow the rules of the producers' guild, thereby gaining advantage over the craft members.

Still another problem was created by those merchants or producers who separated themselves from their previous guild for special reasons. The best known example of this type are the pepperers and grocers in London who first were members of the merchants' guild and under their rule. They seceded in 1346, dealt in spices in their own way, and soon became rich and prosperous, much to the regret of the merchants' guild from which they had seceded. In order to force them back the merchants' guild drew attention to the fact that the pepperers and grocers had driven prices extraordinarily high, against the interests of the public, and finally the king interfered. (Great Britain, Statutes, 37 Edward III. C.5. 1363.)

In an attempt to settle the problems of the professional guilds, Edward III stipulated in 1363 that each craftsman or member of any profession should choose a definite trade before the next Thanksgiving and, after having made his choice, should practice only that trade. This law forced the craftsmen or traders into recognized guilds and under their rules, and undoubtedly did much to maintain peace and promote English crafts and trade at a time when England was developing into one of the major powers of the middle ages.

In Germany a number of similar laws appeared at about the same time, the most interesting having been formulated in 1434 by Emperor Sigismund as part of his "New Deal Program." (Goldasti, *Constitutiones Imperiales*, T. IV, chapter 5, p. 189, 1713.) Literally translated, his ruling reads as follows: "Do you desire to hear what imperial law orders you to do? Our ancestors were no fools. Handicraft was in-

vented that each one might earn his daily bread and nobody should interfere with another man's handicraft . . . Everyone should obey the imperial law and, under threat of 40 marks gold, he should not be caught, and the imperial officers should not find him interfering with another craftsman's work."

Thus in Germany as in England, professional trade associations were fully recognized and assisted by the government.

THE STATUTES AND FUNCTIONS OF THE GUILDS

Most of the guild statutes of these years are more or less alike, differing only when they deal with local habits or conditions. The guild institutions were very similar not only within one country, in England for instance, but also among neighboring countries, so that the guilds in France, England and Germany stood for and carried out similar principles and internal craft regulations.

The rules governing guild practices were established by members at conventions or meetings, and there is little indication that at first any government attempted to influence these rulings. It is a most interesting contrast between medieval and modern practices that the guilds themselves gradually developed an ever-increasing number of rules, while today the increase in regulations usually originates with governments. Interesting also is the fact that the guilds themselves were the originators of all the product and quality regulations which later on have been gladly taken over by governments as means of forcing their own ideas of proper merchandise upon the guilds.

Quality Regulation. Quality regulation did not play a prominent part in the Roman guilds. However, even this feature, which became very important in the late middle ages in every country, goes back to Roman practice. The Romans, while not regulating the provincial guilds in reference to the quality of the goods produced, nevertheless practiced indirect quality regulation in the places where the Roman officials took over the products of the provincial guild.

The Roman supervisors of military supplies had developed definite standards of quality and workmanship and put real fear into the hearts of weavers, smiths, carpenters and other

craftsmen who had to supply the tributary armors, bricks, posts, clothing, wine, salt, bread and other things needed by the army. As the delivery of one poor lot often resulted in the refusal of the entire delivery, the provincial collegia naturally had a very great interest in the quality of each member's contribution—and thus the root of quality regulation and control.

When Roman influence ceased, tribute nevertheless had to be paid in kind to some other lord or ruler, or to the city which had granted the right of residence, and again the quality of the goods was of great importance to the craft.

When money, instead of goods, became the more common means of payment in Western and Middle Europe, between the tenth and twelfth centuries, the regulation of merchandise quality by the guilds continued because of the development of inter-city and international trade. The stipulations, descriptions and quality control practiced by the negotiating merchants were almost as meticulous and complicated as those of the tribute collectors. The sale of goods of poor quality was considered an offense and had serious consequences. The cheated neighbor, being also a member of some craft, easily obtained the support of his craft members and simply murdered the next merchant or craftsman who appeared from the town where he had been cheated. In other instances, his city took it upon itself to revenge the "offense" due to the delivery of poor goods. The cause of the merchant became the cause of his home town and frequently resulted in not only guilds but entire cities going to war against each other for violation of the quality principle.

In the guild statutes of these days was a definite scale of fines for quality violations. In cases of minor violations, a certain number of candles of wax had to be given to the church. In more serious cases, a definite quantity of beer or wine had to be given to the guild. In serious cases monetary fines were imposed on the guild member. In repeat cases, expulsion and loss of membership was pronounced. Sometimes also sequestration of part of the property of the offender was imposed when a guild had suffered seriously from the misdeeds of a member. These fines for major and minor violations, ranging from ducking, exposing, mule riding and, later on, jailing and hanging, especially for food adulterers, were in effect all over Europe and England until about 1700.

Out of these quality regulations arose quite a variety of

other rules. The tanners in England, for instance, had a rule according to which one guild brother was obliged to help, by advice and practical assistance, any brother who did not know how to tan a special hide, or to produce a certain grade of leather. This rule was imposed in order that the tanners should cooperate rather than lose an order for tanning altogether.

A very complete collection of all these interesting regulations is contained in the *Liber Albus*, compiled in 1431 and translated into English in 1861 by Henry Thomas Riley. It shows the guilds at their best.

Work Regulations. Interesting but different, according to locality, were the regulations which pertained to working procedure, working hours, equipment, tools and measures used in the daily work.

Overtime was hardly necessary, as the regular working hours were from five o'clock in the morning to eight o'clock at night. The average weekly number of working hours was approximately sixty-five.

Special holidays were stipulated and were strictly enforced. In particular, during Christmas and New Year work had to be stopped in many places in England. In Sheffield, for instance, nobody was permitted to turn a wheel for grinding of knives during the holidays.

Saturday afternoon was to be free. This was due to the Catholic custom of allowing a man time to clean up and go to church. The introduction of the Reformation ended this for a long time and thus increased the working hours.

Cut-throat competition was specifically prohibited by the rules of the guild, and employees were not to be induced away from a guild brother.

Wives, children and domestic servants were permitted to work, as the whole household of the guild member was part of the guild. This had important economic consequences. For instance, the wife was permitted to carry on the trade of the deceased guild brother. Sons had a great advantage over any outsider or newcomer because the trade was hereditary. If the widow wanted to marry again, the new husband had to be recognized by the guild. If the widow married an outsider, the business became free for an insider.

Material purchases were not regulated at first. Everyone was permitted originally to buy his own material, but soon

the guild members started to trust the richest of them with buying in larger quantities and he, in turn, sold to the poorer craftsmen. Thus all members were able to share in the advantage that otherwise would be enjoyed by only a few.

Libel and falsehood were prohibited.

Work for buyers owing money to a guild member was forbidden to all others. Thus, they enforced the collection of debts.

Any reasonable service which was asked by one member had to be rendered by any other to the best of his ability and knowledge.

Differences among guild members were to be settled before the master of the guild.

Burials were to be the same for the rich and for the poor members.

Annual contributions to the church were established and some guilds even paid a special priest. Prayers were conducted in the early guild days by all the members collectively; later on, they merely paid a priest for doing it. A Patron Saint was always chosen for the guild. The gifts to the church consisted either of windows with a coat of arms, a banner, clothes for the priest or for the poor, or candles and similar things.

Processions were an important feature of guild activities. Every member had to participate and eventually, when monetary considerations had become gradually of greater importance, a member who desired to walk nearer to the bishop had to pay more for this privilege than a member who was contented to walk in the rear.

STATUS OF THE WORKMEN DURING THE GUILD PERIOD

The years from 1200 to 1250 mark approximately the time when, for the first time in Europe, "workers" appeared as an economic group and with group interests of their own.

Before then, all those engaged in manufacture had been acting more or less as one group. Those without funds and doing the work had not been slaves but the tenants of a master, living in his house and working for him during their whole lives. They were treated fairly well and also in many instances were given full social rights and could set out to establish their own shops, provided they had acquired the necessary knowledge and funds, and their previous master endorsed this change before the guild.

These new masters again obtained the workers they needed from among those whom they trained or from the numerous refugees who had been driven from their previous homes by war, hatred, fate or religion.

The guild organizations originally did not restrict the number of masterships nor the number of workers that any one master could employ. After the year 1000, however, such restrictions, especially in reference to the number of masterships, were gradually developed in almost every country. The most important restrictions were those in the wool weaving and allied manufactures which, in the early middle ages, were the most important of all.

Therefore, it is not surprising that we find the first signs of class consciousness among those who came to realize that they would have to remain workers because there was almost no hope that there ever was any mastership in store for them in Flanders and Brabant, where textiles had been developed into a really big industry. The thousands of workers employed there were the first also to establish special labor organizations.

Ypres in Belgium thus became the cradle of all those problems which in modern days are called labor problems.

Capital was represented by the "Maîtres"; the workers were called "Valets," and the relationship between the two groups was carefully codified. As early as 1280 an arbitration body was created to protect the interests of both sides. The "Prevôt" decided any disputes on wages or wage payments, on distribution of earnings or on production methods.

According to Moké (*Anciennes Ordonances d'Ypres*, Vol. I, p. 108) the workers were permitted to participate in the supervision of work. Six masters and three workers decided minor disputes.

The worker in those days, half free as he was, was usually married and lived either on his master's ground or on a strip of land somewhere in the suburbs. He sold himself verbally for one or more years for approximately thirty-four francs per year. The contract was spoken before the provost and rarely set down in writing. The worker began work at dawn and toiled until sundown. Sixteen hours was the regular working time per day in summer, eight hours in winter, with two hours off for lunch and half an hour off for supper. The same working hours prevailed for the unmarried workers living in the houses of their masters and, while it may seem

an extraordinary hardship, one should consider that safety and security compensated the workers, at least in part, for these long hours. These living conditions for the workers were approximately the same in all the big weaving centers of Europe and of England and everywhere they shared the common fate: that apprenticeship and, following it, the right to become masters were denied them, unless they succeeded in moving away and starting under better conditions.

Apprenticeship. The use of apprentices is as old as crafts and manufacture. Definite regulation of apprenticeship, however, was practiced for the first time by the guilds.

At first the newcomer who knew a trade was not subjected to apprenticeship regardless of how much or how little he really knew about his profession. Until the year 1000, he paid a small fee where he applied for guild membership, and he qualified as master or helper, dependent only on his own desire, knowledge and good luck. He could do business once he had been admitted by the guild in his new environment. He must be, however, morally free from blemish and live up to guild regulations.

Approximately after the year 1000, however, admission as master became a matter of careful deliberation and it was made dependent on fulfilment of many years of apprenticeship. The *Liber Albus* clearly defines the requirements which were stipulated at that time in London. For instance: "And that no person shall from henceforth receive an apprentice if he be not himself free of the City and cause his covenant to be enrolled, of whatever condition the apprentice may be. And that no apprentice, after his term is fully served, shall follow his trade in the City, before he shall have been sworn of the freedom, and thereupon enrolled. And that no apprentice shall be received for a less term than for seven years, according to the ancient establishment." (Riley, *Liber Albus*, p. 90.)

The fee to be paid to the City of London for this procedure was two shillings six pence.

Similar regulations existed in the various cities in England and on the continent. The guild rules regulated the rest.

The apprentice worked as long as the others, from beginning of the day until vesper bell in most instances.

When a young man had finished his apprenticeship he was presented, together with his masterpiece, to the other

masters for special examination and, in most cases, also to the City Hall for registration and licensing. In London the charge for this was three shillings four pence.

The number of apprentices was restricted to four or six. This made apprenticeship the privilege only of the sons of guild members and of those who could buy the right to become apprentices. While the guilds hoped thereby to preserve their privileges and their business, they overlooked the fact that, by freezing out innumerable others from becoming apprentices and eventually masters, they created a serious danger for themselves.

An apprenticeship lasted from three to eight years and usually was followed by some sort of assistant mastership for which there was no time limit, and before the assistant master (companion, compagnon) could become a full-fledged master, he had to wait for the death or retirement of some of the recognized masters. This long wait became another source of great discontent and many of the companions sought new masterships in other towns or countries instead of waiting for the death of their own masters, or tried to establish themselves, wherever possible, as independent producers, openly defying the guild and thus beginning a new chapter in the economic evolution of manufacture, which finally resulted in splitting the once uniform group of producers into two distinct branches: 1, those who believed in and tried to enforce the form and the principles of guild organization, and 2, those who attempted to defy these principles, expecting their success more from their own knowledge and individual efforts than from guild protection and a mass of rules and regulations, even if they were established by the producers themselves.

SUMMARY

The beginning of this struggle clearly marks the beginning of entirely new and different schools of thought in industrial political economy. It is the more significant as it coincides with the beginning of the increase in the number of "workers" and their gradual appearance as an economic group, sporadic at first, but nevertheless beginning to formulate and to assert their special wishes.

It also marks the beginning of a new era in which the governments of the various countries and their different attitudes and policies towards manufacture began to play a most

important role in either fostering or retarding the development of manufacture in their particular countries. Clearly we find France rising first to leadership in this field, leaving other countries far behind, and reaching a climax in the sixteenth and seventeenth centuries, but losing its industrial and economic supremacy to England after the Revolution.

In the early middle ages, however, the guilds were the only important factor in the economic life of most European nations. The Church caused more disturbance than progress and the rulers were too much occupied with political feuds and with the Crusades to pay much attention to the everyday welfare of their subjects, who became more and more dependent on the products which the guild masters and their workers made and sold.

The formation of cities and the formation of guilds are most closely interwoven and guild policies contributed greatly to carrying forward the civilization which the Romans had begun. Many European cities owe to the guilds their first development and final rise to important centers not only of production, but of a fine state of civilization as well. The glamour of this period has been described frequently and has even been dramatized and set to music in Richard Wagner's *Die Meistersinger von Nürnberg*.

For more than six hundred years guild policies dominated in Europe, not entirely free from government interference, but succeeding well in obtaining rights and in defending them against the arbitrary measures of political lords. The guilds did not fail and did not disintegrate until they began to apply restrictions in favor of some groups and to "regulate" not only the conduct, but also the business methods of their members. What was possible for the guilds was also possible for the state and the French rulers especially did not hesitate to enforce their own wills as soon as the occasions and the weaknesses of the guilds allowed.

SECOND PERIOD

THE BEGINNINGS OF
GOVERNMENT INTERFERENCE

INDUSTRIAL POLITICAL ECONOMY IN FRANCE

987-1810

CHAPTER 5
THE FIRST SIGNS OF GOVERNMENT
INTERFERENCE
987-1453

the subtle methods of French Kings who wanted to assume rights over guilds and what the Crusades had to do with it.

BEFORE THE CRUSADES

In 987 after the defeat of the Carolingian kings, who were Franks, Hugh Capet took over the throne of France and thus started a dynasty which ruled until 1328. The family of Capet, which was of Burgundian origin, gave to France the following rulers: Robert, Henry I, Philip I, Louis VI, Louis VII, Philip II, Louis VIII, Louis IX, Philip III, Philip IV, Louis X, Philip V, and Charles IV.

They, in turn, were succeeded by the House of Valois, a younger line of Capet, which ruled from 1328 to 1498, and included Philip VI, Charles V, Charles VI, Charles VII and Charles VIII.

Politically, these kings, who had taken over a fairly well-consolidated country, preserved and expanded what Hugh Capet had conquered. France enjoyed 500 years of relative peace and slow but definite progress.

Christianization of the country progressed rapidly and the kings, while always guarding their own rights, helped the church in many ways. They granted trading privileges and land for monasteries, and in return benefited greatly from the activities of the monks in clearing the land, founding new villages and educating and civilizing the people.

Most of the communities founded by the Romans had become by then quite sizable villages; primitive, to be sure, but well supplied with craftsmen known for their skill and even for the quantities of goods which they could produce.

It is not surprising, therefore, that the kings gradually took a more direct interest in their doings and, as any new ruler is anxious to assert his rights, it was not extraordinary that Philip I, as well as his successors, took some of the guilds under their special care. Thus, in 1063 for the first time the candlemakers of Paris were favored by the interest of Philip I

who gave them a special charter reserving, for the kings, the rights of appointing the guild master and collecting annual gifts of candles from the guild. In 1135 Louis VI gave a similar royal charter to the tanners of Rouen.

Louis VII, in 1160, granted the grand mastership for five different tanners' guilds to a woman, Yves Lacohe—most likely a Jewess—who thus became perhaps the first woman of high rank in manufacture.

In 1162 the bakers of Pontoise received certain rights and privileges: nobody should be permitted to make white bread who did not know how to make it with his own hands. The privilege was unimportant enough, but the king thus asserted his authority over the guild and received in return a certain quantity of wine.

In 1190 Philip II confirmed the customs and privileges granted to the tanners' guild by Louis VI in 1135, and added that nobody should be permitted to operate a tannery within the city limits of Rouen without a special authorization from the masters of the guild. Here was a king retaining his authority and, at the same time, extending the rights of the guild, in return for which he raised the amount of his required contribution from the guild.

In 1187 the Count of Toulouse, who had the protectorate over all guilds in his district, confirmed a privilege by which the masters were freed from certain legal obligations on the condition that they would do certain work for him without pay and fulfill certain military services in times of war. This was a further step in exercising the protectorate and interfering with industrial rights.

By 1200 approximately thirty different trades in Paris belonged outright to the king, who insisted that each member of these guilds buy from him the privilege of exercising his profession. "To buy one's profession from the king" became a famous dictum at that time.

In the *Regulation of Crafts*, issued by Philip II, Chapter 85, Article I, it was stated that "nobody can establish himself unless he buys his mastership from the king, and it is right that he who buys his mastership from the king shall pay, one more and the other less, as may seem proper." (*Regulatif des métiers*, tit. LXXXV, Art. I.)

In this fashion the king exercised almost absolute authority in Paris, and the local lords exercised similar authority in

the country towns, and all of them constantly increased their requirements and fees.

Soon after 1300, the Roman law was generally introduced throughout France. This and the spirit of fairness which was fostered by the religious movement preceding the crusades improved the fate of the producers generally and brought them and their workers many benefits. Most of the working serfs became semi-free, and with the demand for almost all products greatly increased, craft and trade began their first period of prosperity as soon as the crusades were under way.

The crusades ended the stagnation of trade and stimulated manufacture; the people began again to move, and those who returned from distant countries helped greatly in giving an entirely new aspect to the life of their home communities.

AFTER THE CRUSADES

But crusading cost money, too, and therefore the nobles, kings and knights did not hesitate to share more and more the relative prosperity of the guilds by increasing their taxes and as often as possible forcing them to accept new special privileges, for which they were obliged to pay in kind or in money.

Up to 1400 the craftsmen paid willingly enough to help the good cause. But when the crusades were over and the returned knights and nobles continued and even increased their levies, the burghers and guild members combined and attempted to resist the extortions. The seriousness of the situation was increased by the feuds which were stirred up by the war-loving gentry, singly or in special coalitions and alliances which disrupted trade and commerce. Entire cities were beleaguered and burned if they did not pay the "fines" imposed on them. Traders were robbed, slain and left lying on the road.

The frightened citizens and guilds received protective banners from the kings, of course only in return for special payments, and continued to pay for their older privileges, which did them little good. Still they endured it as long as they could. When plagues swept through the land and people died by the tens of thousands, almost all production stopped; land prices went down, food prices rose, cities were depopulated and the people fled and migrated north to Holland or

to England, both of which had learned to keep out the undesirable but to welcome the immigrant craftsman.

Slowly and only gradually these evils were checked or, rather, the fury abated after it had exhausted itself, giving way to a new period commonly called the Renaissance.

France was not the only country to suffer thus. The same troubles had come to Belgium, Germany and Central Europe after very similar periods of economic rise and decline.

CHAPTER 6

ECONOMIC RENAISSANCE

1453-1589

how it was spread from Italy and what it meant to all the European countries and to France.

HISTORICAL FACTS

The general recovery of Europe after the crusades, in the period of the Renaissance, did not start in France. Italy, the center and origin of the first wave of European civilization and industrialization, gave also the first impulse towards the renaissance of its one-time colonies.

Once the Goths had settled down to govern the country in peace, Italy did not remain devastated as one might conclude from history books. With the help of the Roman economic and industrial organizations which the Gothic rulers revived through moderation and non-interference, Italy became again a prosperous country. They irrigated the Po Valley, covering almost the entire north of Italy, and encouraged the cultivation of fruits and grain which previously had been imported from the provinces. Charles the Great became King of Italy in 774 and his successors were recognized by the Italian cities even after 1183, when they attempted to become independent.

Arts and manufactures improved slowly but surely, and were developed to such perfection and variety that Italy became the center for all improvements in standards not only of living, music and manners, but also of the practical arts, of commerce and industry.

To the layman only Masaccio, Giorgione, Ghirlandajo, Perugino, Albertinelli, Leonardo da Vinci, Ariosto, Michel Angelo and certain other great artists are known as representatives of the period of high civilization which flourished in Italy from about 1300 to 1600.

Less known is the fact that many Italian artists and craftsmen were invited to foreign courts and cities, and that they emigrated in great numbers to Paris, Lyon, Marseille, London and York, to Amsterdam, Rotterdam, Liège and Brussels, to Aachen, Cologne and Nuremberg, to Vienna and

to almost every court and city, large and small, in Western and Central Europe.

The various European rulers, in spite of their constant intrigues, schemes and wars, were much less affected than their subjects by the ravages of the post-crusade period, and succeeded in extorting by the most devious means and methods sufficient money to permit them to live on a lavish scale, to erect all kinds of buildings and to dress better than ever before. Outward splendor, which had become the general custom during the late crusades, was increased and extravagant spending became the practice of the rich.

The French king in 1480 spent 45,000 livres for his court. By 1556 the royal expenditures had risen to 114,000 livres, and were constantly increased thereafter. Royal expenditures rose similarly in England, Germany, Holland and every other court. Everywhere the rulers aided the church, encouraged fine arts and assisted inventors of all kinds. They supported the church to gain forgiveness for their sins, and helped inventors and craftsmen to obtain more money to commit new sins.

The church rulers in this manner and through ingenious methods of collection, in spite of the misery around them, received sufficient gifts through their churches not only to live as priests should and to continue their work of civilization and culture, but even to outdo the political rulers in lavishness and luxury. Extravagant church festivals and luxurious religious ceremonies were frequent. Plates were made of silver and gold; furniture and church equipment were of the most costly and elaborate materials and workmanship. All these new demands naturally stimulated certain manufactures.

Much of the finery and luxury of the early Renaissance came from Spain, which then enjoyed the period of its greatest prosperity, through the exploitation of the Americas. Spain had profited from the technical skill of the Moors, and had developed especially the manufacture of fine textiles, metals, potteries and glass. The art of dyeing flourished and sugar refining was well developed. The Dutch had begun to make trips to China and Japan as well as to the Malays and India, and their trade in the spices and silk of the Far East, which then were in great demand, quickly brought wealth and prosperity to Holland. The English were just beginning to follow the Dutch in their trade routes.

When finally the rulers of France and Germany realized that prosperity could best be won through the peaceful conduct of domestic agriculture, through manufacture and prudent commerce with neighboring countries, the way was open for the Renaissance throughout Europe. Italy again furnished the craftsman, the technique, and an even higher standard of production than had been known before. This does not mean that the craftsmen of other nations did not contribute to economic progress.

Spaniards as well as Italians were called to the nations of Northern Europe to share their knowledge and skill with domestic artisans, who themselves made surprising progress.

Textile Manufacture. The textile industries in France profited most from Italian craftsmanship. The French king encouraged Italians who were known for their skill or who applied at his court for permission to practice their crafts in France, by giving them privileges to stay and engage in their trades. Rewards were rarely given at this time, and it is interesting that most of these privileges were granted to Italian or Spanish craftsmen on the condition that the masters employ French apprentices.

The woolen industry was usually the first textile industry to develop in any country. Wool is easily spun, dyed and woven, and under the influence of the Dutch wool trade, Amiens at an early date had become the center for wool and linen spinning in France. During the Renaissance, under the influence of Italian craftsmen, a new impetus was given to this industry.

The silk industry came originally from China and Japan to Constantinople. From there it was brought to Italy; from Italy it came to France in October, 1536, when Italian craftsmen settled in Lyon to make silk.

The velour industry spread from Spain to Italy and was brought to France from there by Turquetti and Nariz, who also settled in Lyon in October, 1536.

The European cotton industry developed first in Spain; it was brought from there to Italy and thence to France in 1580. Lyon became the first center of the French cotton textile industry, and the center also of the linen trade. In line with the custom of the time, the linen industry in Lyon began with the manufacture of damask, the most expensive

linen cloth, which was made in France for the first time in 1582.

In 1546 the French textile industries employed approximately 8000 men. In 1554 it furnished employment for about 12,000 people. Turquetti and Viard, who had been the leaders in developing Lyon as a textile center, became the grand masters of the weavers' guild which received charters from Henry II and again from Henry IV in 1597.

The Frenchman learning the trade had to serve for eight years as apprentice and an additional two years as journeyman in order to become a master. No other restrictions were stipulated at that time.

In 1544 François I started to grow mulberry trees in France in the hope that he could breed silkworms and thus make the French silk industry independent from Chinese silk imports.

The rug industry came from Italy to Flanders, and from Flanders to France in 1530, where the first rug establishment was founded in Fontainebleau. A license was given to Philibert de l'Orme in 1551. A similar license was granted to the foundling home in Fontainebleau which was given permission to make rugs and even paid to make tapestries for the Court.

The serge industry, originally Spanish, was introduced to Sommières and Nîmes in 1540 from the Italian cities of Florence and Milan.

Glass. To meet the demand for glass and enameled pottery, the French began to copy Italian pottery made in Faenza. The first French Fayences and potteries were made between 1500 and 1550, and soon French inventors began to improve on production methods. The earliest inventors of French emailles were Nardon Pénicaud and Jean Pénicaud, Léonard Limosin, Jean II Pénicaud and Jean de Court.

Mutio, an Italian, opened the royal French glass making establishment in St. Germain en Laye in 1551. Jean Cousin furnished the first designs. The factory was granted a ten year charter by the king.

Printing. One of the most important arts and manufactures established during this period was printing. Gutenberg invented the printing press in 1438, and by 1450 he had laid the foundations for an industry which spread rapidly from

Germany into France and all other countries. Coming at a time of intellectual conflict and religious strife, this industry was of greatest importance for the sovereign.

Louis XI said, in reference to the printing industry, "The invention of this industry, almost more divine than human, has assisted us greatly in increasing and supporting our holy Catholic belief, in extending justice and in conducting the divine service more honorably and conscientiously practiced." (Lombert, *Recueil des anciennes lois françaises*, t. XI, p. 642, April 9, 1513.)

The first printing establishment in France, which turned out excellent work, was founded in 1490 by Estienne, a highly educated man who, together with his wife, his servants and children, spoke Latin. François I, in 1539, gave Estienne's sons protection as printers in Greek and Hebrew, and they were thus the first to make foreign language types, namely, *Typi regii*, in Greek letters. But when the family adopted the Protestant faith, they were obliged to emigrate to Geneva.

Other famous French printers of this time were Morel, Mamert Patisson, Michel de Vascosan and Plantin.

Due to this new invention, the price of books fell rapidly during the fifteenth century, and enlightenment of every kind was spread throughout every European country. A bible which previously had been written by hand and had commanded a price that only monasteries and the rich could afford, now sold for a few sous. Similarly, books by writers like Tacitus or Vergil, could now be had for the trifling sum of 8 sous or less. In Paris soon 800 printers were established and the city became the center of publishers and printers for France. Soon even magazines and newspapers appeared in Paris and other cities.

Food Manufacture. Among the trades which took root and flourished in Western and Central Europe in the fifteenth and sixteenth centuries were the food supplying trades.

The Venetian ambassadors reported at frequent intervals on the rapid development of these trades in France, England, Holland and Belgium. In 1577 Lippomano wrote to his rulers in Venice as follows regarding conditions in France:

"The thing which appears to me as the most remarkable, is the great abundance of food. One-third of the whole population in all the bigger cities is occupied with this commerce,

and there we find innkeepers, pastry makers, hotel keepers, roasters, butchers, fruit dealers and middlemen. Each worker, each merchant, no matter how humble he may be, wants to eat, on his special days, mutton, game and partridges, as do the rich." (*Rel. des Ambassadeurs Venitiens*, t. II, pp. 489 and 567.)

From Holland a large quantity of salted herrings was imported, and Lippomano reports on this instance that "The newspapers of Paris made the most of it." An entirely new trade group was founded at this time: the makers of delicatessen, who gained in importance as the working population increased. They had been organized as a guild in 1475, allied to the butchers, but soon made themselves entirely independent, and in 1513 were authorized to buy their pork in the open country, just as the butchers did. (Isambert, t. XI, p. 695.)

A great number of inns were established, and cabarets which were quite popular among the "jeunesse," but sometimes also were the scenes of serious disturbances so that the police regulated their operation. Hostelries had to close in winter at seven o'clock and in summer at eight o'clock, according to the police ordinance of 1596. They had to register all travelers who stayed overnight and were not permitted to receive any inhabitant of their own town or burg for the purpose of banqueting, drinking, eating or lodging. They could be established only by authorization of the king, and on their signs they had to state expressly, "Hostelry, Cabaret or Tavern, by permission of the King." (*Traité de la police*, t. III, p. 721.)

These innovations and improvements in trades, crafts and manufacture are only a few out of a much larger number. France made great strides during the Renaissance in numerous other industries also, especially in iron and steel, wood carving, furniture, gobelins, tapestries and cutlery. Improvements were notable not only in the volume of such goods produced and their distribution throughout the country, but also in the quality of the goods made and in their standards of perfection.

GOVERNMENTAL POLICIES DURING THE RENAISSANCE

At the beginning of the sixteenth century all the courts and nobles throughout Europe, especially in France, attempted not only to exercise their authority and taxing power over the guilds, but also to regulate and supervise their activities in detail. Enterprises were taxed to the limit, and all trades and manufactures were obliged to secure various patents and licenses at considerable expense.

As not much new income could be derived from further regulation of these manufactures, political masters looked for new kinds of productive effort in their own countries or abroad which they might establish under their own direct patronage, regulation and tax, and direct net profit sharing. The French kings even attempted to prevent the nobles from sharing in the profits—an early example of the tendency to monopolize as many industries as possible under royal patronage. Wood, for instance, was entirely monopolized by the king. In 1530 the Venetian ambassador, Jean Michiel, was much surprised to find that wood was sold in the much-wooded kingdom of France at a price higher than in Venice, where they had none: he stated, “the king is owner of most of the forests and has almost a monopoly on the trade in wood.” Metals, gold and silver in particular, were also in royal hands.

The kings were always ready to create additional monopolies for themselves. Charles IX, in 1572, issued a very clever ordinance in which he declared: “So that the subjects of the king may enrich themselves, the king will see to it, that they can profit and gain from the opportunities, fertility and abundance, which it has pleased God to bestow upon the Kingdom, without having to buy or search in foreign lands for whatever necessary things they may need.” (Pigeonneau, *Histoire du Commerce*, t. II, pp. 66 and 207.)

This ordinance which was ostensibly designed only to further the interests of his subjects forbade the importation of wool cloth, linen cloth, braids of gold or silver, velours, satins, and gilded or silvered weapons, and prohibited the exportation of wool, hemp and flax without the authorization of the king. Actually these restrictions benefited the king most, because these goods were made and the materials were used in enterprises licensed by him for his own benefit.

His mark and label went on the goods and for this he received part of the earnings.

Thus the extension of royal patronage had become royal interference with not only industrial practices but also the distribution of profits and foreign trade. The method, chosen to get more money, was in no way designed to help and to protect new industries. As there had been a number of enterprises established which were not under the royal patent, naturally these manufacturers were greatly handicapped in carrying on their trade. They could apply for a charter and share the profits, or go out of business. It is not surprising to find that after 1500 many manufacturers left France for England and Holland, where there was less interference with industry at that time.

FRENCH FOREIGN TRADE IN 1550

To indicate the approximate annual volume of France's foreign trade during the sixteenth century and the articles of which it consisted, a tabulation, compiled by A. Chamberland from a manuscript in the Bibliothèque Nationale, is presented. (*Revue de Géographie*, 1893, Tome 2, p. 292.) France imported:

<i>Merchandise</i>	<i>Country of Origin</i>	<i>Approx. Value-- Livres</i>
Spices, Drugs, Sugar	Holland, Portugal, Spain, Italy	400,000
Pickled Foods, Cheese	Holland, Great Britain	140,000
Limes, Fruits, Confectionery	Portugal, Spain	140,000
Olive Oil	Portugal	40,000
Horses	Spain, Holland, England	140,000
Cotton	Portugal, Italy	1,000,000
Silk	Spain	2,000,000
Lingerie, Silken Ware	Italy, Holland } Italy }	12,000,000
Gold and Silver Lamés		
Wool and Woolen Goods	Holland, England	760,000
Linen Goods	Holland	750,000
Tapestries	Holland, Italy	600,000
Stockings	Italy	200,000
Furs	Germany, Holland, Italy	1,500,000

Metals (Copper, Tin, Lead, Iron)	Spain, England, Holland	6,500,000
Gold, Silver, in coins and bars	Spain, Portugal, Eng- land	6,800,000
Cutlery	Germany, Holland	6,600,000
Armours, Harnesses	Italy	1,500,000
Sassafras	Spain	350,000
Alum	Spain, Portugal	220,000
Pitch and Colors	Holland	60,000
Hides and Fats	Holland	200,000
Precious Stones and Per- fumes	Holland, Portugal, Italy	1,400,000

Annual Total Imports, Livres, 36,500,000 to 43,300,000.

France exported an almost equal or slightly lesser amount annually consisting of: grain and fruits to Spain, Portugal, England, Switzerland; wines to England, Scotland, Flanders; dried prunes to England, Scotland, Flanders; woolcloth to Spain; linen clothing to England, Spain, Italy; salt to the Nordic States; paper to Spain; books to Spain.

Duties. In view of this relatively well developed import and export trade, it should be of interest also to review the duty situation as it existed in these days.

Under the Roman Empire the transfer of commodities from one country to the other had been free, since the entire empire was one political unit. As soon, however, as the colonies were broken up into independent countries, a new philosophy had to be developed in reference to the transfer of goods between them.

The first European duties were not levied on imports. It was considered a desirable condition that goods of another country should enter free because they helped to satisfy human wants and to improve the standard of living, and stimulated the production of the same or similar articles within the country. On the other hand, exports were considered undesirable, because they diminished the nation's small stock of manufactured merchandise. Therefore, the first duties were on exports rather than on imports of manufactured goods.

The export duty was justified also by the fact that usually the foreigner had to come to the country where the goods were manufactured to make his purchase, and therefore the

export duty was really levied not on the producer but on the foreign merchant who, after having bought the merchandise, was taxed an additional sum in the form of duty which went to the king. The duty was paid by the foreign trader, right where he bought the merchandise and where, on his own soil, the king could exercise his right to tax as he saw fit without violating the liberty of trade.

If import duties had been levied at the borders the national traders coming home most likely would have paid a second duty; foreign traders would have complained about the "trade barrier"—considered by their country a very unfriendly act—and might have answered with retaliatory duties, embargoes, war and other drastic measures. Only minor levies were permitted at the port of entry for weighing, dock service and similar minor services. until about 1540.

It is interesting that specific duties (duties based on the weight of the commodities and merchandise) were primarily in vogue. This not only forced the exporter and the importer to pay the fee for weighing, but also prevented them from stating false values.

The first national tariff, in France, was inaugurated by François I in 1540-41, and due to the monopolistic desires on the part of the king, it effected the first reversal of the earlier tariff policies. From 1540 on, duties were levied on both exports and imports. Thus François established the main duty depot for silk goods at Lyon, which was the silk center of France, and there he levied a duty of approximately 5 per cent on all imported silk and silken goods. At first the king maintained his own duty office, but did not collect much from this trade. Only 1800 to 2000 livres per year were collected, half of which went to cover the expenses of the office. Therefore, in 1558 Henry II, after having found out that bribery and petty graft among the officials had reduced his revenues, decided to sell the privilege of collecting the duty to the city officials for a fixed annual sum. Immediately revenues increased considerably and, encouraged by this revolt, the kings began collecting import duties on many other commodities and at all frontiers of the kingdom.

In 1581 Henry III stated frankly: "As we know that in our kingdom great quantities of goods and merchandise are imported from the various foreign countries on which, up to the present, we have not as yet placed any duty on their entrance and import from abroad; therefore, taking into ac-

count that in the future a great benefit may arise to an increase in our finances, and without placing any burdens on our subjects, which otherwise might be over-burdened, . . . we have decided to tax these foreign foodstuffs and merchandise upon which up to the present time, as it is, no duty of entry is being levied." (Fontanon, t. II, p. 496.) This statement shows clearly the change in attitude and the reasons which brought about definite establishment of import duties for revenue purposes.

These duties were strictly selfish, in the interest of the kings. The concepts of a protective duty for the encouragement of home industries and for the development of national safety or industrial self-sufficiency had not yet been conceived fully, but they were gradually taking form.

MANUFACTURE UNDER ROYAL REGULATION

Looking back over the period from approximately 1000 to 1550, it is evident that royal influence was gradually but definitely extended from merely asserting the right of protection to the establishment of new enterprises and the regulation of all manufactures to the advantage of the royal interests. During this period of approximately 550 years, the French kings extended their authority to include the taxing of imports and exports.

In view of these developments, it should be of interest to ascertain the attitude of the tradesmen and producers. Two distinct types of industries gradually came into existence: those which were merely taxed by the kings and those which were sponsored by the kings in order to foster their own interests.

Those industries which the kings taxed only, obviously were in an unhappy situation. They enjoyed theoretical rights without any definite benefits and had to pay constantly increasing taxes. Those industries in which the kings had taken a direct interest were better off because they were granted valuable privileges and could not be over-exploited by local lords or by the cities. Therefore, the guilds operating under royal charters and licenses paid relatively less than those who had to pay to the king, to the local lord and to the city.

Therefore, it is not surprising to find that many of the guilds were most anxious to be placed under royal charters

and that due to the special protection which they obtained in this manner they desired government charters and regulation of their craft. This becomes understandable when one considers a few further changes which the king made.

The Royal License. By 1599, the kings not only sold licenses but granted masterships as well, in order to obtain greater revenue from a greater number of producers, and then greatly relaxed the strict rules which previously had been established by the masters for obtaining membership in a guild or for guilds in general.

It may be of interest to read in detail one of the license patents issued by François II of 1559. The license, representative of any number of similar ones issued afterwards, stated:

“That all those who hereby are provided with their mastership must be recognized by our judges, officers and any others before whom these professions may come as being instituted and placed into the same rights pertaining to masterships and provided with the same and similar rights, exemptions, liberties and privileges as those who are in possession of any previously issued mastership; with the exception, that they must be exempt from any masterpiece, proof, experience, examination, banquet fees, guild fees, and also from any other charges which would not be levied ordinarily for the recognition of each mastership.”

The king's license thus gave to its holder many advantages:

1. The owner was made a master, equal to all guild licensed masters.
2. The king's license cost little. As a rule, the king asked not more for his letters than 8 to 20 ecus per year, which was a relatively small sum, equivalent to approximately 2 or 3 gold francs.
3. The new master had the proper standing before all royal institutions.
4. No masterpiece had to be submitted.
5. No special proof of professional ability was necessary.
6. Experience was not required.
7. Examination was eliminated.
8. No banquet fees were collected.
9. No gifts to the guild brothers could be collected.
10. No unusual charges could be demanded from the holder of a royal license.

This explains the desire for such "lettres patentes," or licenses in more modern terminology. The guilds fully realized the serious interference with their rights, but they could do little about it, and, therefore, they tried as a body to be in the good graces of the kings.

These royal charters were not without disadvantages. Whenever the kings gave out such a license, they stated definitely its cost and the annual fee which had to be paid, but very rarely the number of years for which the license was good.

As a rule, each patent had to be renewed when a new king came into power, and ordinarily it was renewed on the same terms. As the kings needed more and more money, however, to keep up their lavish court life, wars and other expenditures, they found more and more excuses not only to abrogate the licenses unexpectedly, but also to increase the annual fees. Henry IV in 1589 gave out licenses at the beginning of his reign. In 1597 when he "reorganized" the guilds he abrogated these licenses and issued new ones. New licenses were again issued in 1600 when he married; in 1601 when his first child was born; in 1607 when the second child was born, and finally in 1608 when the third child was born.

Other rulers resorted to special fines which they imposed on their licensed industries. A common practice was to forbid a banquet to which the craft members had been accustomed. If the banquet was held in spite of the edict, a fine of 500 livres was imposed, one third of which would go to the denunciator.

In some instances, guilds were forced to tolerate a special lieutenant of the king, to "assist" them in carrying out their own business and to supervise their books.

A fairly lax morale existed at the end of this period, with royal interest directed primarily and openly toward extracting from the producers as much as possible in as many ways as could be devised. The local nobles and the cities proved themselves still more resourceful than their kings in this respect. Therefore, it must be considered as a great step forward when, in 1581, Henry III tried for the first time to regulate all French industries uniformly.

THE FIRST "NATIONAL" REGULATION OF MANUFACTURES

The supervision and regulation of various licensed industries and of guilds in particular had become a complicated task and required a rather extensive administrative system, which obviously could be operated still more effectively if all industries and crafts were placed under the same statutes and on the same terms.

Henry III, recognizing the possibilities for increasing his revenues and also honestly desirous of bringing order into the various licensing procedures, finally attempted to develop a uniform regulation of all French crafts and industries. His main objectives were:

1. To organize all craftsmen of his kingdom into one body.
2. To relax the admission requirements for masters which under the guild rules had become entirely too exclusive.
3. By placing all of the guilds directly under the supervision of the kings to suppress the abuses which had been forced upon the craftsmen by their more direct supervisors within the guilds or the cities.
4. To levy a charge on the producers for the benefit of the crown.

His intentions will be still better understood when one considers that many parts of France had not been reached as yet by the royal licensing procedure. Only in the big cities a great number of trades had been brought under royal authority. In many sections the craftsmen of one city spent their energies in making wars against the craftsmen of a neighboring city, and therefore manufacture had declined in those districts.

Within the guilds undesirable practices gradually had been adopted. Newcomers had been prevented from establishing themselves and some of the guilds had become so exclusive or had raised their entrance fees so high that the establishment of new production enterprises was made impossible. Besides, the guild rules, which originally had been devised to maintain morale and good conduct among the members, in many instances had been relaxed to such an extent that debauchery, vice and other abuses had become common. Masterships acquired in one city often were not valid in another city because the local guilds purposely re-

fused to recognize the guilds of other towns. This practice had considerably retarded the expansion of production, especially in the neighborhood of big cities because frequently the suburbs retaliated by non-recognition in case the city did not recognize the masters of the suburbs.

Apprenticeship had become a definite privilege in some sections of the country and some apprentices had to wait more than twenty years before being able to present themselves with their masterpieces. Some guild rules had restricted the number of workers and, therefore, production in some lines was limited to small enterprises, which finally could not properly supply the demands of a steadily increasing population.

King Henry III, aware of all these evils, attempted to render a great service not only to his own treasury, but also to the country at large. In particular, he wanted also to create new opportunities for those numerous workers who gradually had been robbed of their prospects simply because they could not meet guild requirements. Therefore he offered them his licenses.

Again, however, his financial interest was stronger than this foresight when he also decreed that each man who desired to buy his license could buy not only one but three licenses for any trade he wanted to practice. If many had done this his ordinance certainly would have done more harm than good, because the great number of newcomers would have ruined the business of all those who were already established.

For this reason, it turned out almost to the benefit of France that religious warfare broke out anew at that time, limiting this first uniform regulation of industries in France to little progress beyond the theoretical stage. The ordinance of Henry III did not become effective to any great extent. However, it must be considered as the first sign of selfish, and at the same time, enlightened government interference and was the forerunner of a series of further attempts to regulate the entire industrial structure of France in a uniform manner.

In 1597 Henry IV issued an ordinance almost identical to that of 1581 and even intended to regulate the merchants in a similar manner. He did this, as he frankly conceded, in order to get money for paying his Swiss guards. Therefore, the people called his ordinance "The Edict of the Swiss."

Even this regulation did not yet mean a definite regulation of all French industries in a uniform manner. The king enforced his ordinance in various places; he insisted on the use of domestically produced goods instead of imported ones; he again tried to promote silk production and planted mulberry trees, and he helped in the promotion of many industries in the country. King Henry IV was also the first French king to consider the establishment of nation-wide industries exclusively owned and operated by the Crown. However, his schemes were doomed to failure primarily due to their impracticability. To regulate manufactures and to collect revenues from them was one thing; to make them observe the regulations proved quite another.

THE FIRST CAPITALISTS

Of interest, however, is the fact that under these rulers the first industrial capitalists made their appearance. The best known among them is Pierre Saintot of Paris, who was a member of the Commerce Commission established by the king. Claude Parfait and Sellier were rich merchants; Moisset de Montauban was a speculator in silk; Nicolas de Camus made 9,000,000 livres out of 24 livres through all kinds of adventurous enterprises. Compared with them, Cadean, Hindret and Soyer are only of minor importance.

The appearance of these capitalists, however, is of greatest importance in that they gradually developed enterprises of such magnitude that finally most of the ideas of assuming all French industry under the protectorate and operation of the king were side-tracked, and knowing about the great profits which could be made in colonial enterprises, the kings preferred this new type of enterprise to any further industrial activity, at least for some time.

THIRD PERIOD
INDUSTRIAL POLITICAL NEW DEALS
UNDER
MERCANTILISTIC RULERS AND STATESMEN

CHAPTER 7

MERCANTILISM

1495-1789

a "new" theory to make a country rich by crafts and manufacture and by foreign trade.

MERCANTILISTIC PRINCIPLES

"Mercantilism" as a period of new economic principles began "officially"—according to the usual school dogma—at the close of the middle ages and lasted as a dominating policy and "economic doctrine" until approximately 1789, when it was succeeded by theories which are called "Liberalism."

The *Encyclopedia Britannica* (11th Edition, Vol. XVIII, p. 148) states that W. G. F. Roscher has best expressed the theoretical tendencies and underlying principles of the mercantilists. He stated that they stressed:

1. The importance of possessing a large amount of precious metal.
2. An exaltation
 - (a) of foreign trade over domestic business;
 - (b) of industries which work up materials over those which provide them. (Production of manufactured goods was considered more desirable than the production of raw materials.)
3. The value of a dense population as an element of national strength.
4. Employment of state action in furthering artificially the attainment of the ends proposed.

The reader, so Roscher continues, will understand much more readily the mercantilistic theories and the reason why they became so generally adopted in most countries, if he will remember that the Portuguese and Spaniards, at the end of the middle ages, had discovered the greatest silver and gold treasures of their time and soon afterwards started to squander them liberally. How to get as much as possible of this treasure, and perhaps some more through similar ventures, strongly tempted the interest of all economists and statesmen. Mercantilistic economy, therefore, was a highly

practical economy and by no means as strictly theoretical as many textbooks would lead us to believe.

The sudden liking for foreign trade is easily explained by the enormous profits of the overseas trading companies, established at that time by every seafaring nation.

To justify the colonist-traders in principle and to help them bring their treasures home safely and unmolested by pirating rival nations, a new theory had to be evolved and the doctrines of the "free ocean" and of "free trade" were offered as the most plausible theoretical justifications for the new efforts. To construct them was not difficult; the Dutch undertook it, as has been shown.

The recommendation to foster raw material refining or "manufacturing" industries rather than raw material production, is also explained through the actual conditions which existed at that time. Fortunes were made primarily through the sale of fine woolen goods, carpets, tapestries and velvet; through the manufacture of silk and all kinds of silken apparel, of fine jewelry, tableware and ornaments of the most elaborate design and richness, of dyes and highly valued chemicals, of highest grade pottery, glass and tableware; and similar industries.

It so happened that the valuable raw materials, silks, precious metals, indigo and spices were not found in those countries which developed and practiced mercantilistic theories—Holland, France, and later on England and Germany; nor could they be produced or promoted as an industry in these countries. But they could be procured; what was needed was production facilities where they could be worked. It was natural, therefore, that encouragement of manufacturing industries should develop as a corollary to encouragement of raw material trade.

The reason for the desire for increased population is self-evident in view of the fact that people were needed to go to war, to settle in the new foreign trade colonies, and to produce things at home.

Gold and silver were valued because they were the most desirable means of payment and were accepted by everyone; further, they created respect, influence and prosperity in Spain and Portugal. The theory that the precious metals, once obtained, should be held in the country was derived from the observation that the Spaniards gave them away too easily and often for foolish things.

Much has been written on the merits or disadvantages of mercantilistic theories by Raleigh, Mun, Child, Temple, Serra, Genovesi, Melon, Forbonnais, Klock, Becher, Seckendorff, Schroeder, Justi and Sonnenfels, and others.

For our purpose it will suffice to study at close range the practical applications of mercantilistic theories to industry during the various intervals into which the whole period of mercantilism can be subdivided.

France, more than most other countries, sought to encourage the development of her industries. Furthermore, French industrial history reveals that during the mercantilistic period the nobles and militarists who had formerly advised the rulers and shaped political economy gave way to a line of Prime Ministers and intellectuals of the highest training available at that time. In France also, under Richelieu and his successors, the first deliberate attempts were made in modern times to make a nation practice what has since been termed political expansion or political imperialism. This policy also had definite effects on industry, and for these reasons French mercantilistic industrial political economy should be most instructive and is discussed in this survey.

MERCANTILISTIC PERIODS IN FRANCE

The entire mercantilistic period in France can be subdivided as follows:

The first period, 1600 to 1621, is perhaps best termed the period of the pioneers of mercantilist statesmanship. Montchrétien is the most important representative of this time.

The second period, lasting from 1621 to 1642, can be called the period of political expansion. "Industrialists" built up great enterprises, merchants formed important overseas companies. Richelieu is the characteristic statesman of this period. He had no equal as yet in England.

The third period, lasting in France from 1643 to 1683, was given to the economic organization of the enlarged political sphere of influence. Not much of this was accomplished under Mazarin, but the real economic consolidation of the political success was begun and climaxed by his successor Colbert. In this period industry was definitely regulated. In England, Oliver Cromwell began, during this period, to op-

pose seriously Dutch and French economic and political expansion in Europe and in the other parts of the world.

The fourth period, 1684 to 1789, covers the decay of French mercantilism through a series of intervals, each one characterized by more and more government regulations and oppressive interference with industrial matters.

A strictly historical survey of these periods shows one war after the other for religious, political and dynastic reasons; one treaty after the other, all changing the map of Europe and of overseas countries; one eternal alliance after the other, made for at least ninety-nine years, or for eternity, merely to be broken soon after they were made. Undoubtedly the political picture is most flexible, quick-moving and a serious strain on the memory.

The industrial history, however, reveals quite interesting definite programs established and enacted by each of the great statesmen who ruled at that time. "National Industrial Political Economy" had overcome the merely tentative early phases and had reached the period of actual realization in the form of definite national programs and policies as designed by the mercantilists. Before they came to power and influence French manufacture had been merely exploited. Now mercantilism, or the theory of "economic speculation on a national scale," was applied in grand style.

CHAPTER 8

ANTOYNE DE MONTCHRÉTIEN

1615

the first to lay down principles which rulers should observe in order to make all their subjects rich by helping arts and crafts, and what he said, in detail.

THE FIRST THEORIST ON INDUSTRIAL POLITICAL ECONOMY

Before considering the various "new deals," designed and enacted by the mercantilistic statesmen in France for the organization of industry on a national scale, it should be worth while to consider the writings of the first theorist on industrial political economy who preceded them. He was Antoyne de Montchrétien. Though considered by some to be merely an adventurer and writer, he was in fact the owner of an iron work and of a factory manufacturing tools and farm equipment. Also he owned a hardware store in Paris and in his later years, after 1616, became adviser to the young king, Louis XIII, and his mother, Maria of Medici.

As a reward for his services to the court, he was made Governor of Châtillon-sûr-Loire. His ideas on political economy appeared in 1615, dedicated to the king and to the royal mother of the king.

Montchrétien chose as title for his book, *L'Économie Politique Patronale*, which means "Paternalistic Political Economy." This title is just as significant as its contents. He advocated an economy shaped by the policies of the government, or, more precisely, an *industrial* economy to be developed under the policies of the king.

He began his first chapter on the usefulness of mechanical arts and the regulation of manufactures, as follows:

"Those who have been called to govern the state must have as their main objective the glory, the augmentation and the enrichment of the people.

"To what greater and more honorable purpose could your peaceful Majesties lend themselves, and to what more dignified and useful end could all those by whom you desire your affairs to be handled employ themselves than in guarding and working for the order, the employment and the accommodation of your people? It should be their aim to repair all that

times have spoiled, by the revival and the refreshing of all the good and ancient practices of your kingdom, only modified and adjusted by the experience and the reason of our days, insofar as this proves useful and necessary."

In rendering this advice the first industrial economist, as his basic principle and counsel on industrial matters, clearly advises against the establishment of an entirely new order of things or abrupt changes. While recommending improvements, he definitely recommends the renovation and revival of the "good and ancient practices" of the kingdom for the general benefit of the country.

In modern terms this means that the ingrained character and good economic habits of the economic body should be preserved and taken into consideration when applying the new industrial policies. As Montchrétien was actually engaged in industrial activities and in commerce, his advice has the originality and clairvoyance of an original thinker and the much-desired "practical experience" behind it.

The summary of the principle subjects, or index, to this treatise, reveals further the political measures that this first industrial political economist had in mind.

He divided the entire field, which should be supervised by the king, into four different sections:

1. The mechanical arts; their rank and usefulness.
 The regulation of manufacture.
 The employment of people.
 The professions most necessary and most profitable for the community.
 The maintenance of the "good spirit" and the tasks which the Prince should perform.
2. Commerce within and outside of the kingdom.
 The undue liberty and freedom of the Spaniards, Portuguese, English and Dutch among ourselves (in France).
 On transportation and regulation of money.
 The different treatment which foreigners received in France and the treatment which the French received in their countries in reference to personal status as well as to taxes and levies.
 On the difference between an ally and a citizen.
 The Commissioners.

The commerce in the Near East.

The commerce in spices.

The unions and manufacturer's societies.

Sales and purchases which are made in the colonies and the policies which one has to observe there.

3. On navigation and its advantages.

The various voyages and foreign enterprises of the French, Spaniards, English and Dutch in various places.

The desirability of this country strengthening herself on the seacoast.

The colonies and the commodities which one may obtain.

The passage through the southern sea for the travel to China and Japan.

4. On the example and the main tasks of the Prince, discussing piety, charity, census, militia, finance, honorary and monetary rewards, taxes and administrators.

The modern editor of Montchrétien's book, Theophile Funck-Brentano, remarked in 1889 about this summary, the following:

"One has blamed Montchrétien because he did not choose in his exposé a more scientific form. His purpose, however, to interest the King and the Queen mother in the economic prosperity of their country, made a more scientific presentation almost impossible."

Nevertheless the summary plainly demonstrates that even the first industrial economist clearly realized that manufacture and commerce are interdependent and that the proper regulation of manufactures necessarily involves branching out into a great many other fields.

MONTCHRÉTIEN'S TEACHINGS

The reader interested in details of Montchrétien's writings is referred to the Funck-Brentano edition. For special consideration here, however, a few samples of Montchrétien's recommendations are offered which are contained in his chapter, "The Main Tasks of the Prince." In this chapter he gives a number of interesting fundamental rules which the young Prince should consider in all his activities in order

to arrive at the most satisfactory solution of his industrial political problems. They are aphoristic rulings and easily remembered.

Know Yourself: "SIRE, the saying 'Know yourself,' which is engraved in golden letters on the temple of Apollo in Delphi, is an epitome of such great truth and solid philosophy, that in itself, through itself and by itself it expresses all the wisdom which applies to man, regardless of condition and quality."

Give and Take: "SIRE, As you have received much, you have to give much."

Be Not Prejudiced: "SIRE, Let your mind be like an empty board so that all kinds of fine thoughts may be written on it without pain or confusion."

Poisoning the Public Opinion: "Evil will come to those who throw poison into the public fountain from which everyone must drink!"

Choice of Advisers and How to Treat Them: "A good sire calls as his advisers the people of good standing. He honors them and employs them in his affairs. The bad sire calls in the evil charlatans. He advances them and very often merely uses them like a sponge."

Census of People, Income, etc.: Most highly recommended was a thorough census with the purpose of distributing taxes fairly and of eliminating all kinds of evils, on the basis of established facts.

Taking Care of the Poor: The poor should be taken care of out of tax money. If not enough is available, "order that boxes be placed on all the doors of the cities and of the churches, at the entrances and exits of all minor towns, and in all the passages leading to or from them, in order that all may be reminded of the poor."

Funds for Public Welfare: "Order all the merchants dealing in special stands and stores, or negotiating within or outside of the country, whenever they make a sale exceeding 50 or 60 livres, to make also some contribution; in the same manner all those should be taxed who collect tolls, rents or money from leases granted to them by Your Majesty, by the princes and nobles; and all artisans, carpet-makers, cord-makers, hat-makers, spice merchants and others should give more liberally in line with the article in which they trade." According to this suggestion a sales tax seems to have been recommended by the

first industrial economist for obtaining the necessary funds for the support of public welfare. Our modern reformers frequently resort to the same expedient.

Moral Purification, the Basis of Economic Progress: Montchrétien has become famous by recommending to the prince to "Introduce, instead of idleness, which is the greatest pest of the cities and the feeding ground of all vanities, honest, useful and legitimate occupations, so that on one hand, wealth will be occurred in art, and manufacture whereby wonderful and profitable operations will result; and on the other hand, wealth will be increased and the evil diminished." The belief in economic progress on the basis of industrial activities and moral purification is undoubtedly an interesting one. In modern times we face the same problem by giving "work relief" instead of a dole.

The Test of Good Government: "In brief, you will realize, that all the parties of this great state will succeed much more easily if they are united and if there is nothing to estrange them—just as there should be nothing between two irons which are being welded together in the forge. This, no doubt, is the clearest sign and the most certain proof of a policy, which has established good order of government, justice and reason." This test seems worth remembering.

Relief and Gifts: "Act, Sire, like a good doctor who goes to help the sick. Just as he has not caused the illness, so you have not caused the deprivation in which you find the state. But do not give relief in the form of bonuses and salutary remedies or things which would be still more agreeable to the sufferers, because on the kind of cure depend not only the lustre, but also the future force and grandeur of your crown."

Information: "Take the trouble, Sire, to inform yourself faithfully on everything, which has to do with the wellbeing and the income of your state, in general as well as in particular."

Use of Tax Monies: "No matter what may be the nature of your revenues which enter into your coffers, and for what end they have been collected, be sure that they be applied to this end."

Payment of Debts: "In particular, in order to make your household and also those of all the nobles who surround you strong and solvent, it will be necessary, to find means of paying the creditors, because it is a cardinal point of dignity for a prince not to violate public trust." It should be especially

noted, that in contrast to modern political economy, Montchrétien did not recommend borrowing as one of the first steps to be taken, but rather considered the payment of debts as one of the first and most important tasks of any government.

Benefits of Liquidity: "After having made your household free from debts, you are in a position to abolish and to suppress an ant-hill of spongers on your finances, and a squadron of bloodsuckers on your people, who by simple means of exploitation even become nobles."

Political Science: "Political science does not consist merely in making studies and still less in the mere administration of public income and rights. I do not doubt, Sire, that you also will be very interested in reading the history of your predecessors, and that you will, from their history, learn with pleasure and great advantage the royal science of good government." This is a very polite but somewhat sarcastic remark.

Choosing Sides: "You know, Sire, which parties are in your kingdom and which of these parties is the most noble and most necessary for the conservation of the entity. This is the party, of which you should declare yourself properly and particularly the chief, so that all the rest of your subjects may become individual members of your party."

Choice of Advisers: "It is up to you to make the proper decisions, and you should keep your hands in everything which should be done well and according to law by wise administrators, well versed in the knowledge of men and of affairs. The advisers should be sponsors of public welfare and known as such by experience. That means, that you should choose men who know, and who desire to exercise their duties according to the same advice which God gave to Moses: 'Choose among those people who fear God, who love the truth and hate avarice.'"

Criterion of Justice Done: "Search in yourself from time to time if you have been as agreeable to God, who has chosen you to be His lieutenant on earth, as you are obliged to do His will; that means you should see that justice be done sincerely to your people, by each one of your officers."

Signs of Decay: "The historian, Vopiscus, in his 'Life of the Emperor Aurelian,' mentions as a sign of the decline of the Empire, that under him the officers began to become susceptible to bribes and to consider their own riches rather than the wellbeing of the people."

So much for Montchrétien's recommendations to the young prince. In slightly changed verbiage, a goodly number of them ought to be good principles for the guidance of modern rulers, particularly regarding industrial policies, for which they were primarily intended. The most interesting of his remarks, however, seems to be the following:

Private Initiative. "The private activities constitute public life. The house is the beginning of the city; the city the beginning of the province; the province the beginning of the kingdom. So public affairs depend on private economy. A good political administration is one which considers the universal health of the entity and at the same time, the welfare of each individual member."

This is perhaps one of the most important and fundamental rules ever established for industrial political economy. Time has proved the prophet right on more than one important occasion and many experiments in industrial political economy have failed because this simple rule had been overlooked.

It is not intended to over-stress Montchrétien's importance nor his theories. They are emphasized, however, in order to show the spirit in which the industrial political economy was conceived by him. His pupil, Louis XIII, enacted many of his principles and became one of the outstanding kings of France. Under him manufactures and guilds carried on unmolested and with great economic advantage to themselves and to the state.

CHAPTER 9

RICHELIEU

1619-1642

the Cardinal who made France great and ruled her King, the nobles and their wives, the army, writers and police—but did not rule the guilds.

Richelieu, who had received his training in Rome and had served the Pope on many difficult missions, became a power at the court of Louis XIII by giving his special attention and service to the king's mother, Maria of Medici, and by negotiating peace between mother and son in 1619. From then until his death in 1642 Richelieu's influence as Chief Adviser to the Crown was endangered only occasionally, by the usual court intrigues.

Richelieu broke the power of the nobles; he made the Crown independent of Parliament and restored French influence in Italy, The Netherlands, Germany and Sweden. He laid the foundation of the power of Louis XIV.

The student in search of information about the political activities of this unusually clever and successful statesman may read with great profit: Avenel, Denis, Louis, Martial: *Lettres, Instructions Diplomatiques et Papiers D'État Du Cardinal de Richelieu*, Receuillis et publiés par M. Avenel, Paris, Imprimerie Impériale 1853. In these letters can be seen his methods of building up the great political success of France at that time.

INDUSTRIAL POLICIES

Occasionally in these letters is implied his attitude towards manufacture. While expanding France politically, Richelieu refrained wisely from regulating, reforming or otherwise reorganizing or administering business and industry to any appreciable extent. He left alone the mostly self-controlled but all-embracing guilds. He taxed them, but did not make any attempt to press upon them his or any other conception of industrial behavior. He made them behave politically and dominated them from the beginning to the end, but he did not try to rule them as he ruled the nobles, the kings, their

wives, their mistresses, the army, the writers, the police, and even the theological teaching at the Sorbonne, which he founded.

Caillet, the historian of Richelieu, confesses frankly in his book, *De l'Administration en France sous le Ministère du Cardinal de Richelieu*, that he had to search diligently in many places before he found in the mass of military, diplomatic and political information on Richelieu enough to write his book, *On Administration in France.*" (Caillet, *de l'Administration*. preface. p. x.) His work is thorough, and yet he could not report more on interference or regulation of industry than 6 pages out of 548. He reports, however, and from other sources we know, that industry did well under Richelieu due to the special encouragement he gave it.

Bachelet, who described various great ministers of France, reports that Richelieu proclaimed the following:

"We advise our subjects, who have the means and the industry, that they get together and unite in order to form good and strong companies and associations of transportation, navigation, and commerce, in any manner that they may see fit. We promise to protect and to defend them; to grant them privileges and special favors, and to assist them in any manner possible that they may desire for the good conduct and success of their commerce." (Bachelet, *Les Grands Ministres*, p. 229.)

In view of this very encouraging attitude of Richelieu, it is not surprising that on the 17th of April, 1627, Pierre du Pont took out a royal council charter stating that the king in his council had granted said Pierre du Pont, and to Simon Lourdet, whom Pierre du Pont had taken on as associate, permission to establish a factory and to manufacture all sorts of tapestry, fine furniture and oriental works of art in gold, silver, silk and wool, for a period of eighteen years, to begin on the 10th of July, 1627. (Caillet, *de l'Administration en France*, p. 226.)

The only restriction attached to this and similar charters was typical of Richelieu: the industrialists were forced to instruct in their art a certain number of poor children, who were entrusted to them by the administrators of the orphanages. In Paris these children were quartered in a home called "The Savonnerie" in the neighborhood of Chaillot, where they were maintained by gifts of the king and supervised by the head of the orphanage. Now, Pierre du Pont

and Simon Lourdet had to take a number of them for six years' apprenticeship and it was also stipulated that these children should have the right to become masters.

In this manner Richelieu solved the problem of getting trained workers for the new enterprises which he encouraged and by putting these orphans to work he provided the opportunity to make a decent living to children who otherwise would have been not more than outlaws, outcasts, without home, without rights and almost without any means of subsistence.

Pierre du Pont and Simon Lourdet faithfully trained these youngsters and made them able craftsmen. The only serious disadvantage they had to suffer after the children had become masters was that their competitors hired them away from their enterprises and even took them to England where they started to establish new factories, competing with du Pont.

Richelieu also called in foreign workers, for instance, 200 from Flanders, in order to improve the silk industry, the tile industry and many others.

GUILD REGULATION

While thus laying the foundation for a new system of manufacture, Richelieu did not overlook the guilds. He protected them as he had promised; he sympathized with their problems and assisted them in every way possible, in spite of the various objections raised by the guilds against the new type of enterprise which he sponsored under royal patronage. Occasionally, when a special event happened in the royal family, Richelieu, like his predecessors, revoked the master briefs. But, instead of insisting on new and higher fees, as had been the custom under previous French rulers, Richelieu issued the new royal patents only to celebrate the blessed or other event in the royal house, giving out the patents free and thus not antagonizing the guilds.

TRADING COMPANIES

For the further improvement of commerce and manufacture, Richelieu also improved communication, bridges, roads, postal service, harbors and naval protection. He continued vigorously to promote foreign trade and trading posts

and colonization in Quebec and Canada, in the Far East and Africa, and in the West Indies, and during his time France developed the following international trading companies and colonial possessions:

- 1599—Compagnie du Canada et de l'Acadie (Canada)
- 1600—Compagnie de Sumatra, Java et Moluques
- 1600—Compagnie de Saint-Malo-Laval et Vitré (Far East)
- 1604—Compagnie de la Guyane (Guyana)
- 1606—Compagnie Deroy (East Indies)
- 1615—Compagnie Beaulieu et Le Lievre
- 1616—Compagnie de Paris et de Rouen (India)
- 1625—La Nacelle de Saint Pierre fleurdelisee (no special territory)
- 1626—Compagnie du Morbihan (no special territory)
- 1626—Compagnie Normande (West Coast of Africa)
- 1626—Compagnie de Saint Christophe (American Islands)
- 1627—Compagnie des Cent Associés (Same as Compagnie du Canada, New France)
- 1633—Compagnie du Seur de Caën (Island of Santo Domingo)
- 1633—Compagnie Dumé d'Applemont (Fourth company in Far East)
- 1633—Compagnie du Cap-Nord
- 1633—Compagnie du Cap-Vert (Senegal, Cap Vert, Guinea)
- 1634—Compagnie de Guinée (Sierra Leone at Cap Lopez)
- 1634—Compagnie du Cap Blanc (Cap Lopez)
- 1635—Nouvelle Compagnie des Isles d'Amérique (Antilles)
- 1638—Compagnie du Cap-Nord (second company)
- 1642—Compagnie de l'Isle Saint Christophe (American Islands)
- 1644—Compagnie Rigault (Madagascar and India)

If one considers the fact that before Richelieu's time France had not one single trade post or colony overseas, and the extreme difficulties under which navigation and the procurement of overseas products had to be carried on, one cannot help feeling that Richelieu's success as political promoter was enormous. France under him not only reached her predominant position in Europe, but also laid her foundation as a colonial power.

It is obvious that industrial production received a great and new impetus, both by the great quantities and new varieties of raw materials which gradually became available and by the many new fortunes which were created.

It is further not surprising that lavishness in manners and products spread from the highest classes to the great number of those who derived their incomes now from trade, and that

this new opulence gradually benefited the lower classes and indirectly also manufacture and trade in even the humblest products.

SUMMARY

Richelieu, by not interfering with industry, showed in the field of economics the same excellent judgment which he had shown in politics. He knew the shortcomings of manufacture of his days; he carefully showed the way towards a new and more humane industrial order, but he did not attempt to bring about reforms in any manner which might have endangered industry.

The man who was able to direct a most complicated and elaborate political and internal reform program certainly would have been able to attempt also a reform of industry, if he had wanted to. By refraining from doing so, he proved himself a great statesman.

CHAPTER 10

MAZARIN

1643-1661

the clergyman who took advantage of producers, amassed a fortune for himself, but left France bankrupt and her people poor.

Mazarin, who had been Richelieu's special agent and assistant, succeeded him in 1643 as Adviser to Louis XIV who, in that year, at the age of five years, became King of France.

In contrast to his great master, Mazarin, almost immediately after Richelieu's death, began to interfere in many ways with guild and industrial activities. Undoubtedly he was driven to it by the dire need for money which the sudden splendor and extravagance of the new court developed. One industrial edict followed the other; one corporation after the other obtained special favors, and even new guilds were created like the Guild of the Town Cryers, all merely to obtain new sources of revenue.

When in 1643 the Spaniards invaded France, the military activities also caused high expenses and they, too, can be considered as reasons for Mazarin's new taxation and interference schemes. In order to raise the money for the many long-drawn-out military campaigns which the French government carried on in Germany, Alsace and Northern Italy, new means of raising money constantly had to be invented. The tariffs were increased and special levies were imposed on all producing industries. Many colonial ventures, due to lack of supervision and neglect in the enforcement of proper rules, failed, and as prices had gone up in France the foreign buyers no longer came to Lyon and other fairs to buy French products.

While thus a definite decline was evident in the economic and industrial structure of France, life in the upper strata of the population continued on a luxurious scale, and far beyond the means of most. While Richelieu had lived frugally, Cardinal Mazarin lived most extravagantly and when he needed funds he did not hesitate to follow the example set by many; he began taxing and exploiting industrial enter-

prises for his own benefit. It is obvious that with such practices France could not retain its industrial prosperity.

In 1661, when Louis XIV asked for money from Fouquet who was then Superintendent of Finance, the latter replied, "Sire, there is none in the coffers of Your Majesty, but the Cardinal will lend you some." When approached by Louis XIV to give an accounting of the affairs of the state, Mazarin removed himself to his chateau, where he died suddenly on March 9, 1661, leaving the king with an empty treasury but surrounded by wealthy courtiers, enriched through graft and corruption. It has been stated that the Cardinal at his death, in 1661, left France with a deficit of approximately 155,000,000 livres.

The king, realizing how bad the situation was, looked for a new counsellor on economic matters, and appointed Colbert.

Mazarin had not really designed any new economic or industrial program of his own; he had continued Richelieu's policies in part, but he had distorted them entirely to the disadvantage of industrial evolution.

CHAPTER 11

COLBERT

1662-1683

who was to save a bankrupt state and how he tried to do it by reform programs, rules, and regulations. His new-deal Council of Commerce, trade advisers, chambers of commerce and quality control; his policies on guilds, state-factories and shop-industries.

RISE TO POWER

Colbert came from a family of merchants and got his early practical training in the big trading company of his uncle in Troyes. He was an indefatigable worker and did special jobs which brought him in contact with many influential business men and bankers and finally with Mazarin.

Through the influence of the Cardinal he obtained a position in the "Bureaux du Contrôle Générale de Finances"; he was appointed Conseiller du Roy in the king's private States Council and became the confidant of the Cardinal in 1648. He was then twenty-nine years old and about to marry the daughter of Mr. Charon, who also was counsellor of the king. His specialties were figures and hard work.

During the many years of his business life Colbert had formed definite opinions on the then-existing economic, commercial and industrial conditions of France; he was imbued with a desire to improve them and to serve his country by bringing about cleaner and better practices in business life and especially in the public administration of finance and taxation.

Louis XIV, aristocrat that he was, wondered about the great influence which the "bourgeois" adviser to the Cardinal exercised. However, soon after the death of Mazarin, the king himself took the young man under his wing. He appointed him his Secretary of Finance at the age of thirty-five, in 1656, and gave him full reign in 1661 as Prime Minister of France.

It was Colbert's job to salvage a bankrupt state against the will of the courtiers who, of course, resented any attempt to tamper with their privileges, their luxuries and their dishonest revenues, and who were against any attempt to bring

order into an absolutely disorganized governmental administration. Colbert had realized this long before he became Prime Minister, and had laid his plans. He was convinced that he had to eliminate some of these courtiers from the scene entirely; and that he would have to warn others and frighten the rest by setting an example in the punishment of one who deserved it most.

For this punishment he chose Fouquet, who at that time was in charge of all government revenues. He convinced the king that Fouquet was dishonest, and had him called before the king to render his accounts. Fouquet submitted statements which Colbert, who worked in the same Ministry of Finance, could prove were dishonest and had been altered. By doing this he broke the power of one of the most powerful figures in the administration, who had been the protector of many evil practices.

Colbert succeeded Fouquet as Chairman of the Finance Council, which was composed of three members. The council held the destinies of France and it is, therefore, not surprising that Colbert should have started his economic and administrative reforms in the fields of finance and taxation.

COLBERT'S FINANCIAL PROGRAM

In general the new Minister of Finance put into practice the same principles which Richelieu had laid down, but he also desired to improve the morale of the administration in general.

Basically, his financial program embraced:

1. Reduction in all charges by the state.
2. Elimination of unnecessary administrative jobs and appointment of as few new administrators as possible. Colbert realized that he could not keep his appointees from following the general practice of diverting funds into their own pockets. He adopted this policy in order to reduce the number of newcomers subject to temptation, and in the belief that the older administration members already had sufficient funds diverted for their own use to render them relatively less susceptible to further temptation.
3. Abolition of privileges of exemption from taxation. Wood and salt taxes were at that time very important sources of revenue for France, but Colbert imposed these taxes on

everyone who used wood and salt and did not permit any privileges of exemptions which previously had existed for many nobles. By distributing these lower taxes evenly, he succeeded in obtaining forty million livres per year.

4. Encouragement of commerce, industry and agriculture in order to produce taxable revenues.

While it is of great interest to study in detail Colbert's financial reforms, they had only an indirect bearing on manufacture, and, therefore, their detailed discussion is omitted from this study. Also omitted are discussions of his agricultural and forestry programs and many other reforms which he applied, for instance, to port administration, navigation and postal service. His industrial policies, however, deserve special consideration; they have left a lasting and very definite impression on French industrial developments, and have been preserved throughout the following centuries as fundamental principles, in spite of the fact that France has undergone a revolution and many other political changes.

Fundamentally, Colbert attempted to establish in France a still wider range of industries and a greater variety of enterprises than had existed under any of his predecessors. In this respect he merely continued the policies established by Richelieu, but in carrying out these policies he employed many original and ingenious methods.

Council of Commerce. In order to carry out his reforms in the most satisfactory manner, Colbert established a Council of Commerce similar to the one which had been considered but was not effectively established at the time of Henry IV. He persuaded the king to sign a declaration according to which "His Majesty, as an expression of the deep feeling for his people . . . has desired to give four hours every fourteen days to the session of the Council of Commerce, in spite of the little time which he gives to his entertainment." This declaration was published on the 23rd of August, 1664. The Council really began to hold meetings on September 18, 1664, and was in charge of preparing all the various reform projects, customs duties, etc., which were expected to go into effect in order to revive and improve economic conditions in general and of commerce and industry in particular.

The Council was composed of six people: three of them were Councillors of Finance and the other three were drawn

from commerce and industry. In drawing into his deliberations representatives of the particular field which was to be reformed, Colbert set a precedent which later on was adopted and maintained by many other state administrators.

The Council functioned regularly for approximately twelve years and actually assisted Colbert in drawing up his plans, especially on the "Regulation of Manufacture."

Trade Councillors. In order to obtain the necessary information on the actual conditions under which industry and commerce were carried out, Colbert appointed special investigators, whom he sent out into the country to study the trade practices, and in particular the undesirable practices, which had been established either by public officials or by the producers themselves.

The information which these officials gathered appeared to him so important and valuable that he finally made their assignments permanent; he paid them very good salaries and gave them almost absolute authority in enforcing the reforms officially decided upon. He also forced the various local, legal and administrative officials to cooperate with these men and to give them full support. How serious he was in this may be seen from the fact that their decisions had absolute power and could be appealed only to Parliament.

It should be noted, however, that these trade councillors were not strictly administrative officers, but rather acted in two quite different roles, namely, as government representatives to enforce the rules, and as educators and advisers to industry and manufacture. This feature has proved of greatest value to the industry of France in general and was an entirely new governmental activity never before attempted by the French or any other government. Especially for all those small industrial enterprises which were lacking in educational or technical guidance, the assistance of these men was a definite necessity, as they were able to bring technical and management knowledge, which the producers would not have acquired otherwise.

It is very interesting to note that centuries later Germany, Italy and almost every Central European government trained and sent out similar trade and industrial "advisers," in order to bring about in their industries more satisfactory progress and, at the same time, in order to prevent undesirable trade and technical practices.

Chambers of Commerce. It was not Colbert, but Mazarin, who founded the first real Chamber of Commerce in France on November 3, 1650, in Marseille. However, Colbert revived and extended this scheme by establishing similar bodies under governmental leadership in almost every city in France. They were not full-fledged Chambers of Commerce, such as gradually developed thereafter, but they were local commercial and industrial representations, which served Colbert's industrial representatives as contact points, as sources of information and also as means of emanating governmental opinions and rulings.

The most important of these industrial city representations were located in Dunkerque, Lyon, Bordeaux, Rouen, Rochelle, Bayonne, Toulouse, Montpellier. They obtained official charters as Chambers of Commerce in the years from 1700 to 1710.

QUALITY PROGRAM

As a result of his investigations, Colbert had come to believe that French industry was suffering in particular from deterioration of quality in the articles produced, especially in the textile industries. Due to the cupidity of the masters who had started to use inferior raw materials, and the avarice of the merchants who distributed these goods, French textiles had become of very low grade, selling at very high prices.

In the high profits thus obtained tax collectors and public officials of all kinds shared. Not only did French textiles become unsaleable in neighboring countries, but imported foreign goods were preferred by the French population due to their superior quality and lower price.

For these reasons Colbert decided on a thorough quality program, the main purpose of which was to improve French textiles to such an extent that they would be again saleable in competition with imported goods at home and abroad, and that they would represent a fair deal to the buyer.

In order to enforce improved production methods, the Industrial Council in the period from 1664 to 1669 prepared and issued 160 ordinances for individual districts and textile branches, and finally in 1669 Colbert issued four ordinances establishing uniform quality standards for woven goods for the entire country. Together, these four ordinances form a special production code registered on August 13, 1669. Its main features were reduction of the many qualities into

standard qualities, standard sizes, standard tolerances and standard procedures.

The technical processes and working methods to be used were described in detail not only for weaving, but also for dyeing and all other processes applied to textiles. They offer excellent reading and an insight into the production methods in existence at that time. Most of them may be found in the *Recueil des Règlements* on various dates before and after 1669.

Outstanding among them is the "Instruction Générale pour la teinture des laines de toutes couleurs et pour la culture des drogues et ingrédients qu'on y emploie" ("General instruction for the dyeing of woolens in all colors and for the treatment of dyestuffs and ingredients therein used"). (*Recueil des Règlements*—March 18, 1671.)

Enforcement of Quality Program. In order to create a proper basis for the enforcement of all these regulations, Colbert issued an ordinance for all trade associations in 1673. By this act the control and supervision of all quality standards in France was finally taken out of the hands of the guilds which since the late middle ages had relaxed their efforts in this direction considerably or given them up almost entirely, to the disadvantage of the public.

Colbert felt that the government would be able to supervise production. First, he ordered on the threat of confiscation and monetary fines that all weaving frames and wheels and measures used should be adjusted to the prescribed sizes within four months.

Second, he made the stamping of goods obligatory. Today when a manufacturer urges the public to buy only goods bearing his stamp or seal as a mark of quality, or to look for the guarantee of some laboratory, he is recommending a policy which was developed on an elaborate and impressive scale by Colbert in respect especially to textile products.

The weaver had to put his sign or stamp on the goods. The dyer had to affix his stamp next. The merchant who distributed them also had to add his seal. Furthermore, the goods had to be presented at a special place in the city hall, where the city trade commissioner affixed his city seal on one side of these three or more stamps, and another seal on the other side showing the imprint "Louis XIV, Restorer of the Industries of France." The manufacturer or merchant was

permitted to invite the stamping commissioner to his own premises, but no matter where the goods were officially stamped, the stamping had to be paid for and a special tax was levied which in part maintained the service and in part yielded revenue to the government.

Any violation of Colbert's "Blue Eagle" rules was severely punished. The violator was brought before the magistrate of his trade, and the mayor and the sheriffs of the city formed a court which settled minor cases. Important violations were brought before the public attorney and frequently heavy fines were imposed upon the manufacturers or merchants.

Naturally manufacturers and masters did not relish the new regulations. However, Colbert did not relax in his attempt to bring about better quality production, and rigorously maintained his order of December 24, 1670, according to which "all woven goods made in France, which are defective and do not conform to the regulations, will be exhibited on a platform nine feet high, carrying a sign showing the name of the merchant or of the weaver who has violated the code; the platform will be erected in front of the main door of the place provided for stamping and the defective goods must remain there for two periods of twenty-four hours each."

Nobody liked this sort of regulation. Forbonnais, the historian of these days, said "This was a law of the Emperor of Japan" who, at that time, was known to be very strict with his subjects. Barentin, a visiting governor of Flanders, which was the seat of a very highly-developed textile industry, commented in 1704 after he had returned home, "In our country where people love liberty above all, I am fully convinced that the linen trade would be definitely ruined if the manufacturers who make the linen goods were obliged to have them inspected before putting them on display for sale, and even to pay fees for the inspection, on which occasion they are besides, sometimes exploited by the stamping officials."

Colbert, personally, seems not to have been aware of the fact that in imposing these regulations he was seriously interfering with manufacture and commerce. Like many other prominent industrial reformers, he felt that he was doing what was best for the producer. It is strange that on a number of occasions he even advocated liberty of action. For instance, on October 16, 1669, in a note to M. Baas, he said, "It is necessary to let the people do whatever suits them best; this

is what brings about the best advantage." On September 1, 1671, he wrote again, "Anything which tends to restrict freedom and the number of merchants is not worth anything." Again he wrote on September 12, 1674, "I am opposed to anything which might handicap commerce, as it should be extremely free."

In fairness one should note that he referred in all these notes to merchants and commercial activities, while no reference can be found wherein he would advocate such liberty for industry proper. He was a mercantilist; commerce was to be fostered and industry had to provide the proper goods. The desire for quality and full-range production had become almost an obsession with Colbert, a psychological peculiarity of the most definite and strongest kind. Firmly believing that goods of fine quality finally would win out over a poorer product, and create greater prosperity within the country, he did not hesitate to regulate industry in this direction, using laws, fines, force, persuasion and every other possible means that the state could devise for the national realization of this principle. As it gave new work to hundreds of thousands of people; gave children new ways of escaping poverty, and at last made it possible for girls to contribute to the family income, the good motives underlying the policy cannot be doubted.

History reveals, however, that the emphasis on fine quality which Colbert initiated so thoroughly on a nationwide basis, and which has remained effective through the following centuries, had one unexpected result: France became, indeed, the home of *high-grade* goods, but also of *high-priced* goods and there is where the danger lies. Other nations, too, have felt that they should look for prosperity and industrial success through the production of high-priced, high-quality goods. England, after having wrested power from France; Germany, after having acquired almost equal power with England; America, after having won economic leadership over Europe; Japan, after she will have acquired power in the Far East: all these nations have shown or will show temporarily Colbertian tendencies and intentions regarding the manufacture of quality products.

However, in such an industrial policy there are definite and serious dangers, as history definitely has proved. France has remained until today the country of high-quality goods, but as she had to restrict her production and the sale of her high-

quality merchandise because of its price, she has necessarily been limited to relatively small internal and external markets. France produces the finest of tapestry, pottery, lingerie, women's wear and wines, and also, for a time, made the best of more modern industrial products such as automobiles. But her industries have remained relatively small and support only a small portion out of the great mass of those seeking employment. Therefore, hundreds of thousands of smallest government jobs have had to be created, which makes the population dependent rather than independent and enterprising.

Industrial history shows that nations, in spite of very humble beginnings, as soon as they adopt the opposite principle—the policy of making and selling goods primarily of medium and low-grade quality at a lower and perhaps at the cheapest possible price—are much more prosperous economically, more stable in their employment conditions and more successful in foreign trade than the countries which concentrate on high-quality merchandise at high prices. It seems to be a strange inescapable economic law, that no matter what governments may do to develop industrial political programs and to foster industry—whether by the adjustment of currencies and commodity price levels, the regulation of output and production, and of the codification of wages and hours—in the long run it is the adopted quality and price policies that seem to weigh heaviest in the final decision on the fate of industrial nations.

British industry, as long as it concentrated on the production and sale of goods (for example, textiles) of good quality but of relatively low price, was able to build up a world-wide business, to open up constantly new markets for its products, and to provide safe if not lucrative employment for the workers. As soon as the Germans were able to undersell the British product on a slightly lower price level, their textile industries gained at England's expense in spite of all natural handicaps; and now that the Japanese are able to undersell all European or western competitors they are bound to get the markets at an increasing rate, much to the dismay of the older industrial nations which, in turn, now suffer permanent unemployment and other symptoms of decline.

It is rather tragic for France that Colbert, while trying—and actually succeeding—in promoting economic industrial prosperity in his country, should have made the "quality"

principle the outstanding one of his program and that it should have been so well preserved. The one-sidedness of his policy would hardly be excusable if it could not be explained by the fact that in his time the rich in the upper class of buyers formed the important market and that these buyers were the only ones to which government-fostered industry could attempt to cater. Only for this reason, and by giving full consideration to the economic conditions then existing in France, can one find Colbert justified in putting this principle into effect. Otherwise it must be considered as one of his most serious and most far-reaching industrial political mistakes.

DECENTRALIZATION OF GUILDS

In his attempts to improve French industry, Colbert naturally had to consider the guilds as these were the trade associations which finally had to carry out his rules, and he did not hesitate to apply to them a principle which fitted in with his general ideas and also appeared quite promising for the promotion as well as for the control of industry. He applied what might be called the "special guild principle," a segregation policy rather than a theory of coordinating industry into one big unit.

Fundamentally he did not segregate, nor did he re-group forcibly any of those manufactures which were grouped together in the established trade guilds, as long as the different industrial branches got along fairly well with each other, observed his regulations and paid their dues. He merely supervised them through his agents. However, as soon as internal strife and contradictory policies made the enforcement of his rules difficult, he segregated them into different guilds, instead of trying to bring about peace and order among them. In his decree of February 24, 1674, he ruled that "Four manufacturers of any trade are permitted to draw up trade statutes of their own and to submit them for the approval of the royal officials." The city councils of the various cities were forced to recognize these statutes.

As the outcome of this policy he created many new industrial branches, among them one which has become of the greatest importance for France. This was the ladies' dress-maker guild, which was recognized in 1675.

In evaluating this principle of segregation of guilds, which was an important feature of Colbert's industrial reform program, as to its fundamental and enduring significance, one can find little fault—at least regarding the theoretical conception. A big tree takes its strength from a large number of small roots, and from a small number of large roots, each one representing a vast number of individual cell units. The plants growing only one or a few roots never become big trees. In trying to apply this same principle to industry and leaving combined in one guild only trades of the same or very similar kind, Colbert avoided internal strife, difficulties and conflicting internal interests, which are also encountered by present-day law makers who attempt to group all branches, or even entire industries, under one code. It would seem, therefore, that Colbert's principle of decentralization was correct. French industrial history shows that this principle, too, has been preserved, long after Colbert's program has been forgotten even in France. Its effect still can be seen in the numerous existing French trade brotherhoods and sisterhoods, in the rather well-developed esprit de corps of innumerable small industrial groups and trade associations, in the otherwise unexplainable endurance and hardiness of the French industry as a whole, and in particular of industrial branches which in other countries by now are entirely extinguished or forgotten. All this can be cited in favor of the decentralization principle.

On the other hand, this policy of fostering "separatism," in which form Colbert's principle also took root and survived in French industrial economics, undoubtedly has had at times serious consequences for French industry insofar as it has handicapped the development of a spirit of unity and cooperation among manufacturers which on certain occasions, and especially in modern competition, becomes an absolute necessity. Group-individualism, if sponsored by any government for any length of time, also causes industrial inflexibility and stagnation of a very troublesome kind, which makes any contemplated reform, even if it is good, a most difficult government problem. Politicians of all kinds are bound to use the special aims of the various groups for their own ends and industry is bound to become a matter of politics rather than of economic thinking. French parliamentary history is full of such incidents.

PROMOTION OF INDUSTRIES

In his desire to promote and round out French industrial activities, Colbert also continued the policy inaugurated under Richelieu of drawing into the country many foreign artists and craftsmen by granting them special privileges of manufacture and by spending considerable amounts for the establishment of new industrial enterprises. Among the industries which he thus promoted were many glass works and, in particular, the lace industry which he developed in the northern part of France, very much to the advantage of the impoverished agricultural population. The licenses granted to the new manufacturers were somewhat different from those granted by earlier French administrators on similar occasions. Colbert combined definite gifts for the promotion of industries with tax exemption to working families, tax reduction and credit extension to manufacturers. However, apparently in line with experience which he had gathered in his early business life, he did not grant additional loans to industrial enterprises if the first donation did not produce successful results. He did not insist on financial returns nor on interest payments for his first loans, but he was strict in maintaining a very definite economy in order to avoid abuse of his credit policy.

STATE-OWNED FACTORIES

Colbert climaxed his promotional activities by making the tapestry factory, which had been started under Richelieu, a government-owned factory. In 1667 the government began also the manufacture of royal furniture and finally acquired many enterprises of like character.

Since then government operation of technical enterprises has been extended in France considerably. The entire tobacco industry and most railroads are now owned and operated by the government. Many other enterprises are being subsidized today very much in the same manner as Colbert subsidized certain factories. The form in which the government acts and the reasons which are given may be entirely different today, but Colbert's principles of government sponsorship of industries is still valid in France.

Many economic critics have attempted to appraise correctly the usefulness of this principle. The Abbé de Choise, an

early critic of Colbert, condemned it outright because he saw in such sponsorship and government manufactures nothing but the creation of a mass of new enterprises, the maintenance of which exceeded their value. Similarly, Levasseur has commented as follows on Colbert's industrial activities:

"One cannot really say, that Colbert has spent the money for these creations foolishly. The total has not exceeded one million livres and was mainly given to manufacturers as gifts for erecting a factory or putting in machinery. His successors have considerably reduced this budget item, while they have augmented others liberally:

"However, such a system of sponsorship was a very serious mistake. The will of a Minister cannot replace the free activity of a nation. Colbert seems to have recognized this himself by writing to the sheriffs of Lyon that they should not consider these privileges as anything else but temporary crutches, and he fully realized that the subsidized industries would always endanger commerce and public liberty. The glass factories established under his regime and their maintenance have cost considerable amounts of money and the number of those establishments which went bankrupt was quite considerable. Apparently it was realized that serious errors had been made and unnecessary expenses had been incurred after the free development of industry had been handicapped. This recognition, however, came after Colbert had died and at the time of political difficulties when finally, at the end of the reign of Louis XIV, the entire results of such industrial planning became manifest."

Levasseur also reports on the effects of Colbert's quality regulations:

"The regulations of manufactures had remained in force, but after having started to regulate industry, the government had been led into an undertaking which it could stop only with difficulty. It became necessary to issue one regulation after the other; to make changes and to add new articles to the innumerable existing ones. Constantly the laws remained incomplete and did not cover new processes or new ways and means of fraud and deception.

"Sometimes quite a few years passed by and the progress of manufacturing processes remained handicapped due to the lack of regulations, or, in other instances, progress was handicapped by the existing laws. The multiplicity as well as the complexity of legislation was in itself an evil. The successors

of Colbert showed themselves either lax or still more officious than Colbert.

"The legislation became unbearable when the provincial supervisors attempted to regulate on their own ground in their own provinces.

"History must draw attention to these facts. It should not, however, forget the permanent imprint which Colbert's intentions have made on French industrial production." (Levasseur, *Histoire des Classes Ouvrières*, t. II. p. 273 ff.)

SUMMARY

The criticisms thus offered by economic critics and historians, while undoubtedly pointing out the greatest disadvantages of the industrial regulation thus attempted, seem, however, somewhat too severe and should be offset by one great advantage which Colbert's program and all of his regulations had.

It should be remembered that he and his mercantilistic predecessors, Richelieu and Mazarin, ruled at a time when industrial production—in other words, the production in special manufacturing premises—was in its earliest beginnings and in definite contrast to the previously existing method; namely, production in the home of the master. In introducing the lace industry, for instance, and many other branches of industry in France, Colbert encountered again and again great difficulties in making the people realize the advantages of working in special factories, and without his regulations this transitional period would have been still more difficult.

The resistance against the new system—strange as it may seem—did not come from those who were expected to work under the new conditions. Previously the worker had enjoyed the advantages of living and working at home, but he had to work nearly all the time and was watched every hour of the day. Under the new order he had to submit to strict discipline, but he could enjoy the bit of recreation which the shop system allowed entirely in his own way. Therefore the workers, once used to the new change, were satisfied with it. Discipline was strictly enforced, but the workers did not seem to object seriously even to this.

Those who objected to the new industrial factory system were the merchants. They resisted it because under the new system they could not readily exploit the individual masters

who previously had supplied them with goods and individually were unable to resist the low prices offered and paid by the merchants for the goods produced. Therefore the merchants made every effort to uphold the old home-work system of manufacture, not only openly objecting to the new Colbertian system, but even attempting to induce those who worked in the factories to stay away from work.

Colbert, finally tiring of the many obstructions against the new factory system, prepared and issued a special decree on November 3, 1669, wherein he instructed the sheriffs to visit the factories established under his patronage three times a week, and to see to it that the workers appeared there regularly for work.

He further issued instructions that he be informed about parents who would be willing to send their children to work in the factories, and to help the lace industry he organized a special information drive urging all well-to-do women to look over the premises and convince themselves of the quality of the work produced.

Colbert's correspondence shows a great number of letters referring to this subject and they clearly demonstrate the difficulties which he had to overcome in establishing the factory system as a new type of production, which is his greatest achievement.

When Colbert died in 1684 he undoubtedly left to France an economic system which had all the earmarks of being well-meant and industrial reforms which greatly benefited the king's treasury, as primarily he had set out to do.

Apparently also the numerous regulations inaugurated by him caused at least a temporary improvement in economic conditions. The French buyers again obtained full value products; the grumbling merchants and masters again found a market for their goods; labor in the new royal charter enterprises found steady employment; the many nobles and the court were carefree again and enjoyed more thoroughly than ever before the finer things of life. Voltaire, in his *Siècle de Louis XIV*, has given to posterity perhaps the most interesting historical and economic description of these days.

JOHN LAW'S RECKLESS EXPERIMENT

(1684-) 1718-1720 (-1757)

how luxury and greed, and John Law's tampering with currency did ruin a good country and finally stopped its industries.

That France did not reap greater benefits from Colbert's reforms was not his fault but must be blamed on the government.

The luxurious standard of living of Louis XIV and his court, wars and overseas adventures required considerable more funds than could be obtained from the established sources of revenue. Therefore, the king and his ministers adopted much more reckless economic policies than had been ever applied so far in France or any other country.

Especially they took advantage of the industrial control measures which Colbert had introduced and the special levies which they raised reached such proportions that many enterprises had to go into debt to meet the obligations imposed upon them or to buy exemption from vexation. They also changed repeatedly the value of the currency and by lowering the internal value of new coins they caused serious disturbances in daily commercial transactions, because their policies increased the price of goods and kept the people of France in constant fear and suspense.

The small manufacturers in particular soon found themselves unable to keep up production because they lacked the funds necessary to meet increased material prices. Many of them, therefore, unable to raise additional capital, closed shop, retired or sought work in the new, financially much stronger factories which at that time began to expand. While not immediately of great economic importance, these frequent failures of once well-to-do citizens caused great unrest and concern because thereby unemployment was created among many who had depended on the small producers.

When Louis XIV died in 1715, he left to his grandson a treasury entirely empty of gold or silver; cities, trade associations and small producers were mostly in debt, industry and commerce were ruined by war, and the country generally was in dire distress and on the verge of bankruptcy.

Louis XV, therefore, gladly took notice of a message which John Law had submitted to the French Parliament and decided to take up direct negotiations with the new money wizard, in spite of the fact that the English Parliament had positively refused to have anything to do with him. He invited John Law to France and gave him permission to open a bank and to put into practice the new monetary system which he advocated.

The fundamental principles on money and trade which John Law had thought out and advocated before the British government are laid down in his treatise, "*John Law; Money and Trade Considered: With a proposal for supplying a nation with money.*" First published at Edinburgh, 1705, by the celebrated John Law, afterwards Director of the Mississippi Company: Published in Glasgow. R. & A. Foulis, 1750."

The gist of his recommendations is contained in the following statements:

"As trade and manufacture increase, the demand for money will be greater." (John Law, *Money and Trade*, p. 221 ff.)

"What I have propos'd to supply the country with money, may be reduc'd to this. If an estate of a 100 \pounds . rent is worth 2000 \pounds . in silver money, and this estate can be convey'd by paper, and this paper be capable of being divided; then that estate may be made current money for 2000 lib. and any person who receives such paper money, receives a value equal to the same sum of silver money as silver is valued now. If it is coin'd for 15 years purchase, then that paper money will be more valuable than silver, for 1500 lib. in that paper will purchase land worth 2000 lib. silver money. If it is coin'd for 25 years purchase, then that paper money will not be so valuable as silver for 2000 lib. in silver will buy as much land as 2500 lib. in paper.

"Since it is very practicable to make land money, it would be contrary to reason to limit the industry of the people, by making it depend on a species that is not in our power (silver!), but in the power of our enemies (Spain!); when we have a species of our own every way more qualified.

"Considering the benefit the nation will have by this addition to the money; that the land will be improv'd so be more valuable, rents be well payed, and that debtors by paying a value equal to what is contracted for may free their persons and estates from the danger they are now exposed to.

"2. That the money'd man will receive punctual payment, in a money of a more certain value than silver or any other goods, and be in no danger of confusion.

"3. That trade will flourish, and these who depend on it be encouraged.

"4. That the condition of the other degrees of the people will be bettered.

"5. That the nation will be able to maintain itself in order, and resist its enemies."

This rather academic treatise reveals clearly John Law's way of reasoning. Fortunately, he was not much interested in production and manufacture. His interest in them was secondary if not tertiary, but even so French industry came soon to feel the effects of his theories.

BANKING OPERATIONS

John Law's Banque Royale. John Law started his banking operations by taking in silver money from everyone and issuing in exchange paper bills, called Billets de Banque, calling for the payment of one pound of fine silver. Thus he succeeded in drawing the silver still available within the population into the bank while he left the public nothing but paper billets. According to the findings of the head of the French Finance Council, the Duke of Noailles, this system of getting new funds was excellent as it was possible now to issue paper bills for 100,000 ecus against 2000 ecus worth of silver notes. The combination of land-silver-credit-paper money created fifty times as many livres as previously had been possible, and, therefore, in 1718 John Law's bank in Paris became The Banque Royale. Law kept on issuing paper, feeling that he could keep it up, if he only could find some profitable enterprise which he obviously needed to redeem the notes which he had issued. It did not take him long to promote such an enterprise; he founded in 1717 the Compagnie d'Occident, and after this company had proved a failure, the Compagnie des Indes in 1719, which was to revive, consolidate and rejuvenate all of the dilapidated and bankrupt relics of previous French overseas trading companies.

With this type of holding company as a security, the Banque Royale loaned to the king, Louis XV, 1,500,000,000 livres at 3 per cent to be used to call in all the old debts, to pay up a long string of obligations and to effect an annual saving on interest payments alone of 15,000,000 livres.

The Banque Royale was very glad to oblige the clergy also

by loaning money for the payment of all debts incurred by the church, and more paper bills were issued among the people. Again the rates were extremely reasonable at 3 and 2 per cent in contrast to 6 and 10 per cent which had to be paid at that time for regular well-secured loans.

Soon enough the extraordinary amount of paper bills issued through these two main channels made prices double, which automatically depressed the purchasing value of the credit bills to 50 per cent. The stock value of the India Company, far above all other price increases, rose from 500 to 10,000 and 12,000 livres. Law, as the Governor of the bank, voted 40 per cent dividend on the capital investment which he had taken in form of good silver and other really valuable securities from the people. In view of this "excellent showing," Law became Comptroller General of Finances and started to create artificial good will towards the government among all people by granting special pensions left and right.

To the great enjoyment of the masses, he reduced all taxes, gave up the high protective duties thereby allowing the Frenchmen to buy certain commodities at a much lower price; he spent lavishly on public works; he gave unlimited loans to industry; he reduced port charges and fees for offices; and financed and refinanced anything and everything in rapid-fire legislation between 1717 and 1720.

The capital of the bank, which had been started with no investment by John Law or the French Government, increased into billions of John Law bills without doing anything else but maintaining the good reputation of the *Compagnie des Indes*. The bank made no attempt to retain the good money which it had collected or to acquire any other security better than the defunct overseas trading companies.

France, no doubt, was overjoyed with the splendid results and with the great stimulation of every activity produced by John Law's new system. However, there was one group of Frenchmen who did not share in the general enthusiasm. This was the rather large group of those who lived on rents, and their grief was caused by the fact that their income remained stable in terms of livres, while prices for commodities and all other living expenses went up. According to the government's interpretation, there was no difference in the nominal value of the livre; officially a one livre credit bill was as good as one livre in silver had been before the paper money was introduced. Many people living on rents, there-

fore, began presenting their credit notes at the bank in order to receive silver as promised in these notes in the hope of thus being able to cover their living expenses and to escape poverty.

In the beginning the bank paid for the notes in silver, but very soon was unable to do so when the demand constantly increased and the people became suspicious about the validity of the promises. Therefore, John Law, seeing the maintenance of his credit money endangered, resorted to various means to preserve the bank. At first, in his capacity as Comptroller General he granted special privileges to these credit notes, in reference to tax and other payments to the government. When this did not stem the tide, he prohibited trading in gold and silver by a special decree of September 22, 1719, hoping thus to take all remembrance of these metals out of the public mind. As the people, however, failed to forget that gold and silver, finally, and not paper bought their commodities, he changed the value of his paper money in relation to silver thirty-five times within one year, in order to force all the owners of silver or gold to bring these metals to the bank and thus escape the consequences of the frequent changes. When the people who still had such metals hoarded them instead of bringing them in, as he had desired, and the population became still more restless, he finally ordered the confiscation of all precious metals.

When the stocks of the Banque Royale and of the Compagnie des Indes were offered in increasing quantities by distrustful owners at the stock exchange, and their real values were indicated by ever-declining prices, Law simply closed the stock exchange after he had artificially created a special sell-off and purchased a great quantity of stocks at considerably lower prices than he had issued them. Furthermore, in order to find a new market for his stocks, he decreed on April 17, 1720, that all hospitals and religious communities should employ their funds in order to purchase shares instead of holding their cash as a last resort for the payment of rents to the poor.

JOHN LAW'S RESULTS

Of course these practices could not for very long forestall natural economic forces, and soon the existing unrest in France took on more drastic forms. The workers, unable to

buy commodities at the new prices, which had risen while their wages remained at the former level, went on strike. The king was requested to interfere, but even his interference could only delay the breakdown of the whole monetary system.

The government finally was forced, on May 21, 1720, to reduce the value of all bills by 50 per cent and also to set an artificial price for the value of the shares which were now entirely out of hand. This law was intended as an emergency measure, necessary because there was not enough silver to give out to the people who still desired it. It was intended to be a minor financial operation of the Treasury, but, nevertheless, it broke the entire structure in spite of the fact that it was revoked only six days after it had been issued. All values tumbled, and people who had trusted the government by taking in the notes found themselves unable to buy even the most necessary commodities which, being the only reliable source of livelihood or usable in exchange for other commodities, were hoarded by all those who owned them.

Industry, which had experienced an absolutely unprecedented prosperity due to the demand for all kinds of products, and which had expanded in every part of France, suddenly found itself unable to buy raw materials and naturally could sell its products, produced at high costs, only at a very reduced value. The producers had to close their shops, dismiss the workers, and disregard the creditors who had invested in their enterprises.

After five years of chaos and general collapse, the government, in order to salvage as much as possible for itself and to restore order among the manufacturers, decreed in 1725 that nobody but the king could issue any regulations affecting industrial groups or enterprises. While again well-intended, this new regulation merely helped to disturb the industrial economic structure still more. The local state and city governments, which in the boom years had drawn heavily on the prosperous industrial enterprises, and which had suffered during the five depression years, were now deprived of their very last resources by the new decree which gave the right of interference exclusively to the king. They saw themselves unable to find money for paying the local officials, who had been established in innumerable offices for the control of industry, trade and allied economic branches. They were prevented also from levying local taxes which previously

they had been permitted to levy, and consequently—to the general misery of the people who had lived on rents, of the workers and of the producer—there was now added the bankruptcy of the cities and states.

The industrial situation was aggravated by the fact that the government, by various decrees issued in 1707, 1711 and 1713, had gradually established three distinct classes of producers, namely,

(a) *Maîtres Marchands*—merchants primarily trading in industrial products, buying them from the

(b) *Maîtres Tissant*—masters producing at home, and from the

(c) *Maîtres Ouvriers*—manufacturers of small capital but working with hired labor.

By these regulations, the small producers had been definitely isolated from the big enterprises and moulded into special groups, the interests of which were in distinct contrast to the interest of the big companies, and also contradictory to each other. As each group produced under different economic conditions, and since costs for the home master were entirely different from those of the manufacturer working with hired labor, price enforcement, also attempted by the government, became an impossibility; constant struggles about price-cutting, interpretation of laws, supervision and many other things, became the rule.

Almost complete disorder, economic insecurity and lasting depression prevailed in France for more than thirty years as the outcome of this desperate and ill-considered attempt of the government to create its own prosperity by means of monetary, artificial measures.

John Law was expelled from France in December 1720, but this can hardly be considered sufficient punishment for the economic misery which he had created. The government had been weakened to such an extent that after 1720 it was unable to cope with economic activities at all. Industry, exploited in every possible manner, was now completely ruined. The masses were destitute and many unemployed workers existed only by begging or by degenerating into a class which has been termed the "proletariat."

The depression of 1720 to 1757 closed a period of constantly increasing governmental interference with industry and demonstrates definitely the futility of such policies. Mercantilism began to prove itself a most serious failure.

CHAPTER 13

TURGOT

1774—1776

who curbed the worst abuse of industry, but was defeated by the parasitic clique.

Turgot became Prime Minister in 1774, two months after the death of Louis XV. He served for two years as Adviser to Louis XVI, who at that time was a child.

To him fell the task of reorganizing, if possible, the economic structure of a country which had risen to undeniably great heights but had achieved this climax by methods which had plunged its creative and productive forces into disaster and depression. Thus he became the first of the now long line of modern statesmen whose main task it was to devise new schemes of organization to correct the political economic mistakes of others.

His complete reorganization program is best described in *Oeuvres de Turgot et Documents le Concernant avec Biographie et Notes par Gustav Schelle*. (5 Vol. Paris, Librairie Felix Alcan 1913.)

Agriculture, finance, taxation, commerce, transportation and industry, were again reformed under Turgot. In every field of economic endeavor he aimed to establish less regulation and more liberties by actually surpressing all special privileges, by relaxing control measures and by abolishing government administration offices wherever possible. His laws on agriculture appeared on June 3, 1775; those on finance and taxation on July 24, 1775; on transportation on August 7, 1775; and finally he submitted a complete program in January 1776 which included the reorganization of commerce.

Especially he attempted to restore lower prices for grain and did not hesitate to take up a serious battle against the speculators who frustrated his aims by asking higher prices for grain and flour, even after Turgot had abolished all duties and established free markets for such commodities.

FREEDOM OF PROFESSION

In reorganizing production Turgot abolished all government regulations by district judges or administrators, and in reference to industrial occupation he stated specifically in his program of January 1776:

"It will be free to all persons of whatever qualification and of whatever condition they may be; even foreigners will be permitted to carry out industry insofar as they will take out our naturalization papers, and they will be permitted to take up and to practice throughout the kingdom and in our good city of Paris any kind of commerce and profession or trade which seems good to them.

"We extinguish and suppress also all the associations of merchants and craftsmen as well as all masterships and trade courts. We abrogate all privileges, statutes and regulations given to these associations, in order that none of our subjects shall be troubled any more in exercising his commerce or his profession for whatever cause and under whatever pretext that possibly could be done."

Retail merchants and certain professions, however, were still kept under police control merely to check on certain very important trades, such as those of pharmacists, goldsmiths, printers and libraries. Wholesale merchants were entirely free to transact business as they saw fit.

Trade disputes on work and wages or prices were to be settled by police and police law. The police were also to exercise supervision of shops and shop conditions which might possibly be dangerous or an annoyance to the neighborhood.

The office of the locally-elected Syndicus and two assistants, in cooperation with the government police, was established to settle larger disputes without cost. They were to be elected and government-appointed thereafter for one year only and were to function as government coordinators rather than controllers or administrators. Their services to the producers and merchants were to be free and impartial and to be paid by the government in line with services rendered. All trade associations and guilds were suppressed:

"We forbid expressly all officers in charge of trade associations or guilds to make any extraordinary visits, inspections or seizures; or to intend any action in the name of such organiza-

tions; to call any assembly of traders or manufacturers or to take any action under whatever motive or pretext it may be, even under the pretext of fraternal activities which we abrogate herewith.

"We forbid similarly all masters, helpers, workers and apprentices of such guilds and organizations to form any associations or to assemble under whatever pretext there may be. In consequence, we shall abolish and suppress all the brotherhoods or unions which possibly may have been established." (Article 14)

"In regard to churches which may have been erected by such fraternities or unions, and in reference to donations granted to them, or goods held as foundations, we desire that they should be employed in a manner most useful in the opinion of the archbishop and that such foundations be dissolved; the decisions of the bishops will be submitted to the parliament." (Article 15)

"We desire that within three months all government officers, officials, judges and administrators who had been in charge so far, but now are without any further right to exercise their professions, and who have not rendered any accounts to their administration, should present themselves in our City of Paris before the Lieutenant General of the Police. (Article 19)

"We have abrogated and denounce through this edict any previous edicts, declarations, patents, decrees, statutes, regulations and laws contrary to the present ones." (Article 20)

In modern language one would say that this law certainly had teeth in it. It is stated in such detail that the reader may learn and see how a readjustment should *not* be made. Any exaggerated or one-sided economic development must be corrected sooner or later. In this case, Turgot desired to correct excessive regulation of entire industries and of their entire economic foundation: namely, guilds, associations and royal patent rights. But he obviously did not realize that by trying to do all this in one stroke he was upsetting the social standing, the income, the religious feeling and the social security of all the producers as well as of those who had taken advantage of them.

THE EDICT OF SUPPRESSION

How much Turgot was in earnest with his reform can best be seen from the preamble to his *Edict of Suppression* which he not only wrote but even had signed by Louis XVI. In it he made the king state the following:

"Louis XVI, etc.

"We desire that all of our subjects be assured of the plain and full enjoyment of their rights; we, in particular, want to grant this protection to that class of our subjects who have no property other than their work and their industry as they need the protection just as much as the property owners, and the right to be employed, as this represents the one and only resource by which they can subsist.

"We have seen with great pain the numerous violations which one has made against the natural order of things and against the main statutes of our forefathers, which neither time nor opinion nor the acts established by authority can in any way alter.

"These abuses have been introduced by degrees. They have their origin in the interest of a special group which have established it through their authorities, sometimes deceived and misled by the semblance of usefulness which has given them some sort of justification.

"This misconception has been carried by some people to the point that they have stated that the right to work was a royal right and that the king could sell it and his subjects should buy it.

"We hasten to reject such a principle.

"God, in giving to man his needs, and forcing him to work for his resources, has given the right to work as the property of all men and this property is the supreme property, the most sacred and the most irrevocable of all.

"We desire, therefore, to abrogate all these arbitrary regulations which do not permit the poor to live on their work, which suppress women to whom their weakness has given more of wants and less of resources and who, therefore, seem to be doomed to inevitable misery, to seduction and to vice.

"We shall not be detained in our act of justice by the fear, that a group of manufacturers will abuse the liberty, which will be granted to all, to exercise professions which they do not know, and that the public will be swamped with goods of poor quality. Liberty has never produced such poor results in those places where it has been in effect for a long time.

"Certainly those who employ their capital in industry have the greatest interest to trust their materials to none but good workers, and one does not have to fear that they will take the chance of producing poor products which would drive away the buyers.

"In these places where industry is free, the number of producers and workers of all kinds is always limited and necessarily proportioned to the needs of consumption. It does not pass the point of proportion in those places where liberty

prevails. Each new manufacturer would not risk HIS fortune and sacrifice HIS capital on an establishment, the success of which would be doubtful."

The above preamble was designed to justify a law which abolished institutions and customs going back over centuries, and infringed on rights which had been obtained under difficulties, were bought and paid for, and had been considered through generations as almost inviolable institutions.

Turgot thus tried to bring about a reform that would improve economic conditions in France and end the depression which had rested upon the country for decades. It is important, however, to note that the absolute liberty which he advocated and his belief in the law of supply and demand were based on recognition and expectation of the utilization of outright-owned capital. This same thought will be found also expressed by Adam Smith, Hardenberg and many other important advocates of individualism and of liberalism.

Liberalism, in his prime form, did not consider borrowed capital as we know it today. Turgot advocated liberalism on the supposition that nobody would risk *his* fortune and sacrifice *his* capital on an establishment, the success of which would be doubtful.

It is obvious that Turgot's intentions and all their serious consequences were immediately recognized by his contemporaries and especially by the courtiers who by these reforms would have lost what had been left to them. They never had worked, through generations, and if Turgot's reforms had gone into effect all the definite income which they enjoyed due to their privileges would have been destroyed. They quickly organized, and under the leadership of M. Antoine Louis Segulier, Attorney General of the King of France, presented to the king their counter-attack on March 12, 1776.

The Defense of the Privileged Estates. The speech made by the Attorney General is too long to be presented in its entirety, but it is one of the most interesting documents of industrial history and definitely a masterpiece of legal presentation.

In brief, the Attorney General pointed to the Constitution of France and stated that all these rights and regulations which it was proposed to revoke were fully constitutional and that their abrogation would violate the spirit as well as the sense of the constitutional law. He stressed the point that

abrogation of these rights would seriously disturb the existing coordination of all those interdependent bodies of clergy, nobility, court, minor tribunals, officers, supreme courts, universities, academies, financial enterprises and commercial groups, and continued:

“The mere idea of destroying this precious chain should be alarming since the merchants and manufacturers form an inseparable part of the entire structure which contributes to the general make-up of the kingdom. They have become necessary, and in order to maintain the State, the law, Sire, has created these associations, it has created the guilds, it has established the regulations; freedom is a vice against the political constitution, because man is always tempted to abuse liberty.

“The enforced industrial organizations can be considered as small republics, uniformly striving for the common good of all the members who compose them, and if it is true that the general interest forms itself by the union of the interests of each individual, then it must be equally true that each member, in working for his personal advantage, works also by necessity, even if he does not want to, towards the advantage of the entire community.

“To break up these communities means to break up the resources which commerce itself cannot but desire for its own conservation.

“Greed will establish itself in the factories, and our own nationals as well as the foreigners will become the victims of secret means artfully prepared to deceive and to dupe them.

“The lack of goods and the high prices which will follow logically, will incite all those workers as soon as they have left the shops where they have found their subsistence in the past, and the mass which will have nothing to subsist on will cause the most serious disorders. The rich merchants after they will have suffered a serious reversal in their trade by the increase in the number of those who will deal in commerce, shall not be able to any longer pay the same taxes if a greater number will share in their trade, and they will be forced to dismiss many, and their commerce will be diminished.

“Your Majesty, yourself, should not ignore the fact that there is an immense distance between destroying abuses and destroying the basic organizations where these abuses have been developed.

“Instead of abolishing the guilds in your entire kingdom, Your Majesty should be satisfied to merely abolish the evils, which one can justly blame on them, and the same authority, which has condemned them, should give a new life to the trade guilds, similar to the constitution of the State, and should

make them easily still more useful for the general wellbeing of the nation. Living in the hope, that this will come true, we trust ourselves gladly to any decision which the wisdom and the graciousness of Your Majesty will choose to make."

These are merely excerpts from the speech delivered by the Attorney General, but complete reading of this speech can be recommended to all interested in industrial political economy. It can be found in Turgot: *Oeuvres de Turgot*, Vol. 5, pp. 286-295. The reader will be rewarded by a most perfect literary treat, and by a display of intelligence, farsightedness and legal talent, the like of which has become most rare in our times. The speech concedes that reforms are needed but it attempts to prevent any radical or unduly quick correction of the undesirable conditions.

The law, however, went into effect. As a result the entire country and Paris in particular, the court and the parliament, were thoroughly upset, and the country was on the verge of revolt. It is, therefore, not surprising that Turgot resigned almost immediately after his reform had been enacted, in 1776.

Turgot was not a Richelieu nor a Colbert. He was a philosopher of great intelligence, and convinced that his measures would restore industry and commerce to desirable conditions. He foresaw that liberty would be preferable to undue regulations, but he did not measure the obstacles, and he did not take into account the practical results which his measures would have upon those whom he attempted to benefit. He had in mind the welfare of the workers and of a certain group of manufacturers who had suffered most seriously under government regulation, and who actually had risked their own money and capital in carrying out their industries. But he forgot that in the meantime industry had been established on a much larger scale; that finance companies had risked their money in giving credit for the establishment of industrial enterprises, and that their interests also would have to be protected. He had forgotten that manufacture gradually had come to the point where large funds were at stake and that all those who had benefited from these investments also had power.

CHAPTER 14

FINAL ECONOMIC DECAY AFTER TURGOT 1776—1789

too much taxation, too many laws, too much restriction did finally stop production, but could not stop the people.

REESTABLISHMENT OF GUILDS

The resignation of Turgot left France with a law advocating absolute freedom in industrial economics and with a government fully convinced by its own Council and public reaction that this was an unsound law.

Cluny, who took over the office of Comptroller General, tried to remedy the situation by issuing a new act in August, 1776, by which His Majesty created six new merchants' associations in Paris and forty-four industrial associations. Only a few trades and industries were left free. They all had to register again and, of course, had to pay. The law was extended all over France.

The new associations were not quite so strictly controlled, but minor taxes were added steadily. The effect of the new taxes was not and could not be noticed immediately, but in their aggregate they represented taxes much higher than French industry had paid before. Local taxes and city taxes were reinstated and added to the tax burden. As soon as the producers became aware of the effect of these taxes on their revenues, they refused to pay them. In return the king seized their property, and if the associations did not pay, his administrators seized their funds. In the country towns the small craftsmen, who could not pay and from whom one really could not collect, were classed as "aggrégés" meaning "herds" and thus the old stigma was applied of branding them as second-rate business men. They were not allowed to appear in the association meetings nor to take any honorary offices; some were sent to jail, but this did not change their attitude: aggrégés or no aggrégés, they did not care to pay.

With most producers dissatisfied, the French government for promotion of manufacture resorted again to the old means of patents and royal privileges. Some of the com-

panies which had been operated by the government before and had proved profitable investments, had not been stopped by Turgot's edicts. The government officials in charge of them had continued to operate and, in fact, had succeeded in increasing their production while the production of other enterprises was falling off. The government, however, could not establish many new enterprises and gradually, in spite of high taxes, suffered serious shortages in the public household.

Temporarily, it resorted to money printing, but finally Finance Minister Necker saw himself unable to balance the budget in 1789 no matter how he tried. The pressure which the government exercised to meet its expenses had not been applied in industry alone. The most serious resistance was also encountered from the agricultural population and finally the matter of paying further taxes became a definite political issue between those who were exploited and those who were privileged. France was split into classes and what had been merely an economic issue had grown into a political danger.

Revolts broke out openly where previously dissatisfaction had smoldered. Small landowners who had lost their farms, producers who had lost their shops, workers who had lost their jobs, and many of the middle class who had lost their savings, all united throughout France in common desire to end exploitation, oppression, short-lived booms and long years of depression.

They desired to make laws themselves, to make their lives secure and more humane. Deeply resentful of all the misdeeds of the ruling class a new order was conceived which would be based on new ideas and in which the government should have no power over the social and economic well-being of its subjects, who would be free in all their actions.

The mercantilistic theories and all the experiments with industry, started by Richelieu and developed into an elaborate and even healthy system under Colbert, had been deprived of all their value by weak and inconsiderate governments, unable to discriminate between economically sound and unsound policies. Their plans, one-sidedly considered and applied in favor of the king, had definitely failed the people.

Now the people clamored to establish a new order of their own design.

FOURTH PERIOD
BEGINNINGS OF WORKERS' UNIONS
AND OF
POLITICAL LIBERALISM

WORKING CONDITIONS IN FRANCE IN 1700

shoplife and management at that time, why workers organized, what learned scholars thought of it and how these workers' unions tried to assist their members. The regulations and chicaneries to which they were subjected.

Unlike olden and modern times the industrial workers played only a minor public role in the social and economic developments of the period which preceded the French Revolution. And yet, they were among the main sufferers whenever the government's ill considered measures caused difficulties to the masters and unemployment to the workers. But most of the workers could do little about improving their fate because they were still part of a guildmaster's enterprise and therefore bound by the rules of the guild, which, in turn, was often enough controlled by the king, the local lord and by the city. Thus the guildworkers almost throughout the mercantilist period in France were not in an enviable position.

Similarly, those workers employed in the new factory shops of the government or in special charter enterprises could do little at first to obtain working conditions better than the government established for them. Surprisingly soon, however, these workers developed a group consciousness and self-help measures, which are the more interesting as there is generally little known about them.

By 1700 France was dotted quite liberally with industrial factories, and in order to understand the conditions and the situation of the worker of those days, it is of interest to follow the description of an enterprise and its labor regulation as described by Levasseur, who has based his studies on records which he uncovered in the various archives of France.

The following is an almost literal translation of his writings:

"In order to see under what conditions the worker lived, let us enter a factory of gold draperies, located in Saint Maur, where a few hundred people worked together. At the door of the factory there were water basins and straw towels where the workers had to wash their hands, and then they proceeded

to their looms after they had made the sign of the cross and said their prayer to God. In every shop, or, to use the term usually employed at that time, in each 'boutique,' there were a number of cleaners who had to clean the place four times a week and who also had to bring to the weavers everything they needed. The weavers, themselves, never interrupted their work. Their tools, their gold and silver thread, were kept right under their hands in a drawer of which they retained the key. Whenever they had any requests to make in the morning or at dinner time, they were sure to find the manager of the plant in his office. If they had no time to go to see him, they had a bell in the shop to call him.

"During the working hours any blasphemy, any obscene remarks, any razzing or any threat was forbidden and a fine was imposed ranging from 3 to 6 Livres; the worker was also forbidden to tell stories which would have distracted the workers. Anyone who beat up his neighbor was punished in the same manner, or was immediately brought before the judge. Under no pretext was anyone permitted to go into the neighboring shops; the weaver was not even permitted to walk around in his own shop. An attendant had to run all the errands and in winter he had to heat the place and keep the coal in the oven which was bought at the common expense of the workers. At noon the clock was rung for lunch; at one o'clock work was resumed and continued until six o'clock. In winter, from September until April, the working day was from seven to ten hours. The workers took their lunch and supper outside; they took their 10 o'clock lunch and their afternoon refreshments in the factory, giving approximately half an hour to each recess.

"Every worker who absented himself, even if for no longer than half a day, could be fined 3 Livres. All excesses were severely punished; some by withdrawing companionship; others by contempt. Even the most negligible damage to tools or raw materials was treated as theft and punished by the judges. Every Saturday the worker was obliged to pay his landlord, who was authorized by the regulations to take away clothing or furniture which the man possessed if the rent was delayed. Finally, in order to become a worker in the factory the man had to swear that he would guard all manufacturing secrets, in spite of the fact that for the most part he knew very little about anything except his own work, as he was not permitted to make himself too familiar with his environment. The worker was obliged to be on his good behavior, not only while he was in the factory, but also outside; he had to observe the holidays and assist in the mass; he was expected not to have any undesirable pleasures and had to return to his quarters

before ten o'clock at night." (Levasseur, *L'Histoire des Classes Ouvrières*, t. II, p. 387.)

Similar working regulations were in effect in almost every factory. Work was begun at sun-up and lasted more or less until sun-down, sometimes even until ten o'clock at night with time out only for breakfast, lunch and supper. The discipline, of course, varied, and local regulations as to the eligibility of a worker, treatment, fines, police powers, payment, etc., were of the greatest variety. Each worker was trained in only those tasks which he himself performed, but according to French regulations existing around 1700, orphans had an exceptional status in that they had to be trained in such a fashion that they could apply afterwards for mastership. The contrast between a factory worker and a man who worked for a guildmaster lay primarily in the fact that the factory worker as a rule could not become a master, while the worker with the guildmaster still had some chance, however remote, of becoming a master himself. The worker in the factory thus was definitely at a disadvantage and only very few could ever hope to get out of their environment and out of the trade which they had learned.

Workers' Clubs. The common fate and the common difficulties which the workers suffered early led them to form certain club-like groups, meeting for the simple enjoyments which were at their disposal. However, very soon these workers' clubs—or "compagnonnages"—began to elaborate their entertainments and to include drinking parties, as well as discussions on the existing working conditions, and thus some of them became breeding places of disorder.

The church considered these workers' clubs to be dangerous and undesirable. Also police regulations were issued in an attempt to make them dissolve. Yet these regulations failed to bridge the gap which gradually appeared between the workers as a group for themselves and the manufacturers or masters.

THE INVESTIGATION OF THE PARIS UNIVERSITY

In order to substantiate the opposition to such workers' clubs, quite frequently investigations were made into their activities. The most interesting of these studies was undertaken in 1655 by ten professors of the Sorbonne in Paris and has been published under the heading, *Deliberation de la*

faculté de Paris, le 14 Mars 1655. Archives de Reims. (Documents inédits par Varin; jointe a un règlement de 1571.)

After having examined thoroughly the workers' clubs of the harness-makers, cord-makers, tailors, cutlers and hat-makers, the professors presented their findings as follows:

"The clubs breed the following disorders:

"1. Quite a number of the members lack the loyalty which they have sworn to their masters; they work no more than is absolutely necessary, and thereby often ruin their employers.

"2. They injure and harass the poorer workers who are not members of their society.

"3. They often indulge in debauches, impurities, etc., etc., and they ruin themselves, their women and their children by the excesses which they practice in their clubs, because they would rather give away what little they have with their companions, than to stay with their families.

"4. They profane the holy days and the service of God. Some of them, for instance, the coat tailors, have an assembly just on Sunday and then they go to the cabaret where they pass a great part of the day in debauchery.

"For the sake of all those who believe that these clubs and their practices are good and holy, and that the oath by which the members swear never to reveal them, is just and binding, the doctors (of this university) beg to submit that their questions be given consideration for the benefit of the conscience of all the companions of these trades and of all others who might become involved in similar practices, and they render them herewith as follows:

1. Which sins do these clubs commit by doing as described above?

2. Is the oath good and legitimate which their members swear never to reveal their practices, not even during confession?

3. Should not the members be compelled by their own conscience to reveal their practices to those who can really give help, like the ecclesiastic judges and lay brothers?

4. Should they really use the passwords in order to make themselves known as companions?

5. If those who are members of the club want to have peace of mind, what should they really do?

6. Can the men, who are not as yet members of these clubs, become members without committing a sin?"

The doctors also supplied the replies to their questions:

"We, the undersigned doctors of the Holy Faculty of Theology in Paris, feel:

1. That all these practices are sinful and sacrilegious, impure and blasphemous against the mysteries of our religion.
2. That the oath which they render, never to reveal all these practices, not even in the confession, is not just nor legitimate and does oblige nobody in any way; quite on the contrary, they should be obliged to accuse themselves of these sins and of this oath during the confession.
3. In case the evils continue, and they themselves are not able to remedy them in any way, they should be obliged by conscience to reveal these practices to the ecclesiastical judges, and, if necessary, to the lay judges who could possibly remedy them.
4. That all the companions who join, by so doing commit mortal sin and should not use the password which makes them known as companions.
5. That those who are members of the clubs are not in safety of conscience as long as they continue voluntarily to practice these evils which they should renounce.
6. That none of the men who are members of these clubs can remain members without committing mortal sin.

Deliberated at Paris on the 14th day of March 1655.

Signed: J. Charton, Morel, N. Cornet, J. Quoquerel, M. Grandin, Grenet, C. Gobinet, J. Peron, Chamillard, M. Chamillard."

In general tone and fundamental character this complaint looks very much like the complaints made by the Roman priests to the Senate in Rome, about pagan cults and pagan colleges. Again we find the acknowledged church acting as a moral guardian of all the people, investigating the evils and most determined to correct them.

It should be noted that the conflict was not between employers and employees, nor even between masters' clubs and workers' clubs.

The guilds were accustomed to colleges and secret rites, to drinking and possibly to other pleasures, and so they were not alarmed over the doings of the workers. The workers' clubs did not aspire to power nor to more pay. They wanted fun in their own way as the others had it in theirs, and on this basis there was little to upset social relations. Masters and workers by now were used to cooperation, not only during working hours, but also in solving many personal problems in the interest of both. For instance, all those workers who desired to migrate from one place to another were supported jointly by the masters' and by the workers'

clubs. Certain laws established by the guilds were worked out jointly. The inn where workers could stay for a day or longer without pay while they were traveling from city to city trying to learn their trade was as a rule supported by workers and masters jointly, and they also shared jointly the value and importance of a password, as at that time there was no identification card and a trade member could identify himself only by saying the much-maligned password. On these principles there existed no difference of opinion between masters and workers.

The opposition to these various customs, raised by the church, was caused primarily by a feeling of religious unrest and insecurity. Protestantism had caused considerable trouble, and any secret society or activity, especially one which could be spread from city to city by word of mouth, and concerning which documentary evidence could not be obtained, was taboo. After many religious struggles and attempts to regain their ground at the price of wars and bloodshed, the church rulers had no desire to tolerate again any new secret societies which might be and possibly were dangerous to their own standing.

The governments in France, and in all the other continental countries, however, took no official steps against these earliest workers' clubs and did not see in them any really dangerous new development.

THE EARLIEST AIMS OF ORGANIZED LABOR

As always in depressions, the man of little or no means seemed to suffer most. In the long depression period which followed the government interferences of the mercantilists, the workers—particularly the unskilled—were especially hard hit. Labor had just begun to exist as a group in industrial economics. The life of the workers living in the home of the masters, and their poor and hard but relatively safe existence—was just in the process of breaking up and was giving way to the new industrial order in which the worker began to sell his skill or strength as his main asset to the manufacturer. It is not surprising that those who took this step took more than a passing interest in each other and desired to associate in order to benefit mutually.

The late seventeenth century was also the beginning of a period in which most young craftsmen and workers began

to migrate from city to city or from land to land. Wandering brings people closer together and also demonstrates the need for mutual assistance, help and sincere dealing. The wandering worker, mostly without funds, definitely depended on this fellow worker in the strange cities, and in this dependency is another reason why they began seriously to desire organization.

The workers staying at home, especially the skilled ones, desired freedom from the petty tyranny of the masters, relief from the tedious restrictions of the local guilds, and unhindered contact with fellow workers who likewise were suffering from the same evils and looking for a better future. In these desires are evident the earliest aims of labor and the forces which brought workers together.

Much to the dismay of the clergy, in order to help themselves the workers organized into clubs all over France and Europe; associations in some ways similar to the guild groups but different from them in many other respects. The new type of organization which they established will be understood best from a study of the statutes. Levasseur, the French industrial economist, who studied many of these statutes, has reproduced as perhaps the most typical one the complete text of the statutes of the carpenters' union of the city of Dijon, as follows: (Levasseur, *L'Histoire*, Vol. I, p. 390 ff.)

"Dijon, August 25, 1667.

"Jesus, Maria.

Statutes of the Carpenters Union of the city and suburbs of Dijon, established on the 25th day of the month of August 1667.

"We, the workers in the carpenter trade, being assembled in the home of Mother Tonde, in full agreement to establish the following statutes and in order to maintain the ancient customs which our predecessors have left to us, and for the advantage of the masters as well as of the workers, establish the following rules:

1. If a new worker arrives at any shop where there are members employed, the members are obliged to bring him before the secretary of this union, and if they neglect to do so they shall pay 32 sous.

2. The above mentioned secretary is held responsible and is obliged to lead the newcomer to all the shops where there are union members in order to get them acquainted. In case of neglect, he shall pay 32 sous.

3. The secretary and members are obliged to secure employment for the newcomer and if they don't find it, the members are under the obligation to pay for his living at their cost and expense and to grant him membership; and if the newcomer is in need of money the members are obliged to go through the various shops where there are members and to collect from each one according to his ability to give. In case of neglect, 32 sous.

4. After the members have provided in this manner for the newcomer, they are obliged to write his name on the roll of the union with pen and ink. In case of neglect, 32 sous.

5. If a member is sick or in need, the secretary is obliged to go through the shops where there are members, and the members are obliged to give according to their circumstances. In case of neglect, 32 sous.

6. If there is a member who loses, spoils or destroys this statute, 32 sous.

7. If there is a member who leaves his employment before having given proper account to his master, he will pay, 32 sous.

8. If there is a member who desires to change his job, he is under obligation to make another member quit his job in the shop where he intends to work, and if he does not find anyone willing to change, he has to go back to the shop where he works and announce his intention to leave and the companions so told are under obligation to find someone willing to change, in order to find him employment, and if nobody is found, the companions who desire to leave are obliged to take their leave from every member. In case of neglect, 32 sous.

9. The members are required to give a leaving party to the man who leaves, and if there are four members leaving at the same time all members must attend the farewell party. In case of neglect, 32 sous.

10. If there is a companion who starts a fight in the home of Mother Tonde or who swears there, he will pay, 32 sous.

11. If there is a member who misses the mass every first Tuesday in every month, 32 sous."

Signed to the document are the names of thirty-one members, many of whom had come from different places.

This document is undoubtedly one of the earliest writings revealing the true and fundamental principle upon which labor desired to organize. It is not the first statute which was drawn up. There are some bearing earlier dates. In wording and details they are different; in tenor, however, they are all alike, and it is really difficult to find in these earliest statutes of labor organizations anything unfair or dangerous.

OUTSTANDING CHARACTERISTICS OF THE
EARLIEST WORKERS' UNIONS

Unbiased analysis can easily establish as the characteristic features and aims of these earliest workers' unions, the following:

1. Welfare. Fundamentally, these unions had as their main purpose the welfare and protection of their members in form of

- (a) Care for the wandering worker and newcomer;
- (b) Assistance in getting employment;
- (c) Assistance in changing employment;
- (d) Care for the unemployed;
- (e) Care for the sick.

2. Recreation and amusement in line with the taste of the times.

3. Comradeship and good fellowship.

4. Good and honest relationship with the employers.

5. Protection of jobs, preferably for union members.

Paragraph eight of the statutes is of special interest as it shows how careful they were in their efforts to spread the news about their intentions to leave, secretly, of course, in order to retain all jobs for union members. This, in a way, helped the worker and the union at the same time.

Interesting also are the rather high fines, 32 sous, representing approximately three days' earnings, for the various violations of their "code," be it swearing in the home of Mother Tonde, missing the mass, or mere neglect to carry out any of the instructions.

Individual or collective violence was not part of the official program and statutes of these earliest labor unions, in spite of the fact that labor had known disputes, walk-outs and even strikes, especially in the textile industry, almost since the beginnings of manufacture. Originally labor attempted always to settle grievances and differences of opinion entirely without outside advice or interference. Private disputes with employers were settled in direct dealings; petty cases were brought before the established judges, and only when big issues were involved were the more serious means of walk-out and strike resorted to. The unions certainly knew about disputes long before they broke out, but they, as unions, took no aggressive hand in them. They did not supply strike

leaders, nor did they organize the strike for those who desired to walk out.

Government relief, help, support or maintenance was not expected nor desired by the workers. Labor knew that the government did not pay their wages and, besides, came soon to consider any government regulation as most undesirable.

All in all, workers began to organize primarily to foster their own welfare in the feeling that as an organized group they could render themselves better and more varied assistance than they could by relying on welfare or individual efforts.

GOVERNMENT REGULATION OF UNIONS

The French government did not relax its regulating activities during the depression which prevailed from 1720 to 1757. Soon after Colbert's death a number of regulations were enacted which dealt with the workers and their standing. To start with, the government divided all workers into Skilled and Unskilled Workers, classifying as Skilled Workers those who had served apprenticeship, and as Unskilled Workers those who could do the work but could not show the proper training. Lists were established in each city where the names of these workers were shown, and while it did not help the skilled workers in any considerable way, as they already had their certificates, the registration caused serious hardship among unskilled workers who expected to progress by finding new employment but who, under the regulation, now were stamped as Unskilled and, therefore, unable to improve their conditions.

Working certificates also were established by the government as a definite requirement in connection with labor. Each worker, skilled or unskilled, had to procure a little booklet in which each of his employers had to state the time of employment, kind of work done, and how he had been satisfied with the worker's services. These entries were made whenever a man desired to leave, and as the government had no way of controlling the entries, many of the employers, angered about the man's departure, made very unsatisfactory comments on his services regardless of the quality of the service he had really rendered. The worker had no opportunity to protest against these comments and they frequently caused him serious hardship. The entire institution of the work book or working certificate, as one might call these

"billets de congé," was resented by the workers from the day when the law was enacted, February 23, 1723.

On October 9, 1724, the French government, without giving any further reasons, suppressed by a special act all workers' unions. It is obvious that the men who had painfully built up their organizations and, as their statutes proved, had really intended no hardship to anyone, but only assistance to themselves, resented this regulation bitterly.

When in 1777, the French government, in addition to all the existing laws, issued a new decree obliging each worker to take out an "identity card" (*cartouche*), and even made him pay for obtaining it, the workers' resentment at government regulation grew still more intense. They were not only deprived of all self-help and made most dependent on the employer, but were now placed under the additional supervision of the various Chambers of Commerce, established by the government in the various cities.

Just as finger-printing or enforced registration and classification of industrial workers would be resented by many in our times, so these regulations were resented by the French workers. Weak as they were as a group, they felt inhumanely treated, stigmatized by the classification and handicapped in every respect.

Regulation of Workers. In 1781 the government again regulated labor and established conditions very much as they had been before Turgot had proposed liberation. On September 12, 1781, it was decreed that,

1. "Each worker who desires work in any one city should register, on his arrival, his name and first name in the office of the police.

2. "Agreements between employers and workers must be faithfully carried out.

3. "No worker is permitted to leave his employment before the stipulated time and before the work is finished and without giving eight days notice.

4. "The master is compelled to give a certificate when these stipulations are fulfilled. The workers must have a booklet in which their successive employment is recorded in form of these certificates, which will be given to them either by the masters for whom they have worked, or by the police.

5. "If a master refuses to release the worker, the police are entitled to make the proper entry or to give him his work certificate.

6. "All masters are forbidden to dismiss their workers or to employ them without these certificates.

7. "The workers are forbidden to pay any contributions for the maintenance of any societies or unions. Not more than four of them can assemble even for fraternal purposes. They are forbidden to attend any parties or to look, one for the other, for employment with the masters. They are forbidden to carry canes and sticks or other arms. The innkeepers, cabaret owners and lemonade sellers are forbidden to give their premises to the workers if there assemble more than four of them." (France, Statutes, Sept. 12, 1781.)

Naturally the workers did not enjoy the new regulations any more than the previous ones and even if they are not especially mentioned among the leaders in the brewing revolution, there were many genuinely interested in the various plans and ideas on a new and better order that were propagated from time to time, and many others who joined the rank and file willing to help the cause of the people when it came nearer to its fulfilment.

THE THEORISTS OF LIBERALISM

who wanted liberty and freedom from suppression, and better government, free competition, and economics that would be natural and fair to human rights.

Among the earliest writers and advocates of a more liberal deal in industry and in general were a variety of men and also of women from all walks of life.

Boisguillebert (1646-1714), the earliest pioneer of Liberalism, was a nobleman who presented without success to the ministers of Louis XIV his works *Le Détail de la France* in 1699 and *Le Factum de la France* in 1707. In his writings he investigated the causes of the misery of France and recommended freedom of commerce, lower indirect taxes and a general direct tax.

Vauban (1633-1707) was a military engineer who had risen from poverty to the highest military honors. In his *Oisivetés de M. de Vauban*, he blamed bankers, tax collectors and privileged classes for the misery of the people, to help whom he wrote in 1707 *La Dîme Royale*. For the attacks contained in this book he was disgraced in spite of the fact that he had been considered the greatest builder of fortresses in France.

Dutot, who also advocated Liberalism, had been the right-hand man of John Law and Cashier of the Compagnie des Indes, founded by his master. He was assisted in advocating the new theories by his secretary, Melon.

L'Abbé de Saint Pierre (1658-1743) published in 1718 the *Discours sur la polysynodie* in which he demanded that in the future not the ministers but elected councils of the people should administer the state.

D'Argenson (1694-1757), Secretary of Foreign Affairs, wrote his *Considerations sur le gouvernement de la France* in which he advocated greater liberties for the people.

There also was formed a special "Club de l'Entresol" in order to gain adherents for a more liberal deal.

While the efforts of these men were well meant, they achieved very little practically. They were merely the very earliest advocates of a new and better order and they cer-

tainly showed courage in view of the danger which was involved in discussing government policies in an adverse manner.

A much stronger attack was launched by Cantillon, who published in 1733 his *Essai sur la nature de Commerce*. He had speculated heavily under Law and now wrote against the abuse of commerce.

In 1735 Gournay followed him with a translation of *A New Discourse of Trade* written by the English liberalist, Sir Josiah Child. Gournay also had bought for himself from the government a patent as Trade Commissioner and, as such, wrote reports to the Royal Trade Council criticizing the industrial regulations. In 1751, for instance, after having inspected the silk industry in Lyon, he wrote as follows:

"The abuse of the factory, the pressure which is exercised and the length of time which a man has to spend as apprentice and as helper, and all the shameful oppressions of industry become especially obvious after one has visited a city where it is well-established tradition that commerce should be free."

In the same year he wrote also:

"One has protected the soldiers; it is now time that one protects labor. How? By honoring it, by giving it the protection which it deserves and, above all, by letting it enjoy the benefits of free competition."

In 1752 he wrote on quality control:

"In reference to this, I should let the manufacturer have any liberty which he should desire."

On commerce:

"Commerce and factories cannot support rigid and invincible laws."

In reference to the same subject he had stated also after a visit to Holland:

"As far as I am concerned, I return from this country (Holland) very much convinced that our regulations have brought about serious discouragement, and that they have arrested all the progress which keen competition brings about, and that they have suppressed all the genius and the evolution of superior products."

To government officials and big industrialists he was, of course, not very welcome. The Comptroller Generals, Machault and Hérault de Séchelles, cared little for his ideas and ignored them. He had followers, however, and while he did not succeed in bringing about any change in the industrial conditions of his country, again he must be noted as a forerunner of more successful reformers.

Quesnay. Quesnay took up the battle where Gournay had left off. He was the physician of Louis XV and of Madame Pompadour, and stood in high graces with the lady. Quesnay, mostly known for his *Tableau Économique*, was not so much concerned with industry as with bringing about a new set-up of the entire economic structure of France. His *Ordre Naturel* did not really establish a new order for industry, but it contained a number of references to industrial economics which helped to convince those who really guided the destinies of France that a new industrial order was needed. Quesnay, for instance, wrote:

“The usefulness of industry depends primarily on its liberty. The conclusions which we, therefore, can draw are that it is of the greatest importance not to interfere with manufacture or raw materials; to let it enjoy such conditions and such liberty of the manufacturing profession, that nobody who possibly can carry out industry, should be excluded from it.”

His doctrines and writing, in spite of their publicity, had little practical effect, however. They were soon discarded and ridiculed even by those who had flattered the doctor of their Majesty as one of the geniuses of France. There was, however, one result which soon became noticeable: namely, an increasing number of government officials, who administered the various laws, spoke publicly and in their reports to the superior administration officers on how they really felt about industrial conditions in their districts. One of them was Bacalan, who was Government Commissar in the northern part of France. Undoubtedly encouraged by the sincerity of Quesnay, he did not hesitate to report that “the regulations are absurd and harmful.” He also took up in his reports a very interesting phenomenon of these days: that some industrialists were clamoring for more regulations, while all of the rest of them wanted less of them. He frankly stated his opinion on such industrialists in his report to the Trade Council, as follows:

"One should not be misled by the vain clamors of manufacturers and traders who always shout about 'regulation, regulation.' Without difficulty one can discern the real motive and special interest, which causes them to do so. Each of these manufacturers hopes that he can enrich himself by violating regulations, if only the other manufacturer will be forced to observe them; each business man so clamoring can, in one way or another, get his better share by cheating on the manufacturer and deceiving others. Anyone who has to enforce regulations in all their severity can by no means be astonished that as their main results they have produced nothing but processes, troubles, seizures, the ruin of many manufacturers and difficulties in general. On the other hand, one cannot fail to see that moderation in regulation in industry and in their enforcement has not only brought about peaceful industrial conditions, but also has extended manufacture. One, therefore, only fools oneself if he believes that in maintaining strict observation of all laws he would improve the situation of manufacture."

He summed up his report by saying,

"Liberty is undoubtedly preferable to regulations; it never can do any harm, while regulations almost always are harmful; they handicap the efforts of the manufacturers; they arrest progress; they stifle inventiveness; they subdue and humiliate the manufacturer and place him miles apart from his distributor, while, according to the natural order of things, the manufacturer should be properly coordinated with his distributor. The regulations are the weapons which the officials and inspectors handle according to their own fancy and serve, at the same time, to uphold bad practice and to distrust industry."

In view of the fact that Bacalan was a government administrator and reported to the highest 'Trade Council of France, such frankness is indeed remarkable and can safely be taken as an indication of the discontent which must have prevailed among those who suffered from regulations and among the entire population of France, who had a long list of evils which they desired to have changed.

CHAPTER 17

THE FRENCH REVOLUTION

(AUGUST 1789—NOVEMBER 10, 1799)

the People get the upper hand, and what they did and did not do for guilds and work and pay, for patent rights and tariffs, and a few other economic things they wanted.

With the establishment of the Third Estate in May 1789, Louis XVI and his Prime Minister, Rochefoucault, hoped to achieve two major purposes: (1) to appease the mass of discontented subjects by raising their political status; (2) to obtain from the "Legislative Assembly" of the Deputies definite proposals acceptable to the masses which would improve the economic conditions and at the same time retain the king in power.

The situation was as serious for the Crown as it was for the people. Farmers, craftsmen, workers, merchants, a great portion of the government officials and even the lower ranks of the army—all felt exploited, suppressed or abused one way or another. Some sections of the country had rebelled openly against the rights of the privileged estates and in some cities the tax payments had been refused. "Liberté" was uppermost in the minds of the people and this one word represented desires for many different kinds of liberties. The teachings of the Liberalists had become bolder and had definitely taken root in the heart of the masses.

PROPOSALS AND LAWS OF THE ASSEMBLY

The Assembly, now seeing itself in a position to express these desires officially, did not hesitate to do so. In the evening session of August 4, 1789, they recommended to the Crown:

"Abolition of serfdom and non-saleable property (the right to own people and villages) in whatever form it may be existent.

"Permission to pay off the rights of the lords.

"Abolition of the jurisdiction exercised by the lords.

"Suppression of exclusive rights including the rights of hunting or falconry and rabbit chasing.

"Replacement of all the tithes (one-tenth of all products produced which had to be delivered in actual goods) by money taxes.

"Redemption of all the other tithes of any kind, whatever they might be.

"Abolition of all privileges and financial immunities.

"Equality in reference to all excises of whatever kind they might be, to become effective at the beginning of the year 1789, following which they should be regulated by the assemblies of the provinces.

"Admission of all citizens to civil and military service.

"Declaration of an early establishment of free court practice and suppression of all corruption and bribery in public office.

"Abolition of the especially privileged status of provinces and cities.

"Declaration by all public representatives holding executive offices, that they write to their constituents in order to solicit their ideas and support their cause.

"Termination of the special privileges of cities like Paris, Lyon, Bordeaux, etc.

"Suppression of the regulations referring to migration of workers from place to place.

"Annulment of all pensions obtained without title.

"Reform of all minor courts."

The king did not like to give his consent to such a radical reform, and therefore delayed decision. Also his advisers with great tact and finesse tried to defer all action, but the Assembly did not wait.

Decree of the Assembly, August 11, 1789. On August 11, 1789, the Assembly declared in its most important decree:

"Article 1: The National Assembly destroys entirely the feudal regime. It decrees that all rights and obligations are abolished without compensation insofar as they pertain to personal matters or are vested in property: Furthermore there are abolished all those rights pertaining to feudal ownership of people and rights of personal service or any obligations in place thereof. All other obligations are declared herewith redeemable and the mode of redemption will be determined by the National Assembly. Those rights and privileges which are not suppressed by this decree will continue with the understanding, however, that they may be redeemed and dealt with at a later date."

Article 2-3-4: Abolished are the rights to keep pigeon houses (on the land of the tenant), hunting and rabbit chasing; the

right of the lords to exercise law within their possessions; the obligation to pay a tithe to the church.

Article 5-6: Redeemable are any other tenths and any permanent rents payable for the use of the land.

Article 7-8-9: Suppressed are the rights to buy or to sell public offices, accidental and special rights of the priests, financial privileges—especially the right to levy taxes.

Article 10: Abolished are the privileges of the provinces.

Article 11: Everyone must be admitted equally to all offices.

After having thus stated and crystallized their decision, which no longer was a mere proposal, the National Assembly solemnly proclaimed Louis XVI the Restaurateur de la liberté française (Article 17), putting it up to him to carry out a reform program which was politically and economically different from any previous one.

The Rights of Man—1789, 1791. But the Assembly did not content itself with these proclamations. It proceeded immediately after the decree of August 11 had gone into effect, to draw up another equally important decree which has become known as the "Declaration of the Rights of Man." It was issued in August, 1789, but was not voted upon and enacted until September 3, 1791.

In this decree the Assembly dealt again with property rights, services, labor, contracts, taxes, rights of provinces and of cities, but added also a few more liberties which were clearly defined:

"Article 1: People are born and remain free and equal in rights. Social distinctions can be based on nothing else but the common good.

Article 4: Liberty consists in being permitted to do anything which does not harm another. In the same manner the exercise of his natural rights by any man has no limits but those which assure to the other members of the society the same rights; these limits cannot be determined or restricted by the law."

These are the vigorous words upon which "democracy" is based. Whatever this term means in the minds of its many advocates of today, here we have its first, genuine and original definition. "Liberty" thus means rights, but it also means limitations: "Liberty consists in being permitted to do anything which does not harm another."

The First French Constitution—September 1791. The decree became the source from which the first French Constitution was drawn. It was issued in September, 1791, and confirmed merely the same rights in more explicit terms, as follows:

“Title 1:—The Constitution guarantees as natural and civil rights:

- 1: That all the citizens will be admissible to any places and offices without any other distinction than virtue and talent.
- 2: That all taxes and contributions will be collected from all the citizens on the same basis in proportion to their faculties.
- 3: That like offenses against the law will be punished with like punishment without any distinction of person.

Title 2:—The Constitution guarantees equally as natural and civil rights:

The right of every man to go, to stay, to depart, as he desires, without being subject to arrest or detention in any form except as provided by the Constitution.

The liberty of every man to speak, to write, to print and to publish his ideas without having to submit his writings to any censorship or inspection before their publication, and freedom to practice any religious cult to which he may be attached.

The liberty for all citizens to assemble peacefully and without arms so long as the police regulations are observed.

The liberty to address to the established authorities any petitions signed individually.”

The French Constitution and the various decrees which were not repealed show clearly the essence and the principal objectives of Liberalism. Human rights and liberty were declared to mean freedom from any oppression or act which forces human beings to “suffer” from interference with their activities. The deputies who wrote these laws were not seasoned parliamentarians; they expressed the common opinion of themselves and of their constituents. It was a spontaneous but long-nurtured outburst of genuine opinion and feeling.

The immeasurable value of these declarations is easily recognized by the fact that the same or very similar doctrines have become basic parts of the constitutions of every nation and have at least been recognized in every country at one time or other.

Since the French Revolution involved a change in the fundamental rights of individuals most historians have contented themselves with seeing in it only social aspects; they call it simply a "social revolution." One's belief in this interpretation is confirmed if he limits his interests to commonly known historical facts, to speeches made in the Assembly, and to political events.

INDUSTRIAL ECONOMIC ASPECTS OF THE FRENCH REVOLUTION

However, an investigation also of the economic and especially of the industrial economic field soon reveals that the deputies of the people who staged the first revolution did not restrict themselves to social and political reforms.

They also transformed their philosophies into acts dealing entirely with industrial matters. They made a thorough job of it, too, even if they relegated these matters somewhat to the background by establishing a special Committee of Agriculture and Commerce, instead of keeping these topics constantly on the floor of the Permanent Assembly.

The Committee of Agriculture and Commerce was in session from September 2 to September 7, 1789, and in this brief time made a number of the decisions which were of vital importance to French manufacture. The Committee's program covered the following points:

1. Usury laws and interest rates;
2. Suppression of the guilds;
3. Suppression of inspectors and regulations of industrial enterprises;
4. Suppression of royal manufactures and privileged licenses;
5. Development or restrictions of foreign trade.

The laws actually settling these questions in the spirit of the new Assembly naturally were not issued all at the same time nor immediately after the Committee had rendered its opinions. It took a few years to enact all the laws covering these points. However, all these points were dealt with in the same spirit of liberty as expressed in the new Constitution.

Interest Rates. Law of October 3, 1789. Interest rates were the first subject to be legally considered. This is not surprising in view of the high interest which prevailed (15 per cent

and more) and were a serious burden to most small enterprises, and in fact, had ruined many. Therefore, the deputies ruled that "all individuals, associations and even previously unfree people might make loans of money in the future at fixed terms" with the stipulation, however, "that they would not in any way contravene the established customs of commerce."

Suppression of Guilds. Law of March 17, 1791. Until August 4, 1789, all the various guilds and trade associations reinstated by Louis XVI, in August 1776, retained at least their legal existence. Since the legislative assembly had come into power their fate had been uncertain. Also, workers' unions had continued in existence in spite of the fact that they had been legally suppressed. Between manufacturers' associations and workers' unions there had been disputes, as has been shown on previous occasions, but generally they had been working peacefully together. When the revolutionary spirit became stronger in 1789, and the king granted to the people 600 representatives instead of the 300 deputies which he had admitted as Third Estate, additional delegates of the people were chosen in every town from the various professional groups. Manufacturers as well as labor had appointed delegates on an equal per capita basis. Naturally the number of workers' delegates was in excess of the number of manufacturers' delegates and friction became more pronounced, especially in the textile centers.

On May 3, 1790, the textile workers of Lyon finally broke relations with the manufacturers' association and founded their own "Communauté" (Workers' Association) fully protected under the law. At the same time many other regroupings took place. Guilds broke up and new associations were established. This, naturally, weakened the general status of all guilds, until finally, on March 25, May 3 and June 17, the Assembly Committee recommended and the Assembly provided that "beginning on April 1, 1791, there should be abolished: the offices controlling the trades of the barbers, bathhouse owners, wigmakers, money changers and all other offices which had been established for inspection of manufactured goods or of merchandise and that there should also be abolished the briefs and master patents, the regulations governing the obtaining of master briefs and trade sheriffs;

the offices of pharmacies and any other privileged professions under whatever title they may exist."

"Beginning on April 1st any person is at liberty to practice any trade and to exercise any profession, art or metier which he considers suited for him, but he will be obliged to obtain a license and to pay as price thereof the taxes stipulated hereafter and to conform otherwise to the police regulations which now exist or will be established in the future."

Thereby Turgot's plan of an absolutely free manufacturing profession was realized.

Compensation for Abolishment of Privileges. In line with its efforts to be "humane" the Assembly voted liberal compensation to all those who were deprived of their previous privileges, and on March 17, 1791, they promised definitely to pay for all damages. Thus, the barbers alone for being deprived of their special trade monopoly were to receive twenty-two million francs. The total indemnity never has been determined properly, but it went high into the millions.

Rochefoucault, in trying to balance his budget, found himself highly embarrassed by those obligations so solemnly voted, and the budget short by forty million francs. He had to resort to all kinds of tactics in order to keep the citizens from insisting too loudly on the payments of the amounts promised to them. Whenever public unrest became too great he issued assignats—new paper money which the French government had resorted to—and finally he insisted on the personal appearance of the recipients at very specific dates in order to collect their compensations. Those who did not appear simply lost out and could not collect. The promise of compensation finally became one of the most embarrassing measures taken by the Assembly.

Labor Legislation. When liberty had been declared and everyone had been permitted by law to do everything which did no harm to anyone else, not only the peasants but also the workers had become free from all restrictions and apparently the entire working population should have been on the verge of better and more prosperous times. However, there were serious difficulties which arose from the fact that suddenly all the guilds had been dissolved and that now again a great mass of workers flooded the country to get work at any price and under any conditions. The sudden freedom

of movement released a flood which threatened to endanger seriously all the various liberties and the freedom which had been granted.

Therefore, it should be of special interest to investigate what legislation was enacted by the self-constituted opinion of the people's deputies, who now, for the first time, had an opportunity to put their own ideas on labor legislation into effect. However, only little of it was enacted.

On October 6, 1789, the Assembly decreed, in reference to the Patriotic Contribution levied from everyone, that "workers and labourers without property should be exempted from making the contribution . . . and that they could be mentioned among the contributors for any modest sum which they might determine themselves."

On December 22, 1789, the Assembly determined the requirements for political appointments as follows:

"The necessary requirements to become an 'active citizen' are:

- 1st. French citizenship acquired by birth or by naturalization;
- 2nd. Age, at least, twenty-five years;
- 3rd. Residence in the same district for at least one year;
- 4th. A public tax contribution equal to at least three days' work according to local wages.
- 5th. Domestic servants are not permitted to become active citizens."¹

The Decree of February 11, 1790, finally stipulated the local value of labor which had to be contributed in order to be eligible for public office:

"The National Assembly declares . . . that the local value of a day's work . . . should be established by the city officers in all those places where they have set the rates previously and are still active together with the newly elected committees. In all other places the newly elected committee alone shall set the local rates and no objection against their decision should be permitted only that the daily wage should not exceed twenty sols per days.

"In places where there are no special guild magistrates nor elected committees some public official should determine the rates."

¹ This exclusion of servants, who after all are also workers, from political and economic privileges can also be observed as a characteristic feature in the more modern revolutionary movements.

Fairly up-to-date rates for every kind of work or service had been compiled in each district in connection with the abolishment of privileges.

This represents the entire legislation which can possibly be considered as the labor legislation of the Assembly. It clearly is a compromise between the old and the new order. As labor was free, really no regulation at all should have been needed. In view of the existing conditions, however, which were aggravated by inflation and simultaneous lack of orders, most workers had to be protected by the local wage scales to keep them from starvation.

It is most interesting to note that, ever since, local wage rates—and not theoretical minimum wages—have become the only really practical and useful means of setting wage standards in social and economic emergencies as well as for other purposes.

Manufacturing Licenses. The Assembly also realized that some sort of regulation would be necessary in order to control and supervise manufacturing in spite of the fact that industry was now free and relieved of all restrictions previously imposed on it. The deputies, therefore, attempted to devise a more liberal substitute for the royal patent, the royal charter, the guild brief or similar instruments upon which previously the establishment and operation of industrial enterprises had been founded.

The "patente" was the final choice. The English-speaking reader will do well to remember that "patente" in the French language does not mean a patent which protects an invention. The French word "patente" means "license" in English—manufacturer's or operating licenses of any kind,—while the English word "patent" is to be translated into French by "brevet d'invention."

The "patentes" or licenses which the French industrialists and manufacturers took out under the Revolutionary regime were obligatory. They were issued by the police as joint representatives of the government and of the city where the enterprise was to be operated. A small fee had to be paid which in part was retained by the municipality and in part transferred to the government's treasury. The license owner was officially recognized as having complied with the Revolutionary law; he could take part in all civil and political activities and practice his trade absolutely in line with his

own ideas, as long as he did not infringe on police regulations. Farmers, public officials, apprentices, workers and the like were exempted from the obligation of taking out a license.

The new operating license was further different from the charters issued under the kings insofar as it definitely freed industry from the very strong local bonds which previously had impaired its movement and expansion. While the municipality shared the receipts from these licenses, it no longer had the right to keep any enterprise within its local jurisdiction, as had been the case in those times when the guilds and a city judge had cooperated in forcing and keeping producers under their respective authorities. The new type of license made it possible for industry to expand as much as might be desired. It thus became an important help in the further development of the new type of production which gradually spread in France: namely, the machine industry.

At first machine production which had been developed in England was introduced into France under the sponsorship of the republican government which gave, as the kings had, monetary rewards and honorary appointments to those who established new machine shops on French soil. But soon the great advantages of this new kind of production attracted so many investors and previous masters that industry began to grow on its own momentum. It needed, however, some definite protection which was provided in form of patent regulations and high tariffs.

Patent Regulation. As industrial processes, machinery and even individual machine parts had to be smuggled out of England in the greatest secrecy and under the threat of heavy fines—even of death—the French legislators soon recognized that further influx of British machinery would take place only if they could protect those men and their inventions which they brought with them.

Furthermore, it was entirely in line with the humane thinking of the Revolution and with their ideas on human rights, that the deputies considered seriously the enacting of legislation which would protect human thought and ingenuity, as the individual's natural and civil right.

Deputy Boufflers, therefore, was appointed by the Committee to work out a treatise on patent briefs, which he submitted to the Assembly in 1789.

As patent legislation has become, since then, one of the most essential foundations of industrial activities, it should be of interest to become familiar with at least a few excerpts of the ideas propounded by the father of modern patent legislation. He stated, for instance:

"The inventor presents himself with his thoughts. Commonly one imagines him as an absent-minded fellow. One thinks that he has a far-away expression, centered on a hundred projects of one kind or other, none of them to be reasonable at all. If an inventor has to face a committee to pass on and to examine his invention, this committee is composed of routine savants and jealous manufacturers.

"In society which takes as its main aim equality and liberty it should not remain a matter of privilege but a matter of rank and law to be able to register a patent.

"If there is a right which a man owns, then his own thought is one of the main properties he possesses. His thought is personal, is independent and preceded by any action, and just as the tree which grows in a field is the incontestable property of the owner of the field, so is the idea which comes into the mind of a man owned by him. The invention which is the source of all manufacture and arts, therefore, is a property. It is a prime property and all the other acts hereafter are nothing else but conventional acts."

M. Renouard,
Traité des brevets
d'invention, p. 105.

The French patent laws enacted on December 31, 1790, January 7, 1791, and May 17, 1791, admitted patents for five, ten or fifteen years, according to the desire of the inventor. The legislative body could exercise prerogative rights only when very important inventions were involved and could grant not only a fifteen-year patent term but also a remuneration in order to develop them into practical application, a process which had been in practice under the kings and which also had been adopted by the English Parliament in favor of Watt's patent of the steam engine.

However, the peoples' deputies did not consider a patent idea as an absolute and permanent right. It was decided that an invention should entitle the inventor merely to certain priority rights which one should recognize and compensate by the exclusive right of application, which, however, should be only temporary. At the expiration of the patent, the

process was to be made public and its use given free to all.

The first French patent law recognized three kinds of patent rights: a. Invention, b. Perfection, c. Importation.

Patents were granted on application to the Patent Office very much as today.

The patent holder was permitted to establish an enterprise in any part of France; to sell his patent like any other property; to cede it to any others or to make use of it himself; to take redress and start process for litigation and to collect damages on any infringement.

Tariff Legislation. Naturally, the regulation of industry would not have been complete without regulation of foreign trade, and in the regulations of the Revolutionary Committee were very interesting features which ever since have remained typically French as contrasted, for example, with British ideas of liberalism.

The commercial relations of France with foreign countries had been regulated by the tariffs of 1664, 1667, 1671 and 1699, and by numerous special ordinances on special articles. Trade treaties had been concluded with many nations and in particular with Great Britain, the last before the Revolution having been enacted in 1786.

The Committee submitted its new tariff schedule and report on November 30, 1790. It was worked out by Goudard, a silk manufacturer, assisted by Fontenay, a textile manufacturer of Rouen, and by Rousillon, a merchant of Toulouse.

The tariff finally adopted showed 86 prohibitions on imports and exports, besides establishing complicated specific duties, higher than those of any previous tariffs, on all manufactured goods. These duties ranged from approximately 30 to 45 per cent expressed on ad valorem basis, while the previous rates had rarely been higher than 30 per cent.

It should be noted that, according to this French conception, increased internal liberty of production definitely necessitates greater protection, and actually the industrial history of certain countries shows that protection and rugged individualistic tactics seem to progress parallel with each other. If the theory is correct, absolute industrial liberty should merit and need, and of course industry would ask for, highest tariff protection.

In order to judge the wisdom of such theories it is always interesting to trace the results which their practical application has achieved. The French Revolutionary government, by enacting these high tariff schedules, undoubtedly assisted in stimulating French industry for a brief while; but, at the same time, it created such intense commercial antagonism in England, which had not established such high protective duties, that out of this tariff controversy a political conflict resulted which finally was taken up by Napoleon and led to long-drawn-out warfare between the two nations and to the defeat of France.

There is no doubt that the legislation pertaining to foreign trade as enacted by the Revolutionary Committee was a serious mistake, and that its consequences for France, at the time of its enactment, were not foreseen.

Other Economic Laws. Various other economic regulations originated at that time. The new liberalization movement produced legislation pertaining to interstate commerce, which in the future was not to be handicapped by any provincial or country barrier, road taxes, state taxes or similar levies. Canals and roads were built or improved and one of the most important regulations of the Revolutionary period was that which established uniform weights and measures throughout the country and at the same time introduced as official measures the metric system which since then has been adopted by all continental European states.

If all parts of this industrial economic reform program had been equally favorable to industry, French manufacture, to all intentions and expectations of the deputies, should have registered an enormous improvement and forward stride. History, however, shows that there was no overwhelming progress made and that French manufacture did not revive to any appreciable extent. Therefore, somewhere a serious mistake must have been made by the new administrators of France; and this mistake lay in their financial legislation.

FINANCIAL POLICIES

As has been shown repeatedly, public finance and monetary policies have been and always will be of much greater importance to industrial political economy than commonly is assumed. If one studies closely the relationship between

industrial and financial political economy, one might even be able to prove from many examples that success in either is impossible of achievement for any length of time without the application of sound policies in both.

The French, for the first time in their history, learned about the state of public finance in 1781 when the first official publication on financial conditions appeared. The normal deficit under Louis XVI had been approximately 10,000,000 livres per year, but in times of war the deficit of the government had been increased to 210,000,000 livres, not only because expenses increased but because revenues declined. After John Law's departure, the treasury had continued to cover up its deficit by the simple means of printing treasury bills.

In 1788 the government deficit amounted to 161,000,000 livres and in order to cover this deficit Lomenie de Brienne, the Minister of Finance, printed 168,130,500 livres in treasury notes. When the Revolution started, the Assembly had to face financial reorganization as one of its most important and earliest tasks. Necker, who was appointed by the Revolutionists as Minister of Finance, simply continued the practice of his predecessors of printing treasury notes. When this did not help to balance the budget, Necker asked each citizen to give one fourth of his income (25 per cent special income tax we would call it today) to the government. Only incomes below 400 livres were tax-exempt. (Law of September 24, 1789.) As a repetition of this levy appeared inadvisable the church silver was collected and minted. After this, gifts were encouraged in money or kind, silver or anything at all. But the enthusiasm for this scheme soon vanished. As all gifts did not amount in total to more than 6,000,000 paper livres, the deficit was still largely uncovered.

On December 21, 1789, the Assembly decided in a special decree to use government properties as security and to issue on them new government obligations called assignats, which means an assignation or assignment of land to the holder of such government obligations.

They did not help to prevent disaster. Government expenditures continued in excess of government revenues. A series of reprints did not keep step with the expenditures and merely swelled the number of banknotes outstanding; as these government banknotes had no other security behind them but land which actually could not be sold, their buying

power dwindled rapidly. All the wonderful expectations and hopes expressed by the advocates of the assignat notes secured by land as a substitution for bullion, again proved themselves as false and fallacious as they had been when they had been fostered by John Law.

Finance Minister Necker and the Assembly decided therefore to issue another type of money, namely "promesses d'assignats" (assignat certificates) in denominations of 1000, 300 and 200 livres. These certificates, which entitled the holder to exchange them for assignats if he cared to do so, were also used as currency like the other banknotes, but in order to avoid their being classified as mere paper money (which they really were), a 3 per cent interest was promised and more unsaleable government property was set aside to back the issue.

More and more assignat certificates were issued until in 1797 the steadily increased flood of paper money again had driven prices so high that very few people still could buy more than they absolutely needed. While some of the "people" ruled, most of the real people were again out of work, again suffered losses through the subsequent financial readjustments and finally found that again they had been made victims of poor economic statesmanship, only this time worse than ever before.

THE END OF THE FRENCH REVOLUTION

Conflict with England. Naturally, England was not much in favor of a new government which immediately put high tariffs on English goods. On February 1, 1793, when the French government forbade trading with the English entirely, the storm broke and retaliations followed. England started a tariff war which prevented the importation of French goods; the French neutral trading center in London had to be closed; piracy on the French coast was approved by the English Parliament and caused losses to the French.

On July 3, 1793, the French answered with an intensified nationalistic policy, imitating Cromwell's Navigation Act, and they prevented British ships from carrying imports into France by requiring that French imports be brought in on French ships only. Only ships built in France or taken from the enemy and manned with a crew three-fourths French were considered French. Regulations were established for

international traders and heavy levies were imposed on English trade.

It was an open and serious trade war which thus began between France and Great Britain, between the progressive and nationalistic republic and the conservative and really liberal monarchy.

Finally the French government was forced to send military expeditions into English possessions in order to obtain certain necessary raw materials such as cotton from Egypt, sugar from the Antilles, and other overseas products. Of course, when maritime warfare was declared, the destruction and capture of many French vessels by the British did not lend much encouragement to those in business, industry or finance in France.

War is often resorted to by governments after they have failed in the realization of their economic programs. The French Revolutionary government resorted to war in part because of economic necessities and in order to distract the attention of the people from the failure at home.

Labor. Labor, economically atomized by the new individualistic doctrines, was worse off than ever before. While there were now many new factories, using the new steam engines and the inventions brought from England, still there were by far too few to absorb all those who had left their old masters in the general enthusiasm over the much orated "Liberté." Many did not find work at all and those who did earned so little that they could barely exist.

Here and there the workers made a new effort to organize—not any longer in secret societies or brotherhoods, but openly under the official program of "Liberty, Equality and Brotherhood"—and soon they also asked jointly for higher wages when prices were up and opposed reductions in wages when prices went down. They did not care any longer to promote a better life for the people but tried to get better terms within their own trade. Iron and steel workers, miners, paper makers and many other professional groups began at that time to develop the principles of "solidarity" which helped them to persist and to gather strength for economic and political demands until workers obtained real political power in Europe.

Strange as it may seem, towards the end of the Revolution the French workers looked in vain for support by the govern-

ment which they had helped to create. In all their disputes with employers, in all their strikes, the government kept aloof and let each man or group work out its own solution. Most workers managed to get along somehow. Many, however, joined the army of the "Petit Caporal" who offered them a regularity of living which many had not enjoyed for years.

Often historians have praised the loyalty which the troops showed to Napoleon, at that time a young and successful commander of the Republican Armies on various expeditions in Italy, Austria and Egypt. Rarely have they pointed out that many of these soldiers were workers who had been almost desperate and unrooted before they joined the army, which gave them hope and purpose again. The rest of the nation, puzzled and bedraggled with its new liberties, merely drifted for almost ten years and found itself finally dominated by a new master of discipline and order—Napoleon. What they all wanted was real leadership instead of oratory.

However, before the Directoire called Napoleon home to establish order, the republic was seriously threatened by a political doctrine, the successful application of which would have changed the social conditions in France still further and would have meant an entirely new political and industrial economic experiment for the tried and suffering country. Communism was ready to take over the bankrupt state and economic system, just as 133 years later communism was ready to take over Germany, after the socialist revolution had run its course and had failed. Economic history, it seems, has its striking precedents and repetitions.

CHAPTER 18
THE OUTCROPPINGS OF THE FRENCH
REVOLUTION
1795—1797

Babeuf, a communist long before Lenin, and what he recommended in his Manifesto of the Equals.

BABEUF'S COMMUNISM

From "Liberty for All" it is only a small step to "Common Property Rights for All," especially if the situation becomes aggravated by financial mismanagement and a serious relative decline in wages and, if further, the government proclaiming liberty is not really able to settle all the economic problems upon which the happiness and satisfaction of the masses rest.

Soon radical groups formed—Les Jacobins, Les Cordeliers, etc., who opposed the People's government and propounded not only political attacks on the government but their own economic doctrine as well. In competition with them, Babeuf and Buonarrotti were trying to organize a movement of their own especially among the workers. The new group would be classed today as "communists."

Their political program has become known as the "Manifest des Égaux" (the Manifesto of the Equals). It was introduced in 1795 by Babeuf, Debon, Buonarrotti, Darthé, Félix Lepelletier and Sylvain Maréchal, and this very first communistic movement of theorists almost succeeded in becoming a national movement in France until in 1797 Babeuf was guillotined on May 23 for trying to overthrow the government. The Manifest des Égaux is an interesting political document, stressing the equality of all men in no doubtful language. Translation of it can be found in Ernest Belfort Bax: *The Last Episode of the French Revolution*, published in London, 1911, pages 107-113.

Much more important, however, is Babeuf's "Fragment of a Project of an Economic Decree" contained in Buonarrotti's Book, *Conspiration pour l'Égalité dite de Babeuf*, Vol. 2, Bruxelles, Librairie Romantique 1828, pages 305-319.

It was the first attempt to draw up a communistic constitutional charter and the first plan to organize an entire

country on communist-economic principles. In view of the tremendous efforts which the French people had made to obtain liberty for all, the program is especially significant, as it proposes an almost absolute antithesis to anything which only a few short years before had been declared as desirable and had been enacted by law. Still more significant, the careful reader will find in it most of the political economic features which nowadays are most successfully applied and ardently upheld in some countries.

Here are various excerpts:

“Article I. In the Republic will be established a great National Community.

“Article II. The National Community has property rights on all things mentioned below, namely, on all goods declared public property which was not sold on the 9th of Thermidor of the year 2, all possessions of the enemies of the revolution, granted to the poor by the decrees of 8 and 13 Ventose of the year 0, all properties already turned over or to be turned over to the Republic by judicial decree; all buildings occupied by the public administration; all properties belonging to institutions of welfare and learning; all buildings occupied by poor citizens; all properties voluntarily or by order transferred to the republic; all land not cultivated by its owner.

“Article V. Each Frenchman of any sex, who abandons to the State all his property and who sacrifices his person and the work which he can perform, is a member of the Great National Community.

“Article VI. Old people who have attained sixty years of age, and ill people, if they are poor, are by law members of the National Community.

“Article VIII. The property of the National Community will be exploited equally by all the members in good standing.

“Article IX. The Great National Community keeps all its members in a state of equal and honest mediocrity: It furnishes them everything which they need.” (This program point also has been retained, for instance, in the early Russian Revolutionary Constitution. However, the state of equal and honest mediocrity has never been defined in any more practical manner and, therefore, has been subject to quite diverse and doubtful interpretation in literature, as well as in political propaganda.)

“PUBLIC WORKS:

Article 1. Each member of the National Community owes to this Community the work which he can render in agriculture or manufacture.

Article 2. Only people of sixty years of age or more and those in ill health are exempt from work.

Article 3. The citizens who have given up voluntarily their properties and have become members of the National Community, will not be subjected to any heavy work if they have reached the age of forty years and if they have not practiced any mechanical art before the publication of this decree.

Article 4. In every community the citizens are divided into groups. There are as many as there are useful arts; each is composed of all those who have the same profession.

Article 5. The individual groups are headed by magistrates nominated by those who form the group. These magistrates direct the work, see that it is properly divided among all and execute the administrative orders of the city, and must set a splendid example of zeal and activity.

Article 6. The law determines for every season the length of the working day for all members of the National Community.

Article 7. A Senate, composed of the elders of every class of workers is established in each municipal administration. This Senate advises the administration on everything which has to do with the distribution, the expediting and improvement of work.

Article 8. The administration will foster in the work of the National Community the use of machines and all special processes suited to reduce the suffering of man.

Article 9. The City administrations will supervise the state of public works of each class of worker and the fulfilment of the objectives set: The city administrations will give information on the state of affairs regularly to the Supreme Administration.

Article 10. The transfer of workers from one community to another is regulated by the Supreme Administration after taking proper recognition of the needs of each community.

Article 11. The Supreme Administration punishes by hard labor, which will be organized and supervised by the communities, all those individuals of both sexes whose lack of civic consciousness, laziness, luxury and other faults are bound to set a dangerous example for the community. Their properties will be sequestered by the community.

Article 12. The magistrates in charge of every profession shall deliver to the national public warehouses all the communities' gain in agriculture and the products of manufacture which can be preserved.

Article 13. The stocks of these products will be regularly reported to the Supreme Administration.

Article 14. The magistrates in charge of agricultural groups

will supervise the improvement and increase in number of all animals and will see to it that they are properly fed and housed, if on transport or in the stables of the members.

DISTRIBUTION AND USE OF THE PROPERTY OF THE COMMUNITY:

Article 1. No member of the National Community can enjoy anything else but what the law allows him by the proper decision of the magistrates.

Article 2. The National Community assures, from this moment on, to each of its members: healthy housing, commodious and properly furnished: working and ordinary clothes made of wool in agreement with the national costume; linen, light and heat. A sufficient quantity of foodstuffs consisting of bread, meat, chicken, fish, eggs, butter or oil, wine and other beverages, as customary in the different regions: vegetables, fruits, spices and other commodities, the combination of which constitutes a 'Mediocre' and frugal food. It promises also medical assistance.

Article 3. In every community, at definite periods, common rest and recreation is provided for and entertainment in which the members of the community will be obliged to assist.

Article 4. The living of all public functionaries and members of the army is the same as that of the members of the National Community.

Article 5. Each member of the National Community who receives a salary or saves money is subject to punishment.

COMMERCE:

Article 1. All commerce, in particular trade with foreign countries, is forbidden. The merchandise which is obtained through foreign trade will be confiscated for the benefit of the National Community. Offenders will be punished.

Article 2. The Republic procures for the National Community all the things which it cannot produce, by exchanging its surplus of agricultural production and manufacture against the goods of other people.

Article 3. For that purpose, suitable trading places will be established on the land and sea frontiers.

Article 4. The Supreme Administration will deal with foreigners by means of its agents. It will dispose of its surplus which it desires to exchange in the trading posts where it will receive the desired goods from the strangers.

Article 5. The agents of the Supreme Administration stationed in the trading posts will frequently be changed. Those who abuse their trust will be severely punished.

PUBLIC DEBTS:

Article 1. The national debt is abolished for all Frenchmen.

Article 2. The Republic will restore to foreigners all capital invested in permanent rents which it owes them. In the meantime it will pay the annuities and any interest which is due.

Article 3. The private debts owed to any other Frenchman by every Frenchman who becomes a member of this National Community are abolished.

Article 4. The Republic takes over all the debts of any individual member of the Community owed to strangers.

Article 5. Any fraud will be punished with permanent slavery.

MONEY:

Article 1. The Republic does not create money.

Article 2. Gold or silver which becomes the property of the National Community will be used to purchase from foreign people the imports which are needed.

Article 3. Each individual who is not a member of the Community will be severely punished if he is found guilty of having offered money of any kind to any member of the Community.

Article 4. Neither gold nor silver will be imported in the Republic."

This is the gist of Babeuf's "Fragment d'un projet de décret économique" insofar as it shows his ideas on an industrial economic constitution. For his ideas and for his attempt to make them a reality, Babeuf was executed in 1797. One hundred and twenty-one years later, in 1918, Lenin became the hero of one of the greatest nations by bringing into effect a Russian economic program which is constructed in its major features on almost the identical policies and principles as advocated by Babeuf.

When Babeuf drew up his Constitution of the Equals and his Décret Économique, it was clear to most that the Revolution had not achieved what it had been started for: namely, to bring back liberty and prosperity to the people. This was realized not only by the liberated people but also by part of the Directoire, which was the Supreme Executive Council. Many of these legislators, doubtful of the practical consequences of further legislation, and by no means sure of the sentiment of their electorate at home and of their future as representatives in Paris, simply bolted, just as nowadays we see government advisers suddenly appointed and still more suddenly resigning their offices.

Babeuf and his program merely represented a group will-

ing to adopt a still more drastic and radical regime than the revolution had created. His program was by no means the mere brainchild of a dreamer. As things went he had good reason to believe that further radicalism and collectivistic mass-rule would come about and he had made ready for it. However, most of the people were much too tired of further economic and political experimentation. They wanted a return to order which would mean a return to economic and political reason, and many others merely waited for an opportunity to help in overthrowing the whole regime of the "people" who had promised so much and had delivered so little.

CHAPTER 19

NAPOLEON'S ECONOMIC REFORMS

(1795) 1799—1814 (1815)

how Le Petit Caporal became boss of France and how he reorganized her industries, the workers, trade, and furthermore the laws on trade and arbitration, then made a grave mistake and England took the stage.

“The great order which rules the entire world must govern each part of the world; the government is in the center of all the parts like the sun; the different institutions must move around her in their own orbit without any deviation.

“It is, therefore, necessary that the government rules the relations of all of them, in a manner that they all concur in maintaining the general harmony.”

Napoleon, in Mollien,
*Memoires d'un ministre
du Trésor*, Vol. I, page 260.

NAPOLEON'S CAREER

Napoleon Bonaparte first came into the limelight through his campaigns in the name of the French nation against her previous allies and her enemies. He defeated the Italians and Austrians in Italy in 1795 and 1796. In 1797 he crossed the Alps and forced the Austrians to make peace in Leoben, bringing almost all of Northern Italy and the left bank of the Rhine under French control and obtaining a few other minor benefits for France.

1798 and 1799 found him in Egypt making war against the English, not only to defeat them, but also to obtain much-needed cotton. During these years France was entangled in wars and minor expeditions all over Europe from Turkey and Russia to England. Bonaparte defeated the Turks in July, 1799, and returned to France where weak government factions had fallen upon each other.

Sieyès, a member of the Directoire, finally made common cause with Napoleon and, it is even said, called him back to France. On November 9, 1799, Sieyès, together with Napoleon's brother Lucien, who was its president, overthrew

the Council of the Five Hundred—merely talking deputies—and broke up the Council the day after.

On November 10, 1799, he named Napoleon Bonaparte as Regent of France and gave him the title of First Consul for ten years. He also appointed two more consuls who were to assist Napoleon but practically were only straw-men in his schemes.

In 1802 Napoleon became Consul of France for life.

In 1804 Napoleon appointed himself Hereditary Emperor of the French.

In 1814 Napoleon arrived in Elba after having been seriously defeated at the hands of England, Austria and Russia.

On March 1, 1815, Napoleon returned to France.

On June 18th he was defeated again at Waterloo.

This is, in brief, the career of Napoleon, stripped of war data and literary glorification.

FUNDAMENTAL ECONOMIC POLICIES

Napoleon's fundamental policies were summed up by Sieyès on November 10, before the Senate of eighty which had been appointed to assist Napoleon in establishing and carrying out his program. He then stated:

“At present, gentlemen, we have one master: he knows all, he does all, and he can do all.”

This was in 1799 after Napoleon had been appointed First Consul for ten years.

Napoleon's basic policy has been described still more clearly by Monsieur le Comte Chaptal, who had been a member of this Senate. In his *Souvenirs sur Napoleon* he commented on Napoleon's fundamental policies as follows:

“Bonaparte conceived the idea of reuniting everything and of amalgamating everything. He put into the same units, side by side, men who had been opposite in character and in opinion for ten years . . . and alas, these men, much astonished to find themselves side by side in the same assembly, wound up by reconciling themselves and, still more, by uniting themselves in friendships which were the more sincere as they had been hostile to each other. Together they talked about the past events as acts of real Revolutionary delirium. . . . This is the manner in which Napoleon reunited the talents of all kinds and how he founded all his various legislative bodies.” (Chaptal, *Mes Souvenirs sur Napoleon*, p. 231.)

Napoleon, while thoroughly familiar with discipline and willing to use force as a means of obtaining his will, as a politician often employed conciliation as a means of governing people and economic activities.

Centralization. Napoleon's reforms and the reconstruction which he applied to the French economic system were in distinct contrast to the revolutionary disorder and decentralization which had been established before him.

Being used to the military scheme of organization, he was a firm believer in centralization. Political and economic administration, centrally organized and enacted with only little regard for the people's consent, were his policies. His administration was one of strong authority which, as the will of the ruler, became law regardless of the people's wishes. Just as he had felt little concern about the "individual" ideas of his soldiers, so he had little concern about the individual economic ideas of "the people."

To give to them, however, a certain feeling of legal protection and fairness, he did not hesitate to establish "legislative bodies." But to get things done his way Napoleon revised and reorganized the entire legal and court procedures of his country. The law and law codes became, for him, the means by which he really substituted his own ideas for representatives' and people's opinions.

Many measures show his ability as a dictatorial but clever conciliator and reconstructor. He made peace with the church. He revised the tax collecting service intelligently. He completed forgotten public works, gave jobs to people and found work for almost everyone. He put scoundrels in jail, able-bodied unemployed in his armies, and within two years had made France safe again for everyone.

Administrative Organization. The first task which confronted Napoleon was the organization of a permanent administration. Compromising with the republican ideal, which required that he should give to the people who had become accustomed to it some sort of representation, he established, in addition to the two advisory consuls, who were rarely consulted, a Senate of eighty well-paid Senators. They were elected for life and were selected and appointed from lists submitted by higher officials and judges who had been found to be in agreement with Napoleon's plans and ideas. They

acted as real advisers, but had no executive or legislative power.

A Tribunal also was established. This was a body of one hundred representatives of the people, also hand-picked by Napoleon. They had permission to discuss the government proposals, made by Napoleon with the advice of the Senate. However, the discussions of this Tribunal were rather futile, as they were not permitted to vote on them.

The voting was done in another body, called the Legislative Chamber. The three hundred members of this body could vote "yes" or "no," but were not permitted to discuss any of the proposals which they voted upon.

Prefectures (administrations of the various sections of the country) and sub-prefectures represented the executive power of the centralized and dictatorial government.

Mercilessly and swiftly Napoleon began to annul many of the administrations which had been established and abused by the "people."

Very interesting information on his own administrative bodies and on their procedures can be found in Chaptal. (*Mes Souvenirs sur Napoleon*, pp. 213, 214, 219.) He reports that:

"The First Consul (Napoleon) composed his States Council (Senate) of the men who were most outstanding in administration and in the sciences.

"The functions of the States Council were as painstaking as they were far-flung; it was necessary to organize everything and each day we were gathering in full council or in sectional meetings; almost every night we had a special council with the First Consul where we discussed and deliberated for ten hours of the night, until four and five o'clock in the morning."

In the beginning of his reign, at least before wars occupied all his time, most of the decisions made were carefully discussed and scrutinized by Napoleon himself. These decisions and all reorganization principles finally found their permanent expressions in the various law codes:

- | | |
|------------------------------------|-------------------------------|
| 1806—Code de Procédure Civil | (Civil Law) |
| 1807—Code de Commerce | (Law of Commerce) |
| 1808—Code d'Instruction Criminelle | (Law of Criminal Prosecution) |
| 1810—Code Pénal | (Penal Law) |

Anyone who goes through these codes will soon realize why Napoleon drew into his councils administrators as well as the best scientists whom he could find in France.

The Law Codes covered all fundamental human relationships which, until then, never had been codified so thoroughly and in detail, and brought the laws into accord with the problems created by the trade, industry and commerce of their days. The codes which they created not only were of the greatest importance to France but also were introduced in all the countries which Napoleon brought under his rule, where they became the foundation of laws codified thereafter.

While civil law and criminal law may have little direct bearing on industrial political economy, their value and fundamental importance for all industrial relationships should not be under-estimated. Napoleon thus created for almost the entire Continental Europe a new legal base upon which the industrial political activities were founded.

Napoleon's belief in law and its superiority for carrying out economic reforms and human activities in general were expressed precisely by him in the words:

"Nous ne sommes tous que par la Loi." (We are nothing but by the Law.) (Napoleon, *Aphorismes*, pp. 54, 55.)

Code of Commerce. Of the various law codifications established under Napoleon, the Commercial Law Code is of special interest in reference to industrial political economy. Napoleon himself referred to this code as follows:

"A code has been prepared for Commerce, a code based on the most profound discussions; its objective is to put into effect all that was in the old law ordinances and experience could make appear as useful; they merely have been made appropriate for present times; these codifications protect good faith in transactions and they suppress by severe law the daily growing scandal of bankruptcies; the code will achieve the consolidation of credit and thus will improve a profession which is one of the most useful and most honorable within the State; the law will revive the ancient honesty which must be always the main characteristic of Commerce." (*Correspondence de Napoleon*, t. XV, p. 657.)

The code not only covers contracts and commercial transactions, commercial documents and necessary routine regulation, but also contains very important chapters on the

regulation of companies. Napoleon was entirely in favor of company activities, but he saw that only desirable firms were maintained and that their activities could not bring harm to trustful investors.

In 1807 when the code was issued, he approved of the general partnership and of the joint partnership, and in 1808 he also permitted the establishment of limited companies. He forbade, however, the joint venture, a form of company which had destroyed the fortunes of many Frenchmen, especially of those engaged in overseas trade.

While the code regulated commercial practice and relations in every aspect and detail, it did not provide any such regulation on industrial activities.

It is surprising that Napoleon and his staff of highly intelligent advisers should have distinguished in this manner and if it was a fundamental lapse in Napoleon's reforms, it should be interesting to investigate whether it was purpose or oversight.

Chaptal gives us the answer:

"Napoleon (so he wrote) did not really value highly the merchants. He said that commerce dries up the soul by a constant greed for profit and he added that the trader neither had faith nor fatherland. This opinion had formed itself naturally in him by the constant opposition which Commerce had manifested against his ambitious projects and conquests.

"Under the reign of Napoleon, no occupation had more to suffer than commerce which cannot prosper except in peace and under definite and protective laws. Napoleon had been constantly engaged in war and his regulations varied according to his fancies in a manner that commercial transactions never could be calculated definitely in advance on solid assumptions, which made them permanently hazardous enterprises. With such a state of affairs it was difficult for a merchant to have confidence, and this is the reason for the adverse opinion of the merchants toward Napoleon.

"Accustomed to bend everything to his order, he (Napoleon) was angered by the resistance which Commerce showed to his views and he wanted to rule them according to his own liking.

"Napoleon believed sincerely that he would serve Commerce by his strict regulations; he even believed he enlightened these men and he had the foolish idea that he gave them directions advantageous to their own interests. He (Napoleon) could not deceive himself about the misery which prevailed in the coast cities—due to his nationalistic and one-sided trade policies and

due to the strict supervision of commercial activities—but he referred to a better future and he said that these calamities would be passing.

“One must be really astonished (said Chaptal) about the perseverance with which he maintained the principles of a system so contrary to the true interests of Commerce.” (Chaptal, *Mes Souvenirs*, p. 274.)

It is apparent that Napoleon’s reforms, no matter how well-meant and fundamentally sound the codifications of trade routine had been, had serious shortcomings and in view of this his attitude towards industry should be the more interesting.

REGULATION OF MANUFACTURE

Napoleon regulated industry definitely on a dual basis. He distinguished between small producers and big producers. For the small producers he reestablished the old guild system and each small producer was forced to join the guild. He also associated in guilds, especially the various food and supply trades; this is not surprising, as he had large armies to feed and to equip.

However, Napoleon did not grant much self-rule to these guilds. They were kept under close police supervision and state control; quality regulations were enforced again and taxes were levied as much as the enterprises could stand. Napoleon’s regulation of small manufacturers is more or less the same as contained in Turgot’s Decree of July 19, 1791. They were combined in guilds, to have common centers and follow definite policies, but they had no operating rules to obey; each one was free in his methods and yet could be coordinated for the good of all.

Regulation of Factory Production. Napoleon’s attitude towards factory producers was different in approach, but similar in concept. Chaptal reports that Napoleon had much more correct ideas on industrial production than he had on commerce. In reference to usefulness, he placed industry immediately after agriculture. He said frequently that the merchant did nothing but shift the goods while the manufacturer had to produce them by work. . . He believed that manufacturers had to exercise much more talent, as they had not only to produce but to sell, doing thus the same operations as a merchant, but that they had also to perfect their

products, to study the tastes of the consumers and to frequently change the production methods.

"One must say in praise of Napoleon, that he never has refused to give encouragement and to make prosperous any kind of industry.

"The system of prohibition which he applied generally on all objects of foreign manufacture has given to our manufacturers such a successful development and has led them to such a great perfection of their products, that they should not be inferior and that a great number of them should be superior to the foreign-made products.

"In spite of the fact that Napoleon had the tendency to regulate, he has constantly shied back from any inclination to give definite regulations to manufacture." (Chaptal, *Mes Souvenirs*, p. 278.)

Chaptal hints, in further comments on Napoleon's ideas of industrial production, that the urge to regulate industry is generally found in men who do not have any knowledge of industry, and that Napoleon, realizing his lack of industrial knowledge, refrained for this reason from regulating it and from pressing it into a code or plan.

Courts of Industrial Arbitration. Whether or not Chaptal's reasoning is correct, the fact remains that Napoleon established an institution in France which gave to industry the right to settle industrial disputes and problems by a special procedure which was legal and at the same time within industry's own sphere of influence.

Previous rulers of France had established industrial trade courts of various kinds, operated either by the municipalities, by the state or by the guilds themselves. Previous rulers had also given to these industrial trade courts authority to settle disputes among the industrial manufacturers and their employees or among manufacturers themselves. However, Napoleon's courts of arbiters ("Conseils des Prud'hommes") were different, and really an improvement.

When Napoleon visited Lyon in 1805, the members of the Chamber of Commerce pointed out to him that existing legal procedures had proven themselves a hindrance rather than a help in industrial relations and problems, because judges, no matter how well-intentioned they might be, could not act properly upon industrial matters, as they lacked the

definite understanding of industrial difficulties and peculiarities. The representatives of the Chamber of Commerce mentioned, further, that they would like to have something better than a mere law court. Napoleon was quick in replying that he would give them "some sort of family tribunal." After his return to Paris he selected Regnault de Saint Jean d'Angély to draw up the framework for the new law. It was finished in 1806 and in presenting it to the Legislative Chamber on March 18, 1806, Regnault commented as follows:

"The law which I present to you creates a new institution, better conceived than the institutions of the judges provided by the guilds, or by the municipalities. The new institution is just as advantageous as the previous ones, but offers none of their weaknesses. The practice of this new legislation requires knowledge, which only manufacturers or industrial merchants can provide. The new law also does away with the inflexible severity of the magistrate courts and provides instead fatherly understanding combined with the authority of the judge."

In view of this introduction, and Napoleon's reluctance to regulate industry, it is especially interesting to study the statutes of these new industrial legislative bodies. This interest is also well justified in view of the fact that such courts were established not only in Lyon (March 1806) but also in many other French industrial centers.

From the law itself we can learn:

(a) That Napoleon considered legislation and internal regulation of industry a matter of special and peculiar character;

(b) That he felt it should be kept independent from government interference as much as possible, and that industry should be permitted to act as a special, well coordinated and united group;

(c) That legal bodies should be created and officially recognized which would consist not of government officials but of representatives of industry;

(d) That these legally recognized bodies should have power to regulate, arbitrate and advise within the industry on those phases with which they, as experts, would be familiar;

(e) That their activities and decisions should have legal character and should be binding upon all parties without redress or long-drawn-out legal action.

The honorary character and the special requirements in reference to the appointment of the officials, injected by Napoleon and his advisers, undoubtedly helped to make the principles of honor and fair dealing in industrial matters among the most outstanding of the profession. It will be noted that similar policies have been adopted by the German rulers and by many other governments.

However, the two weak points of this Napoleonic industrial law are also easily recognized:

1. The absence of labor in the representation of industry is definitely undesirable, because labor undoubtedly at times has come to feel that arbitration thus practiced was not quite neutral.

2. The restriction of arbitration to minor wage and production difficulties definitely weakened the set-up.

As no provision was made for the settlement of major disputes which arise at times between labor and manufacturers, the French, as well as all other European governments which adopted similar legislation, were forced to improvise in the event of such important emergencies as strikes, old age, insurance, sickness and accident problems. When later on the workers tried to settle these problems in their own way, the government felt provoked and then acted in a defensive spirit, which undoubtedly contributed toward the strained relations which prevailed between labor and governments almost throughout the nineteenth century. As a result of these omissions in the basic law, labor was forced to fight for each major issue in any attempt to improve its conditions.

Such defects, no matter how great the consequences, are characteristic of even the best legislation which introduces a new type of regulation. It cannot be denied, however, that Napoleon, in instituting the type of procedure described above, made a great forward step towards modern legal treatment of industry.

NAPOLEON AND THE WORKERS

While making no provision for labor representation in his Industrial Arbitration Law, Napoleon did consider labor in his administrative policies.

He placed all the major problems of labor supervision and the enforcement of industrial peace in the hands of his highly skilled police, and any major differences of opinion between

manufacturers and labor were administered by his police prefects quickly, effectively, without unnecessary legal delays, and in definite fairness to both groups, because the police prefects were not dependent on either.

The Law of the 22 germinal an XI tit. V (1809) informed the police prefects as well as the mayors of all the cities regarding the most outstanding labor difficulties which might possibly be expected, and gave directions on how to handle them. On this basis and by these means, Napoleon took care of most labor problems of his day.

It would be wrong, however, to infer that Napoleon was a tyrannical despot towards labor. Chaptal relates numerous instances, showing that Napoleon not only took the unemployed into his armies, but that he made honest efforts to provide work for those who remained workers and were unemployed. Relief in the form of doles or subsidies was not part of Napoleon's program. He leaned towards the creation of work, and Chaptal, on page 284 of *Mes Souvenirs*, reports him as saying when there was unemployment in Lyon: "The worker needs employment and he is at the mercy of all the charlatans; he should be helped, as I am afraid that the insurrections are caused by lack of bread. The workers need work and it must be given to them. The manufacturer has all his stockrooms filled with merchandise which he cannot sell; it is, therefore, necessary to give him our help, in order that he can pay his obligations and obtain the means to keep his workmen."

Chaptal reports that Napoleon arranged for very large orders to be given to the manufacturers of Lyon, and knowing that they might possibly sell him available merchandise without manufacturing new goods, he arranged that the material ordered to relieve the emergency should be of a new design so that the manufacturers were forced to make it and thus create work. Napoleon spent approximately 62,000,000 francs at that time in order to overcome the unemployment crisis, and later on many occasions he also spent considerable sums.

Naturally, these emergencies do not compare in size or seriousness with those that arise in modern times. But it is of interest to note Napoleon's attitude toward the creation of work and his desire and willingness to help labor in an emergency. In this respect he was far ahead of many government administrators who reigned in France and elsewhere after

him and who did not take definite steps or make any attempt to assist labor in its struggle for employment. Napoleon was a soldier and believed in attacking an enemy where and when he arose. In dealing with economic difficulties he applied the same principle.

INDUSTRIAL ECONOMIC CONDITIONS IN 1811

The effect of Napoleon's industrial policies on French economic conditions has rarely been investigated and has been only barely touched by his French contemporaries. The more valuable, therefore, is the study made by Sir Francis D'Ivernois and published in April 1812 under the title, *Napoleon, Administrateur et Financier*.

D'Ivernois certainly was not one of Napoleon's admirers. Being a Huguenot and living in antagonistic England, he investigated Napoleon's activities with a certain amount of bias, but with understanding and interest. He set out to investigate: "Is a people, distinguished by its victories at the same time a people distinguished by its wellbeing?" and he brings out fact after fact to show that the French, in spite of all their victories and military successes, did not do so well after all, economically or industrially.

As his main reason, he condemns Napoleon's war fever and traces the total growth of all public expenditures as follows:

1802	.....	341,000,000	francs
1803	.....	444,000,000	francs
1804	.....	500,000,000	francs
1806	.....	600,000,000	francs
1810	budget	740,000,000	francs
1811	budget	954,000,000	francs

He blamed Napoleon bitterly for increasing expenditures in this manner. However, if one considers that Napoleon subdued almost all Europe, these expenditures must appear astonishingly small. The fact is that Napoleon's warfare cost the French nation relatively little in terms of money because Napoleon always obtained financial as well as military support from the conquered nations, who also had to support the many kings and other French administrators whom Napoleon imposed on them. The French expenditures for army requirements were relatively low because Napoleon fought his battles primarily with auxiliary troops supplied and provided

for by subdued countries and these at almost all times outnumbered the French paid contingents. Therefore, Napoleon must be considered as much of a financial genius as he was a successful general.

Not quite so successful, however, appears Napoleon's administration in reference to industrial economic matters proper. France, in 1811, had a population of almost 40,000,000 people out of which only 2,017,188 were employed in mining and industry. Statistics of French industrial conditions as they existed on January 1, 1811, are cited by D'Ivernois as follows:

<i>Manufactures</i>	<i>No. of Establishments</i>	<i>No. of Workers</i>	<i>Annual Production</i>
Metals and mineral substances	6,916	377,174	419,569,640 Frs.
Plant substances	48,100	583,865	503,940,292 Frs.
Animal substances	26,700	786,069	438,620,681 Frs.
Industrial activities	<u>81,716</u>	<u>1,747,108</u>	<u>1,362,130,613 Frs.</u>
Mining	<u>2,326</u>	<u>270,180</u>	<u>183,206,000 Frs.</u>
Total industrial production and mining ..	84,042	2,017,288	1,545,336,613 Frs.

In order to explain these statistics, it is stated that "metal and mineral substance" manufactures include the entire steel and allied industries as well as all other metal manufacturing branches. The "plant substance" industries include the producers of cotton goods, paper, chemicals, soap, sugar, beer, etc. "Animal substance" manufacture covers the production of woolen goods, silk, ladies' wear, tanning, leather, etc. Not included in these figures are blacksmiths, wagon makers, plumbers, carpenters, bricklayers, tailors, cord makers and similar craftsmen, and the value of their products—in other words the small producers.

D'Ivernois, dividing the total output (1,362,130,613 francs) by the number of inhabitants (40,000,000) residing at that time in France, found that each would have consumed only approximately 34 francs of industrial products.

In England at that time the industrial production was considerably higher per inhabitant and for this reason, and because of the fact that only 2,000,000 inhabitants out of 40,000,000 were employed in manufacture, which is approxi-

mately 5 per cent, he concluded that "France was placed at the lowest rung of the industrial ladder."

While this criticism is by no means justified, one must consider that Napoleon, while correct in many industrial principles, was without regard for peaceful development and did not really attempt to increase industrial production in his country.

Quite on the contrary, guided by political reasoning rather than industrial economic thinking, he finally made a mistake of the most serious nature. On October 10, 1810, he ordered the complete exclusion of all English products from the markets of France and all countries under his influence. His order has become commonly known as the "Continental Blockade."

The absolute exclusion of British goods naturally stimulated French production, much to the delight of the French producers, but soon a reaction followed when commerce, so thoroughly disrupted, declined, and bankruptcies became frequent. Unemployment spread rapidly in all French industries, stocks accumulated and became a burden on the producers. The more assistance Napoleon tried to give to the various industries the more they asked for. In vain Napoleon tried his previous policy of giving orders to the most distressed industries and cities. He made secret arrangements to buy raw materials in Rouen, because he hoped in this manner to overcome the economic difficulties there. He loaned capital to the manufacturers of Amiens, so that they were enabled to maintain the wages for their workers and to keep them from being dismissed. He gave military orders to the equipment manufacturers of Paris, special orders to the silk manufacturers of Lyon, and loaned a total of approximately 18,000,000 francs to various industries out of special government funds, all in the hope of overcoming the ill effects of his Blockade Decree. However, he met with very little success in doing this, and his attention was soon drawn to the political and militaristic consequences of his ill-conceived decree.

The Swedes, in spite of the fact that he had given them a French king, Bernadotte, made themselves independent from France because they did not wish to carry out the Blockade. They combined with Russia and finally in 1812 Great Britain, which up to this time had organized its resistance under cover, joined Sweden and Russia openly. Napoleon was forced to undertake his campaign to Russia and to fight thereafter

many battles in Germany, which eventually brought his downfall. After many victories, the combined Russian, Austrian, Prussian and English armies succeeded in conquering Paris in March, 1814, while Napoleon tried in vain to throw his armed forces into the rear of his conquerors and to cut off their supplies. The French Senate, however, tired of its constant economic difficulties at home and the continued military defeats of Napoleon, made peace with the conquering armies and forced Napoleon to abdicate, to surrender himself in April, 1814, at Fontainebleau, and to accept banishment to Elba.

Only once in his fourteen years of rule did Napoleon take a stand on industrial economics fundamentally in contrast to his "let them alone" policy. When he did this his own Blockade Edict proved a stronger enemy than he had ever encountered before, and that he reaped industrial depression first and political defeat thereafter, is not surprising, since both are in close relationship.

Bonaparte's imperialism had been built on victories, battles and armies. He had failed to base his power on a strong economic foundation and thus he had failed to do just what England had done while he tried to defeat her. Out of the Napoleonic struggles England arose the victor, not due to superior political or military power but merely because she was economically stronger than France at that time and because Napoleon's economic mistake drove the European countries to her side.

FIFTH PERIOD
LIBERALISTIC
INDUSTRIAL POLITICAL ECONOMY
IN GREAT BRITAIN
1816—1934

ANGLO-SAXON traits, traditions and customs have never held in high esteem enforced subordination under any ruler or under the state. To become free and remain free has been always the main desire of every individual of the nation which gave to the nineteenth century the most outstanding, and to the world the most widespread industrial economic system.

This should not mean, however, that the English pattern of industrial organization was always "free" and "individualistic," as one is usually led to believe. For more than one thousand years English craftsmen, merchants and traders were organized in guilds that were managed as well as and even better than those in other countries, mainly because they did not rule themselves too much. Besides, their organizations were never unduly influenced by kings and nobles.

Openly and tacitly English political and economic tradition acknowledged that anyone who undertook a venture in trade or production did so at his own risk and for his own prime benefit. Equally, English traditions upheld the belief that anyone who worked for someone else did so of his own volition and, therefore, the state should have no right or privilege to interfere with such matters more than was necessary in the public interest.

Those *basic concepts* combined with the peculiar English way of living one's life more or less in consideration of unwritten rules rather than in fulfilment of orders and regulations, became the foundations upon which an entirely new economic order could arise.

The new industrial era was brought on when machinery was invented and applied to such an extent that production of almost every article was increased far beyond any previous possibilities.

The desire to produce not only for local demand but for the almost limitless markets in the new colonies, the instincts for free and unhampered application of all natural and mechanical resources, adventure, wealth and riches, suddenly brought within almost certain reach, became the *driving*

forces of the new industrial economic system, which made England the first and foremost industrial nation on earth.

The industrial capitalism which gradually evolved was individualistic insofar as it gave anyone an opportunity to operate and to do as he considered proper, and kept within the bounds of the few laws that there were; in England in particular, industrial capitalism was also liberalistic, because the government applied only a minimum of restrictions and the restraining guild rules were abolished earlier than elsewhere; but at the same time the continued application of these *two main policies* created strains within the internal structure of the new system. Its guiding and creating forces were not coordinated sufficiently to avoid pressures and frictions. Overproduction, overcompetition, and extreme price-lowering became the main forces which played against the weakest members of the system and especially against the workers.

Entirely in line with theoretical assurances the "free play of actions," the "unrestrained liberties" and "individual efforts" produced tremendous wealth for some, but at the same time these *principles* also caused entirely unpredicted widespread hardships and misery among those who were needed to carry them out. When finally poor health conditions in entire districts, poverty, strikes and a desire on the part of the workers to organize became the manifest signs of public danger, the laissez-faire attitude of the government could no longer be upheld and a large number of remedial measures and new political economic concepts had to be adopted and applied.

The factual disproof of the new theories through their extreme application, the corrective policies chosen to uphold an untenable theory, and the final attempts to make the capitalist system also fair to the laboring group, are among the most significant, instructive and at the same time most tragic events of recent times.

The theoretical aspects of these processes have become the well-known topics of economic theory, and are still the main subjects of academic discussion and teaching. In actual life, however, only a few of these beliefs have become of vital importance. The new doctrines, instead of leading to permanent happiness for all, overlooked the real fundamentals. The original concepts of non-interference are still upheld in theory, but even the most conservative of governments has

changed its actual policies and probably will change them further. The inevitable technological progress made in other countries has deprived England's industry of the unlimited opportunities of even a few years ago, so that today she is involved in the most serious problems and must find that industrial order which will preserve all of her people and her interests throughout the world.

The entire evolution has been described purposely with many references to laws that were enacted. This has been done, firstly: to show how gradually political economic statesmanship had to extend its scope, and secondly: to demonstrate how different practical political economy really is from economic theory and academic thinking.

THE HISTORICAL BACKGROUND OF BRITISH INDUSTRIAL POLITICAL ECONOMY

the Latin heritage, the Anglo-Saxon middle-class, the oldest parliament on earth and also some remarks on early English trade. An Acte towching dyvers Orders for Artificers Labourers Servantes of Husbandrye and Apprentices, and by and by the reasons why the crafts were changed into industries and industries could grow especially in England.

THE EARLIEST BEGINNINGS

Two Roman legions landed in Britannia in the year 55 B.C. Five more legions followed them in 54 B.C., and the country remained a Roman colony until 410 when the Roman legions withdrew and the Celtic Britains (Britons) called in the Angles and the Saxons to help them cultivate the land. In 449 the Jutes, led by Hengist and Horsa, landed unmolested in Thanet and spread. They found a well-organized country.

The wall of Agricola, built in 81 from Firth of Forth to Clyde, protected the country from the Scotch. The Wall of Hadrian (122) offered protection near Newcastle on Tyne. The Wall of Severus was erected in 250 when the Wall of Hadrian began to break up.

The towns of Camulodunum (Colchester), Glevum (Gloucester), Lindum (Lincoln), Deva (Chester), Eburacum (York), Londinium (London) were well-established communities, connected with each other by carefully constructed roads; populated by a contented people, well acquainted with Roman customs and trade. Many had served as mariners for the Romans or in their shipyards, building and repairing their craft. The Roman artisan colleges were established in every town, especially in London, and most goods were made according to Roman manufacturing methods.

The Angles and the Saxons, when they arrived, were unfamiliar with artisanship and realized the advantage of leaving the craftsmen unmolested. They also welcomed all newcomers who were able to do special work. While the Saxons remained pagans in the early centuries, they did not prevent

missionaries from entering their country or from converting the Celts to the Catholic Christian faith.

In 609 Theodore made himself independent from Rome. He organized the English Church and declared himself Archbishop of Canterbury. It is beyond doubt that the Catholic missionaries in their struggle, not only against paganism but also against the new church, tried to retain and to increase the number of their followers by teaching their new converts better methods of agriculture and manufacture as carried on in the numerous abbeys.

By 826, under the West Saxon kings, a process of gradual consolidation began which lasted until 1066 but was still too much disturbed by the attacks of the Danish Northmen to permit the development of economic stability.

The British Middle Class. The British middle class, which is of such great economic importance in the development of British manufacture, first took form during the reign of the Norman kings, of French descent, who in 1066 conquered the Saxons in the Battle of Hastings. William the Conqueror introduced feudalism in continental form, degrading the English nobles and fostering trade and manufacture among a special group of people whom he protected in their enterprises. He also encouraged foreign traders to come to his land and assured them safety and protection on payment to the king of $1/15$ (Quinzieme) or $1/10$ (Disme) of their sales or total output.

In 1215 John Lackland of the reigning House of Anjou was forced by the Catholic clergy and the lower nobles, both of whom he had recklessly suppressed, to grant to his people the Magna Charta. Historically this piece of legislation has become of greatest importance in spite of the fact that it was abolished and renewed in improved form a number of times. Economically it must be considered as of still greater importance because it helped to strengthen the lower ranks of the nobles and to create a group of free men as a special "middle class" between those in bondage and the nobles. The rights granted to these groups may be seen in the following articles of the Magna Charta:

"JOHN, by the Grace of God, King of England, etc. Know ye that we have, in the first place, granted to God, and by this our present Charter confirmed for us and our heirs for ever:

1. That the Church of England shall be free and enjoy her

whole rights and liberties inviolable. And we will have them so to be observed, which appears from hence that the freedom of elections, which is reckoned most necessary for the Church of England, of our own free will and pleasure, before the discord between us and our Barons, we have granted and confirmed by our Charter, and obtained confirmation thereof from Pope Innocent the Third, which (Charter) we shall observe, and do will it to be faithfully observed by our heirs forever.

2. We have also granted to all the freemen of our kingdom, for us and for our heirs for ever, all the underwritten liberties, to have and to hold, them and their heirs, of us and our heirs.

46. No freeman shall be taken, or imprisoned, or disseised, or outlawed, or banished, or any ways destroyed; nor will we pass upon him, or commit him to prison, unless by the legal judgment of his peers, or by the law of the land.

47. We will sell, or deny, or defer, right or justice to no man.

48. All merchants shall have secure conduct to go out of England and to come into England, and to stay and abide there, and to pass as well by land as by water, to buy and sell, by the ancient and allowed customs, without any evil toils, except in time of war, or when they are of any nation at war with us.

60. If any one hath been dispossessed or deprived by us, without the legal judgment of his peers, of his lands, castles, liberties, or rights, we will forthwith restore them to him, and if any dispute arises upon this head, let the matter be decided by the five-and-twenty barons hereafter mentioned, for the preservation of the peace.

70. And whereas, for the honour of God and the amendment of our kingdom, and for quieting the discord that has arisen between us and our barons, we have granted all the things aforesaid. Willing to render them firm and lasting we do give and grant our subjects the following security: namely, that the barons may choose five-and-twenty barons of the kingdom, whom they think convenient, who shall take care with all their might to hold and observe, and cause to be observed, the peace and liberties we have granted them, and by this our present charter confirmed; so that, if our justiciary, our bailiffs, or any of our officers, shall in any case fail in the performance of them towards any person, or shall break through any of these articles of peace and security, and the offence is notified to four barons, chosen out of the five-and-twenty aforementioned, the said four barons shall repair to us, or our justiciary, if we are out of the realm, and, laying open the grievance, shall petition to have it redressed without delay. And if it is not redressed by us, if we should chance to be out

of the realm, if it is not redressed by our justiciary, within forty days, reckoning from the time it hath been notified to us, or to our justiciary, if we should be out of the realm, the four barons aforesaid shall lay the cause before the rest, and the five-and-twenty barons; and the said five-and-twenty barons, together with the community of the whole kingdom, shall distrain and distress us all the ways possible—namely, by seizing our castles, lands, and possessions, in any other manner they can, till the grievance is redressed according to their pleasure, saving harmless our own person, and the persons of our queen and children; and when it is redressed, they shall obey us as before.”

The Parliament. Of special interest are Articles 60 and 70 containing the very earliest beginnings of the Institution which in enlarged form was called the “Great Council” and finally, since 1236 in the reign of Henry III, has been called “Parliament.”

Henry III decided that a permanent Council of fifteen barons should meet three times a year, beginning in 1258. In 1265 representatives were called not only from the lower ranks of the nobility but also from the boroughs, and thus the English middle class, at least in its political influence, was formally recognized.

The first “Perfect Parliament,” consisting of clergy, barons and commoners, was called by Edward I in 1295. The commoners consisted of two knights from each shire, two citizens from each city and two burghers from each borough. The Parliament’s chief function was to pass on taxes and to prevent taxation without its consent. The British middle class thus had, as early as 1295, a means of preventing the exploitation from which all economic activities in the Continental European countries suffered, and therefore directed its efforts fearlessly and wholeheartedly to trade and manufacture.

Early English Trade. At the time of the Magna Charta (1215) which coincides also with the Fourth Crusade, England traded mainly in two commodities, corn and wool. When dearth set in under Henry III the people insisted on keeping the corn at home and on making fabrics of the wool. Only English manufactured goods should be used for clothing! The “Made in England” principle thus is not a modern policy. It was applied as early as in 1260 and was at first

advocated by the barons who owned or shared in the mills for the most part operated by the free men.

Again and again British policy used the wool trade as the means of making friends or punishing enemies, and frequently we find restrictions on the export of wool changed into a more liberal attitude as advantage dictated. In 1274, for instance, Flanders obtained a special agreement whereby it was permitted to buy British wool. In 1299, when England had trouble with Scotland, Flanders was requested not to trade with the Scotch in order to add to their punishment, and though Flanders did not conform to this policy, it is nevertheless interesting as an illustration of how early British diplomacy utilized international trade policies and "economic sanctions" to foster strictly political ends.

The first free trade statute in England was issued in 1355 by Edward III and contained the following passages:

"The King desiring the profit of his people" ordains

"That all merchants, strangers and denizens, and all other and every of them, of what estate or condition soever, they be, that will buy or sell corn, flesh, fish, wools, cloths, wares, merchandises, and all other things vendible, from whence soever they come, by foreigners or denizens, at what place whatsoever it be,—city, borough, town, port of sea, fair, market, or elsewhere within the realm, within franchise or without, may freely without interruption sell them to what persons it shall please them, as well foreigners as denizens, except always the enemies of the King and realm.

"Persons molested or interrupted in the way of their trade whether natives or foreigners are to be compensated in double damages; and if the magistracy of the churlish place fail to see justice done to the aggrieved, its charter and privileges shall be suspended by the crown." 28 Edw. III C. 21.

During the fifteenth, sixteenth, seventeenth and eighteenth centuries England fought battles at home and abroad against most European powers, primarily France, Holland and Spain. Treaties and Declarations of Rights were made in great number, merely to be abrogated soon and replaced by others.

However, the British government, no matter how occupied it might have been politically, did not forget to release one act after the other to encourage and expand British trade.

The following selected list of representative trade acts issued by the several kings indicates the variety of legislation

as well as the scope of British trade during the seventeenth and eighteenth centuries:

1699, An Act to enlarge the Trade to Russia. 10 Will. III C. 5.

1699, An Act for taking off the remaining Duties upon Glass wares. 10 Will. III C. 18.

1699, An Act for laying further Duties upon Sweets and for lessening the Duties as well upon Vinegar as upon certain Low Wines and Whale Fins, and for the more easily raising the Duties upon Leather and for charging Cynders, and for permitting the importation of Pearl Ashes, and for the preventing Abuses in the brewing of Beer and Ale, and Frauds in Importation of Tobacco. 10 Will. III. C. 20.

1699, An Act for the more full and effectual charging of the Duties upon Rock Salt. 10 Will. III. C. 21.

1699, An Act to encourage the Trade to New Foundland. 10 Will. III. C. 25.

1700, An Act for taking away the Duties upon the Woollen Manufacture, Corn, Grain, Bread, Biscuit, and Meal exported, and for the better Encouragement of the Woollen Manufactures of this Kingdom. 11 Will. III. C. 20.

1701, An Act for the enlarging and encouraging of the Greenland Trade. 12 Will. III. C. 16.

Many more such acts could be cited. But for a better understanding of British trade policies also a group of other acts is offered for consideration:

1748, An Act for granting to his Majesty a subsidy of Poundage upon ALL GOODS and MERCHANDISES to be imported into this Kingdom. 21 Georgii II. C. 2.

This Act imposes an additional duty of 12 pence on ALL imports and confirms besides all previous duties.

1787, An Act containing all Schedules of the Net Duties payable on the Importation, on the Exportation, Coastwise Traffic and Excise Duties, Drawbacks, Bounties, and Allowances levied domestically and on imported goods. 27 Georgii III. C. 13.

The list of levies covers 64 pages of small print and shows that almost all raw materials and manufactured articles were taxed in one form or another, regardless of whether they originated in England or abroad.

During the years 1790-1814 the statutes show numerous changes in duties and excises but hardly any reductions. The fact that these direct and indirect levies were placed on

industrial materials and products does not necessarily indicate that England had adopted the French system of protectionism.

Protectionism, meaning the wilful elimination of foreign goods with the main purpose of promoting domestic production, was just the policy which Great Britain criticized on the part of the French and was by no means the basic philosophy governing British trade policy at that time.

The new levies were war taxes and the best proof of this may be found in the fact that most of the new duties were enacted only for a certain time, mostly ending six months after the ratification of a specified Treaty of Peace, 55 George III. C. 11) or six months or three months after the conclusion of all hostilities. (55 George III. C. 41, suspending cash payments by the Bank of England.)

This reveals the duties clearly as emergency measures adopted to increase revenues and to supply the money needed for carrying out the wars, to increase the armies and the navy and to pay the family relief for the soldiers and also pensions due to war.

The Navigation Acts (1651-1849) enforcing importation of goods in English vessels were primarily political measures directed against Dutch supremacy in the shipping trade, but they also rounded out a trade policy which was as farsighted as it was determined.

EARLY ENCOURAGEMENT OF MANUFACTURE

Manufacture in Great Britain during the entire middle ages was in the hands of the guilds which were organized very much in the same manner as those all over Europe at that time.

The English kings did not attempt to promote nor to handicap manufacture, a policy in distinct contrast to the regulations and grand schemes enacted by French rulers. The government contented itself with regulating only definitely recognizable abuses and encouraging manufacture by indirect measures:

1. By assisting English producers in obtaining the necessary raw materials at home or from colonial sources.
2. By limiting the importation of finished goods or definite import embargoes. The policy was often changed and

often duties were levied merely to be abrogated for political reasons.

3. By encouraging the consumption of British manufactured articles at home by low tax levies.

4. By preventing the production of low quality products due to poor working methods, or the use of fraudulent raw materials.

The following list of acts, selected at random, illustrates these statements:

1699 An act to prevent the Exportation of Wool out of the Kingdoms of Ireland and England into foreign Parts and for the encouragement of the Woollen Manufacture in the Kingdom of England. 10 Will. III C. 8.

1702 An Act for the effectual preventing the Abuses and Frauds of Persons employed in the working up of the Woollen, Linen and Iron Manufacture of this Kingdom. 1 Annæ C. 18.

"Whereas many frauds are daily committed . . . Be it therefore enacted, . . . that . . . if any Person shall imbezzle or purloin any Wefts, Thrums, or Ends of Yarn or any other Materials of Wool, Hemp, Flax, Cotton or Iron . . . that Person shall forfeit double the value of the damages done, for the Use of the Poor of said Parish."

1707 An Act for encouraging the Dressing and Dyeing of Woollen Clothes within this Kingdom, by laying a Duty on Broad Cloth exported white. 6 Annæ C. 8.

1711 An Act for regulating, improving and encouraging the Woollen Manufacture of mixt or medley Broad Cloth, and for the better Payment of the Poor employed therein. 10 Annæ C. 16. The Act makes Stamping and Sealing of products obligatory and also prescribes payment of workers in money.

1724 An Act for the better regulating the manufacture of Cloth in the West Riding of the County of York. 11 Georgii I C. 24. The Act requires Sealing, Stamping and also regulates Length, Overstretching, Frauds, and Defects in the product.

1749 An Act for the more effectual preventing of Frauds and Abuses committed by Persons employed in the Manufacture of Hats and in the Woollen, Linen, Fustain, Cotton, Iron, Leather, Furr, Hemp, Flax, Mohair and Silk Manufacture. 22 Georgii II C. 27. The Act orders Whipping, Beating, Publick Prison or Hard Labor for any length of time to anyone embezzling or using embezzled goods and a fine of £40.0.0 in case of repetition.

1766 An Act for the more effectual encouragement of the Trade and Manufacture of Leather Gloves and Mitts in this Kingdom. 6 Georgii III C. 19.

1769 An Act for further encouraging the Growth and Culture of Raw Silk in his Majesty's Colonies or Plantations in America. 9 Georgii III C. 28.

1772 An Act for encouraging the Manufacture of Leather, by lowering the Duty payable upon the importation of Oak Bark, when the price of such Bark shall exceed a certain Rate for a limited time. 12 Georgii III C. 50.

Nowhere, however, was there as yet any definite government policy, national in scope, which attempted to promote manufacturing and production on the basis of a special government program. While encouraged officially, the producers were still entirely at liberty to do as they pleased, and only when they violated the interests of the consumers or of their workers were they regulated by the various acts, most of which were effective only for certain branches or districts.

Especially noteworthy is the fact that the struggle between guilds and independent producers, which caused so much regulation in other countries, was not a great problem in England.

While some British rulers had encouraged the guilds, the British governments never had taken direct or special interest in them, and when new inventions caused numerous new enterprises to be established, the governments saw little reason for interfering in favor of any particular guild. They merely enforced the same policies for all parties alike.

This can be gleaned best from the earliest laws which were enacted with regard to labor and labor relations.

EARLY BRITISH LABOR LEGISLATION

As long as manufacture was organized on guild principles, labor was little regulated by the government. However, as soon as certain undesirable developments within the guild statutes and guild practices appeared, many rulings had been enacted, and when they were considered as not any longer suited to prevent evils, Queen Elizabeth promptly decided to regulate labor conditions in a manner which at that time appeared satisfactory and desirable to the government:

Her Statute of Apprentices, issued in 1563 (5 Eliz. C. 4) is a very voluminous law regulating labor in most of its aspects. It is so characteristic of these early labor conditions that it is reproduced almost entirely in the Appendix (Exhibit A):

Old as this law is, it contains many features which can be found today in modified form carried out in largest scale in some of the most modern industrial programs. Arbeitsdienst (labor service) in Germany is closely akin to the requirement in the Statute of Apprentices that all between the ages of twelve to sixty, not being otherwise employed, must be yearly servants in husbandry. Lawsuit for unjust dismissal, and the six weeks' to three months' pay clauses in most modern European labor laws differ but little from the regulations contained in Section IV. Labor service for women is being discussed and inaugurated today in many countries of Europe and in Russia. In England it was legally possible in 1563 (Section XVII). That some occupations should be reserved only for the sons of the rich, while others should be for the poor (Sections XIX to XXIII) may have been abolished as a law, but it is still a common condition in Europe. When Mr. Ford advocates farm occupations for his workers today, he is far behind Queen Elizabeth, who made its compulsory in the Statute of Apprentices, Section XV.

The laws have since been changed, but the ideas are still with us.

SUMMARY ON POLICIES BEFORE THE INTRODUCTION OF MACHINERY

If one studies English history and legislation during this period thoroughly he will find the most interesting tendencies to be the following:

1. *The Controlling Influence of Parliaments.* During all the centuries, while French kings considered their producers primarily as objects well suited to exploitation in one form or other, and as sources of revenue, the English kings, held in check by Parliaments, found it difficult and on many occasions impossible to make the craftsmen pay more into the treasury than they considered fair and in line with their craft or trade interest. The kings, therefore, abstained from attempting to exploit producers, much to the benefit of the country.

2. *The Absence of Production Control Schemes.* The various English governments, for similar reasons, did not attempt directly to regulate industry or to coerce it into elaborate schemes of government supervision. The old Anglo-Saxon

"hands off" attitude, while necessarily modified by certain measures, due to the more complex organization of trade and manufacture, was carefully observed and maintained as basic philosophy by the British peers throughout these centuries.

3. *The Neutral Character of Industrial Laws.* On the character of the laws pertaining to manufacture, samples of which have been presented, one may have different opinions. If one reads reliable descriptions of the misery in which the English workers of the middle ages lived, and if one considers the innumerable poor laws designed to deal with the poverty problem which had its root in agricultural and industrial unemployment over a period of almost two hundred years, then he will note the absence in the early English industrial legislation of any systematic tendency or plan towards improving industrial conditions. The laws deal almost haphazardly with only those problems which were so pressing that their regulation became a necessity. British legislation enacted before the introduction of machinery kept in the background and attempted only to correct the most obvious evils, and for this reason one may best describe it as "corrective" and "helpful," but not very constructive. If industrial progress in England during this period had depended on government-inspired legislation it certainly would not have gone far.

4. *The Reason for Government Aloofness toward Industry.* The main reasons for this aloof attitude of the government lie in the fact that in England—unlike every other country on the Continent—the crown and the nobles, checked by Parliament in meddling with manufacture, had directed their planning into entirely different channels where they were more or less independent of Parliament and where they could lead the way.

The nobles, for the most part economically independent due to their land ownership, not only formed a privileged class, the landed gentry, but soon began to formulate a special "policy" of their own, a policy more farsighted, patient and persistent than any other in Europe.

It was a policy which was carried on as a family tradition; not as the political program of any temporary party, but as a national and personal faith and conviction. It gave to England before the Industrial Revolution not only a fleet and trade, but also the beginnings of colonial expansion.

It is a policy which still is at work in every big enterprise Britain undertakes today in the name of His Majesty, but which is nowhere "organized," coded, enforced or propagandized except in the "tradition" and "conservatism" of those who actually lead the country and direct its policies towards those ends which they consider to be best for the Crown, themselves and the general public, regardless of what parties, professional or amateur politicians and parliamentarians may say, propose or condemn.

The British Parliament, of course, enacts the laws, but strange as it may seem, for the most part it adopts policies which originate elsewhere. The British "High Policy" always has been made, and probably always will be made by a few real leaders who are supported by a special group which rules and thinks for England. Wisely, the British Parliaments have been and still are allowed to believe that they do the thinking and make the really important decision, but they rarely, if ever, do both.

The aristocrats of England, from whom came the earlier leaders, and the well-educated middle class, which furnished many leaders later on, were in those early days, as they are today, interested in industry and manufacture. These activities, however, were not then the major interest of the real leaders of Great Britain.

Their main activities were directed towards political and trade expansion and the establishment of colonies in new lands and possessions, because they offered opportunities to acquire land and to obtain representative government positions no longer obtainable at home in England. Today they are as much concerned with the political future of the Empire as with the future of their industries, because these are now interdependent.

5. *Colonial Possessions.* When the Revolution broke out in France, England had already won and partly lost a vast empire of her own, and had crippled France in almost all of the latter's colonial enterprises, just as she had outdone the Spaniards, the Portuguese and the Dutch in many parts of the globe.

In:

1654, Jamaica was taken from Spain during a war which also netted the British many treasure ships taken off Cadiz.

1667, New Amsterdam was ceded by the Dutch, and An-

tigua, Montserrat and St. Christopher were ceded to England by the French in the Treaty of Breda (July 21).

1666, Bombay was granted to the East India Company. The city had been ceded to England as part of the dowry of Catherine of Braganza in 1661.

1704, Gibraltar was taken by Sir George Rooke and Sir Cloudesley Shovel.

1710, the South Sea Company was established.

1713, Hudson Bay, Nova Scotia (Acadia) and Newfoundland were ceded to England by France; Gibraltar and Minorca were won from Spain and the Royal African Company was founded to supply slaves to British subjects living in Spanish America. The Assiento, a pact which specifically granted this right to England for thirty years, was concluded.

1713, Massachusetts and Connecticut were enlarged by lands ceded by Indians.

1715, Carolina was enlarged.

1718, the West Indies were taken from the Buccaneers.

1719, North and South Carolina were divided, the landed proprietors were bought out, and the Spaniards were repulsed; final separation was in 1729.

1733, Georgia was settled by James Oglethorpe and by his associates as trustees of the Crown.

1748, after another war between England and France, the Treaty of Aix la Chapelle permitted the founding of the Ohio Company.

1750-1758, British superiority in India was definitely established against native, Dutch and French competition. Today this territory holds 400,000,000 British subjects.

1760, Montreal and Canada were finally surrendered by France; 1762, Martinique was captured; 1763, most West Indies and the St. Lawrence Bay, Grenada, St. Vincent, Dominique and Tobago were ceded by France, and Florida and all Spanish territory east of the Mississippi were ceded by Spain. All in all, 2,000,000 people were brought under English rule from the French Colonies alone;

1768-1799, James Cook's voyages opened new colonial possibilities: Australia, New Guinea, New Zealand and many Pacific Islands.

1780, after the War of Independence, England by the Treaty of Paris recognized the United States of America, and by the Treaty of Versailles returned Florida and Minorca to

Spain, and Tobago and Senegal to France. This was the only serious loss which England suffered in the colonies.

1795, the Dutch lost to England the Cape of Good Hope and Ceylon.

1815, the Treaty of Vienna confirmed to England possession of the Cape of Good Hope, Demerara, Essequibo, Malta, Tobago, Sta. Lucia, and of Mauritius and, best of all for the British in this year Napoleon, England's arch enemy, was completely and finally defeated.

With all these possessions firmly in hand and victories achieved, England had not only satisfied the privileged classes for the time being, but they in turn had made England the supreme political and maritime power of that time. Overseas trade in a large scale was inevitable, and manufacture and production of all goods not only obtained a stimulus but even became an urgent necessity.

POLICIES AND LEGISLATION DURING THE INDUSTRIAL REVOLUTION

briefly, the milestones of the change, the laws that went with it, and how the masters and the rulers strove by pain of death to get protection and supremacy for English industry. The Workers Contract Act and what a man could earn in 1770.

THE MILESTONES OF THE INDUSTRIAL REVOLUTION

Gradually, through the centuries, various industries were established in England. The wool trade developed into the *manufacture of woolen goods* and *wool dyeing*. The various restrictions on the export of English wool proved a very good protection for the development of this industry in its early stages.

Acts 4 and 5 of James I, issued in 1607 and 1608, which regulated the quality and quantity of woolen export goods, proved satisfactory to all concerned and increased British wool manufacturing by making the products better liked in the export markets.

Sir Walter Raleigh constantly tried to foster wool manufacture and even wrote an essay on commerce in which he advocated the development of this particular industry.

The *silk, glass* and *paper industries* were promoted in England from about 1685 by immigrant Huguenots who had received their training in France and who, by great industry and constant improvements, developed the art of manufacturing these products into satisfactory production processes.

Coal mining had been started under the Romans but had been given up, if not entirely forgotten, during the middle ages. After 1000 the use of coal came into vogue again but it was officially suppressed in England in 1273 in favor of wood.

Coal mining was started anew during the fifteenth century but only on a small scale. In 1637, however, Sir Thomas Tempest and his partners secured a twenty-one-year monopoly for the sale of Newcastle coal. In 1638 a coal syndicate was incorporated for selling all coal mined in Newcastle,

Sunderland and Berwick at not more than 17 shillings a ton in summer and 19 shillings in winter. The king was to receive 1 shilling per ton.

The coal mining industry developed rapidly thereafter and was largely the reason for and the proving ground of the Industrial Revolution.

It should be remembered that steam pumps, which were the first engines developed during the transformation of industrial production methods, were used in coal mines, and that some of the inventors who were in the forefront of the Industrial Revolution even worked on such pumps in the coal mining industry.

Iron also had been mined since Roman times, but the real iron industry did not begin until 1619 when Dud Dudley obtained a monopoly "of the mystery and art of smelting iron ore and of making the same into cast works or bars, in furnaces, with bellows." In 1619 he produced 7 tons a week which he sold at £12 per ton at good profits. By 1719 the industry employed 200,000 people. In 1730 Darby established the first pit coal and charcoal blast furnaces.

Metal industries were also well known in Great Britain, perhaps even before the Romans landed there. Cornwall Tin was known to the Phoenicians, and Jews were called to work the mines beginning about 1000 A.D. in Cornwall and in Devonshire.

The series of really revolutionary inventions which led up to the industrial change from manufacture to industry proper can be enumerated as follows:

- 1769—James Watt invents the Steam Engine,
- 1770—Hargraves brings out the Spinning Jenny,
- 1771—Arkwright applies the Spinning Frame,
- 1779—Crompton combines in his Mule Hargraves' and Arkwright's principles and drives 12,000 spindles with one mule,
- 1875—Cartwright's Power Loom completes temporarily this series of inventions but also shows the way for many others.

These are merely the milestones of the Industrial Revolution. Its details and ramifications cannot be further presented. It should, however, be considered that it made possible, at least for a while, the employment of people on a scale not really expected. There was a sudden demand for

people—not for master-trained, slow-handed apprentices, but for men able to learn quickly and willing to handle the new machinery.

Capitalists, finding a new field for putting their money to use, bought machinery and established shops. Basically, two kinds of manufacturers gradually had been developed in Great Britain:

(A) *The Merchant Manufacturers.* This type of entrepreneur was perhaps more numerous in England than in other countries. As a rule, he was not entirely unfamiliar with production and manufacture. In the wool trade merchants seeking special opportunities to have their wool spun frequently encountered difficulties with independent spinners. Many merchants, therefore, became manufacturers and stayed permanently in wool manufacture, which they developed as an auxiliary activity in small mills. These merchant manufacturers were the ones who started the low-priced goods movement. They developed their activities especially in the southeast of England.

(B) *The Master Manufacturers.* In all those production processes where technical skill was of prime importance and where guild practices did not really permit progress, independent manufacturers started to operate. A goodly number of them undoubtedly were men who had given up their guild membership. Many, however, had come from the numerous immigrant craftsmen who, by endurance and good fortune, became the founders of new industries. At first workers and employers in one, they gradually developed into a type which has become known as paternalistic industrialists. They developed and enlarged their mills; they treated their workers well and considered them as “part of the enterprise.”

INDUSTRIAL LEGISLATION DURING THE INDUSTRIAL REVOLUTION

Naturally, with the great number of mills which sprang up between 1600 and 1700, there arose all kinds of difficulties, and in connection with the use of the new machines many practices developed which called for special regulation. The main laws of this period pertaining to industry can be grouped as follows:

A. *Protection of Manufactures* was the aim of a number of acts issued at the beginning of the Machine Period. For example:

1725, An Act to prevent unlawful Combinations of Workmen employed in the Woollen Manufacture, and for better Payment of their Wages. 12 Georgii II C. 34.

1756, An Act to render more effectual an Act passed by George I, C. 34, to prevent unlawful Combinations of Workmen employed in the Woollen Manufactures. 29 Georgii II C. 33.

1799, An Act to prevent unlawful Combinations of Workmen. 39 Georgii III C. 81.

1800, An Act to repeat an Act, passed in the last Session of Parliament, intituled, An Act to prevent unlawful Combinations of Workmen; and to substitute other provisions in lieu thereof. 39 & 40 Georgii III C. 106.

1801, An Act for the indemnifying of Persons injured by the forcing pulling down and demolishing of Mills, or of Works thereunto belonging, by Persons unlawfully and riotously assembled. 41 Georgii III C. 24.

1803, An Act to prevent unlawful Combinations of Workmen, Artificers, Journeymen, and Labourers in Ireland. 43 Georgii III C. 86.

1812, An Act for the more exemplary Punishment of Persons destroying or injuring any Stocking or Lace Frames, or other Machines or Engines used in the Framework knitted Manufactory, or any Articles or Goods in such Frames or Machines; to continue in force until the First Day of March, One thousand eight hundred and fourteen. 52 Georgii III C. 16.

1816, An Act for the more effectual Punishment of Persons riotously destroying or damaging Buildings, Engines and Machinery used in and about Collieries and other Mines, Wagonways, Bridges and other Works, used in Conveying & Shipping Coals and other Minerals. 56 Georgii III C. 125.

To anyone unfamiliar with English labor history, this early aversion of the English government to any form of labor organization must appear to be rather cruel, especially in the light of modern social philosophy.

There were, however, very definite reasons for this sort of industrial legislation and they are clearly stated in the preambles to these laws.

The first act referred to above, for instance, is justified as follows:

“Whereas great Numbers of Weavers, and others concerned in the Woollen Manufactures in several Towns and Parishes in this Kingdom, have lately formed themselves into unlawful

Clubs and Societies, and have presumed, contrary to Law, to enter into Combinations, and to make By-Laws or Orders, by which they pretend to regulate the Trade and the Prices of their Goods, and to advance their Wages unreasonably, and many other things to the like Purpose;

"And whereas said Persons so unlawfully assembling and associating themselves have committed great Violences and Outrages upon many of his Majesty's good Subjects, and by Force protected themselves and their wicked Accomplices against Law and Justice; and it is absolutely necessary that more effectual Provision should be made against such unlawful Combinations, and for preventing such Violences and Outrages for the future, and for bringing all Offenders in the Premises to more speedy and exemplary Justice; May it, therefore, please your most Excellent Majesty . . . to enact this law."

The successive laws mentioned also violent attempts to obtain Advance of Wages, Lessening or Altering of the usual Hours or Time of Working, Decreasing the Quantity of Work, and Preventing or Hindering any Person or Persons from employing whomsoever they shall think proper to employ.

After 1800 there is evidence of further cause for the regulation of workers: those belonging to organizations burned wind, saw and water mills, destroyed works and spoiled equipment, bribed others to participate in riots and destruction, refused to work, destroyed machines and parts, wilfully and maliciously broke tools, removed and stole machines.

These were the reasons why the laws were enacted against the workers, but the laws did not state that these acts of destruction were also acts of desperation, committed by the workers in order to retain their jobs and in defense against almost inhumane exploitation on the part of some manufacturers.

B. *Protection of British Industrial Supremacy* was the aim of another group of laws which were enacted to protect British manufacturers against the loss of skilled workmen and to save Great Britain from losing valuable producers to foreign countries. America should be especially interested in these acts because they explain why American production during the British regime and after 1776 progressed slowly, under enormous difficulties and at a high price to all those who were willing to leave England and apply their knowl-

edge in a new environment. Two of these laws are especially important:

“A.D. 1718. Anno 5 Georgii I. C. 27.

An Act to prevent the Inconveniences arising from Seducing Artificers in the Manufactures of Great Britain into foreign parts”
and

“A.D. 1774. Anno 14 Georgii III. C. 71.

An Act to prevent the Exportation to foreign Parts of Utensils made use of in the Cotton, Linen, Woollen, and Silk Manufacture of this Kingdom.”

In spite of their severity these laws could not prevent the gradual emanation of the secrets of machine production to other countries and, as American history shows, they merely fomented existing discontent still further, until a few years later the colonists, tired of these and other chicaneries, declared themselves independent and free from such rule.

While missing thus, by far, in preventing other countries from becoming familiar with the new production methods, the British lawmakers of this period attempted also to regulate labor conditions in their own country. These legislative efforts are the more interesting because they were made before, during and soon after the French Revolution and because they show clearly to what extent the British were willing to make working conditions more tolerable and orderly.

C. *Regulation of Working Conditions.* As the Statute of Apprentices issued by Elizabeth no longer sufficed to cope with the complications which arose from the new industrial order, George III issued in 1766 a new law (6 Georgii III C. 25): “An Act for better regulating Apprentices and Persons working under Contract.” This interesting act shows how the government tried to curb apprentices who left their masters in order to utilize their newly acquired knowledge in mines or other new shops. Because apprentices simply absented themselves in due time, leaving the master who had trained, clothed and fed them during all their apprentice years, the king decreed:

“I. Every such Apprentice shall, at any Time or Times thereafter, whenever he shall be found, be compelled to serve his said Master for so long a time as he shall have so absented

himself from such Service. And in case any such Apprentice shall refuse to serve, such Master may complain, upon Oath to any Justice of the Peace.

It shall and may be lawful for such Justice to commit every such Apprentice to the House of Corrections for any Time not exceeding three months.

II. Provided always that nothing in this Act contained shall extend to any Apprentice, whose Master shall have received with such Apprentice the Sum of ten Pounds.

III. Provided also, that no Apprentice shall be compelled to serve for any Time or Term, or to make any satisfaction to any Master, after the Expiration of seven years next after the End of the Term for which such Apprentice shall have contracted to serve."

Of like interest is the "Act for the Further Regulation of Parish Apprentices" (32 Georgii III C. 57) released in 1792. This was written at a time when France was applying with full force the policy of "Liberty For All." In the very same year England was willing to improve the conditions of the Parish Apprentices by ending their apprenticeship at the age of twenty-one years instead of twenty-four.

Much more important in the interest of better labor conditions and obviously influenced by the events in France was an "Act to explain and amend Laws relative to Colliers in that Part of Great Britain called Scotland." (1799, 39 Georgii III C. 56.)

"Whereas before the passing of an act of the 15th year many Colliers, Coal Bearers and Salters were bound for life to and transferable with the Collieries and Saltworks . . .

"Be it enacted by the King's most Excellent Majesty . . . that from and after the passing of this Act, all the Colliers in that part called Scotland, who were bound Colliers at the Time of passing the said Act, shall be and they are hereby declared free from their Servitude, and in the same Situation in every Respect as if they had regularly obtained a Decree in the Manner directed by the said Act.

"They must work, however, at the wages set by the judges or be imprisoned or otherwise punished.

"Coal mine owners who used to give too much advance pay, in order to keep the men obligated on the job, shall have no right to bring action against the men for such advances.

"Coal Masters cannot act as Judges."

There at least freedom was given to the workers of the industry, which ever since its beginning has been a problem to every government in whose country coal was mined.

Most important of all acts of this period, however, was "An Act for the Preservation of the Health and Morals of Apprentices and others, employed in Cotton and other Mills, and Cotton and other Factories." (1802, 42 Georgii III C. 73.) The act, which applied to all industries, gives a most dramatic picture of what was considered right and proper in English factories a mere one hundred and thirty-odd years ago, and as it further represents an almost perfect counterpart to Levasseur's description of the working conditions in French factories in 1700, it is presented in its entirety in the Appendix (B).

Together these three groups of acts give a sufficient picture of the industrial conditions as they existed at the time of the Industrial Revolution in England. Naturally, this picture is not complete. It could be elaborated and dramatized by descriptions of riots and similar events, but that is outside the scope of this work. Undoubtedly the whole period contains an abundance of dramatic events which it is to be hoped may some day be explored by an industrially-minded literary genius.

ENGLISH INDUSTRY IN 1770

In order to complement the picture, however, in reference to the economic background upon which the Industrial Revolution in England created its astounding economic progress and industrial prosperity, two statistical tabulations are offered which show the professional distribution of the entire population and the distribution of income accruing to these professional groups:

DISTRIBUTION OF THE POPULATION IN 1770

<i>Total Population</i>	8,500,000	100%
Agriculture	3,600,000	42.40
Manufacturing	3,000,000	35.30
Commercial	700,000	8.24
Professionals	200,000	2.34
Military and Officials	500,000	5.86
Paupers	500,000	5.86

DISTRIBUTION OF TOTAL INCOME IN 1770

<i>Total Income</i>	<i>£119,500,000</i>	<i>100%</i>
Agriculture	66,000,000	55.00
Manufacturing	27,000,000	22.70
Commercial	10,000,000	8.41
Professionals	5,000,000	4.21
Military and Officials	5,000,000	4.21
Interest and Capitalists	5,000,000	4.21
Paupers	1,500,000	1.26

(*Gibbins, The Industrial History of England*, p. 174.)

By a comparison of these two tabulations it may be seen that at the beginning of the machine era about one third of the entire English population was dependent on or actively employed in manufacturing, but that they received only approximately 23 per cent of the total national income or about £9.0.0 per year on the average.

The main portion of the population was still dependent upon agriculture (42.4 per cent), receiving approximately 55 per cent of the total national income or £18.6.8 per year on the average. If compared with the statistics offered by D'Ivernois for France in 1811, it is obvious that Great Britain, even at the beginning of the Industrial Revolution, was much stronger in industry and production than its neighbor across the Channel, which, nevertheless, was the most advanced industrial center on the Continent.

"Average Incomes" are of limited practical value but sometimes such figures help to demonstrate the economic well-being of those performing certain activities. If Gibbins' figures are correct the total income from manufacturing of £27,000,000 distributed among 3,000,000 people engaged in manufacture, would have yielded to each £9.0.0 per year or 180 shillings for 300 working days, which would mean 0.6 shillings or 7.2 pence per day or less than one penny per working hour. Some must have received more, and some less.

In 1770 a quartern size loaf of bread cost approximately 7 pence. In order to buy it a man had to work approximately a whole day of about 10 to 12 hours.

As bread prices rose almost constantly, especially during the war against Napoleon:

1776	.....	8½	to	7½	Pence
1781	.....	8	to	7	Pence
1786	.....	6¼	to	5¾	Pence
1798	.....	8¾	to	7¾	Pence
1808	.....	15½	to	11	Pence
1811	.....	18¼	to	13¼	Pence
1812	.....	20¼	to	15½	Pence
1813	.....	18½	to	11	Pence
1814	.....	13¼	to	11½	Pence

(Nathan Ben Saddi, *The Chronicle of the Kings of England*, 1821. Special Chart.)

industrial workers must have suffered terribly and one is led to believe that industry was by no means providing affluence to all.

In view of these facts, it should be especially interesting to investigate upon which principles England succeeded so quickly in becoming the prime industrial power of Europe, and which policies the government applied in reference to industrial economy after Napoleon was defeated and England faced an entirely new future.

THE LITERARY AND PHILOSOPHICAL
FOUNDATION OF THE ERA OF GREATEST
BRITISH PROSPERITY

Scotch poverty, searching for remedies through scientific theses. Kirk, Black, Charles and James Hutton, Stewart, Hume and finally Adam Smith. Smith's right and wrong philosophies displayed in a more modern light.

While practical political economy may appear far removed from philosophy and literary thought, there can be no doubt that any new economic period and any new governmental policy needs its "intellectual foundation." This becomes especially evident in those years when a nation has reached a certain goal and is preparing for a "new future."

The economic philosophies currently advocated by important groups, and quite often even the widely-read ideas of some "dreamers," are bound to exercise considerable influence on the basic decisions which actually are adopted and which, finally, may bring about satisfactory results called economic and industrial prosperity, or failure in varying degree.

Fortunate is the nation which has on such occasions the right men and the right ideas.

In modern times the establishment of novel economic policies at the beginning of a new era has become an elaborate public affair. The philosophy desired by the government is concocted by politicians seeking power and by especially-selected business men, economists and "leading thinkers," and publicity is spread so effectively by the use of all the modern means of communication that almost every differing thought or doctrine must appear wholly wrong.

The English governments of the early nineteenth century did not have to make any such efforts to spread a new economic philosophy; Scotsmen did it for them. These Scotch thinkers, whose country had been united with England since 1707, gave to the world ideas and thoughts which obviously were just the economic philosophy England needed. They contributed new ideas in many fields and gave serious consideration to industrial activities.

Though for the most part they were not in positions to carry out their ideas in actual practice, they nevertheless rendered an important service by stimulating the industrial thinking of the people and by formulating and giving expression to the ideas which those who really dominated the British government had nursed and tacitly applied for a long time without ever having directly expressed them.

This accidental but fortunate coincidence of economic philosophy and government policy became one of the strongest factors in launching England upon the period of her greatest prosperity and progress.

THE NEW ECONOMIC PHILOSOPHY OF THE SCOTS

While England was gaining victory as a political power, in Scotland poverty and exploitation were common. Naturally these conditions did not remain unnoticed, and it is not surprising that various Scotch intellectuals, most of them college professors, issued writings inspired by this state of affairs.

To a great extent they also received impulses from the wave of "natural philosophy" which had been conceived in France and which tried to obtain human rights for all alike on moral and ethical principles.

While the Scotch thinkers propounded their ideas mostly independently of each other, and treated different fields, they had one thing in common: they sought that moral and economic or, as they called it, "natural" philosophy, which would benefit the people most, and they wanted an improvement in economic affairs without delay.

In line with the fashion of their time, they presented their views in the form of investigations into the important problems of their day. The solutions which they proposed directly or indirectly in their writings are interesting, not only in themselves, but also because they cover almost the same fields which we find considered in even the most recent of new deals.

The outstanding writers of this period were:

Kirk, who hoped to help the people by advocating more and better education.

Joseph Black, who discovered and taught the theories of gases and chemical heat, and gave new impetus to the chemical conceptions of his contemporaries.

Charles Hutton, who issued many writings on *Recreation*

in *Mathematics* and *Natural Philosophy*, and started new thinking in both fields.

James Hutton, who wrote on philosophy; on the *Theory of the Earth, or an Investigation of the Laws Observable in the Composition, Dissolution and Restoration of Land Upon the Globe*, and many other new topics of great interest to an expanding and colonizing nation.

Dugald Stewart, another Scot, who wrote essays ranging from *Dreaming, Philosophy of the Human Mind, Moral Philosophy*, to *Life and Writings of Adam Smith*. He became known as an advocate of the new "common sense" philosophy.

David Hume began his writings with the *Treatise of Human Nature, being an Attempt to Introduce the Experimental Method of Reasoning into Moral Subjects*. He wrote many other philosophical essays and treatises, turned to historical subjects, and finally dealt with economics proper, in which he advocated free trade, taxes on consumption instead of on land, and avoidance of public loans. He desired a thorough consideration of all industrial factors, because "everything in the world is purchased by labor and our passions are the causes for labor."

ADAM SMITH

All these writers did their share, but the most important and practical was Adam Smith. Professor of Logic at Glasgow, he had already published in 1759 *The Theory of Moral Sentiments*, which made him famous among British intellectuals. Soon afterwards he became interested in the problem: Is individualism, or in other words, the independent thinking and unregulated acting of individuals, most beneficial to mankind, or will government-regulated action and enforced coordination of economic activities bring about still better economic conditions?

This problem presented itself very strongly to English observers in connection with French developments. It presented itself in England also practically in connection with the industrial transformation; it had actuality, importance, and was of interest to everyone.

Smith had been thinking along these lines ever since he had started teaching in 1763 in Edinburgh on "Justice, Police, Revenue and Arms," and when he felt ready and saw

the time ripe, he published his own economic ideas and speculations, stating how things might be expected to turn out if economic policies of an individualistic nature should be adopted. His book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, appeared in 1776—during a period of general readjustment of ideas, policies, dogmas, social status and many other phases of practical life—and there can be no doubt that Smith's ideas immediately influenced the opinion of those who wanted definite clarity on these points. There were many who agreed fully and adopted his theories as their own. There were also a few opponents, the best known of whom was John Gray who wrote a booklet, *The Essential Principles of the Wealth of Nations illustrated in opposition to some false doctrines of Dr. Adam Smith and Others*. It appeared anonymously in London, printed for T. Becket, Pall-Mall, in 1797. The author set out to prove that Adam Smith was wrong. The presentation, however, was so weak in conception and so faulty in its one-sided advocacy of farm and rent measures instead of Smith's proposals that it did not find any echo.

How much of Adam Smith's ideas were really adopted by the English lawmakers will have to be seen from their acts, speeches and legislation. Before that, however, Smith's doctrines and references on industrial matters are presented. It is believed that everyone who takes time to read Adam Smith will admire the thoroughness of his investigation, which established him as the greatest economist for the new English industrial era of the nineteenth and early twentieth centuries, but also will find quite a few principles wrong and no longer desirable as industrial-economic or political doctrine.

In introducing *An Inquiry into the Nature and Causes of the Wealth of Nations* (5th edition, printed for Wm. Allason, London, 1819, 3 volumes), Professor Stewart, Smith's critic and contemporary, clearly stated: "A great and leading object of Mr. Smith's speculations is to demonstrate that the most effectual plan for advancing a people to greatness, is to maintain that order of things which nature has pointed out, by allowing every man, as long as *he observes the rules of justice*, to pursue his own interest in his own way and to bring both *his industry* and *his capital* into the freest competition with those of his fellow citizens." This ought to be remembered.

It would be impossible in this study to discuss the entire

work in all its details, which in total form a well-considered and complete economic doctrine and a "new deal" program at the same time. Smith set forth his ideas on values, prices, wages, profit, rent, and also fixed and circulating capital and wealth in general, agriculture and many more topics. However, it does seem important to study closely all that he had to say on industrial matters and on industrial economy.

Characteristically enough, Smith begins his economic presentation and ideas with reference to labor:

Labour, the Real Source of Wealth.

"The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes. . ." (Vol. I. Intro. p. 1).

Direction of Labour and Economic Policies.

"Nations tolerably well advanced as to skill, dexterity, and judgment in the application of labour, have followed very different plans in the general conduct or direction of it; and those plans have not all been equally favorable to the greatness of its produce. . . yet they (these plans) have given occasion to very different theories of political economy." (p. 3.)

"I have endeavored, in the fourth book, to explain as fully and distinctly as I can, those different theories and the principal effects which they have produced in different ages and nations." (p. 4.)

The fourth book contains Smith's treatise on political economy and ideas on government interference with industry, and duties. See below.

Division of Labour. Book I, Chapter I, contains the well-known eulogy on the Division of Labour as creating the following advantages: first, the improvement of the dexterity of the workmen; secondly, the advantage which is gained by saving the time commonly lost in passing from one sort of work to another; thirdly and lastly,

"everybody must be sensible how much labour is facilitated and abridged by the application of proper machinery."

The Consequences of Division of Labour.

"When the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. . . Every man thus lives by exchanging or becomes, in some measure, a merchant,

and the society grows to be what is properly a commercial society."

Valuation, values, prices, money and rents thus obtain their importance, causing difficulties, and each should be considered in a special manner. It seems that modern economics still grapples with the very same basic factors.

Labour as Measure of Value.

"Labour, therefore, it appears evident, is the only universal, as well as the only accurate measure of value or the only standard by which we can compare the values of different commodities at all times and at all places." (p. 48.)

This statement, perhaps, is one of Smith's most serious errors and while it did prove itself not practical in any way, this conception of labor had indeed very far-reaching influences, as most socialistic concepts and philosophies have made it their first basic principle.

The Profit Principle.

"An additional quantity (of labour) it is evident must be due for the profits of the stock which advanced the wages and furnished the materials of that labour." (Chap. VI, p. 66.)

Smith thus does not abrogate the profit principle, nor does he assail it. In this he is absolutely different from socialist doctrine and modern reformers.

Distribution of Profits.

"In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle producing it, and the third pays the profit of the farmer." (Chap. VI, p. 67.)

This passage is cited because it presents the interesting and frequently recurring problem of how the profit from the sale of any commodity or manufactured product should be divided between manufacturer and labor, and how the prices for manufactured products should be established. Smith does not make any definite recommendation on these points. In old English practice, however, manufactured goods were priced so that approximately one third of the total sales price covered the cost for material, one third the cost of labor, and one third the gross profit to the producer. This principle has been adopted for many industrial branches in

the beginning of industrial production in many English speaking countries, and has been the basic costing and profit distribution principle for almost every industry in British colonies. Evidence of it can be found also in only slightly changed and modified form even in early American statistics on manufacture. (Census, 1849, see Iron and Steel, etc.)

High Wages a Sign of Progress.

"The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of increasing natural wealth." (Book I, Chap. VIII, p. 98.)

In this remark is the fountain from which sprang a variety of much abused beliefs: the high wage-prosperity doctrines in all their forms, the demands for higher wages common to all modern socialistic programs, the desirability of a "high standard of living," and many after-dinner speeches.

"It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people seems to be the happiest and most comfortable. It is hard in the stationary, and miserable in the declining state." (Book I, Chap. VIII, p. 110.)

In these statements Smith proved himself a very farsighted prophet indeed. American labor, for instance, had its most satisfactory period between 1922 and 1927 at the time when American industry was advancing to "further acquisition"; it began to feel the crash of 1929 about two years earlier and it has suffered most during the depression just as Smith had stated.

Restriction of Industrial Liberties. Smith attacked sharply all restrictions of industrial liberty in any form in Europe or in England.

"But the policy of Europe, by not leaving things at perfect liberty, occasions other inequalities of much greater importance." (Book I, Chap. X, p. 162.)

Smith refers in particular to the very important inequalities of not using labor properly and at a proper compensation which is bound to cause labor difficulties. He also attacked exclusive privileges of corporations, which were fre-

quently granted by European statesmen, as undesirable and against the common good.

Apprentice Training. Smith attacked Elizabeth's Statute of Apprenticeship, especially the long terms to be served, and attempted to demonstrate the fallacy of seven-year apprenticeship from various angles.

"The institution of long apprenticeship can give no security that insufficient workmanship shall not frequently be exposed to public sale." (p. 167.)

"The institution of long apprenticeship has no tendency to form young people to industry." (p. 167.)

"Long apprenticeships are altogether unnecessary." (p. 168.)

In this condemnation of apprenticeship can be seen clearly the influence of "natural philosophy" and at the same time the very important fundamental principle which has been of greatest consequence in the development of industrial activities in certain countries. Great Britain and all countries following British, and hence Smith's, theories, have greatly neglected the training of apprentices during the nineteenth century. On the other hand, Germany, less influenced by these doctrines, has made the training of apprentices and industrial education one of its earliest features in the promotion of industrial activities, and this is one of the reasons why it succeeded in achieving industrial supremacy over Great Britain.

Trade Association. Smith's attitude towards the cooperation of manufacturers in trade associations, guilds, colleges, corporations, or in any other form, is in view of all developments of greatest interest.

"People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible, indeed, to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice.

"But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary." (Book I, Chap. X, p. 177.)

As will be seen, British legislation was for a long time quite definitely Smithian in this respect.

"A regulation which obliges all those of the same trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies . . ."

"In a free trade, an effectual combination cannot be established but by the unanimous consent of every single trader and it cannot last longer than every single trader continues of the same mind . . ."

"The pretense that corporations (associations) are necessary for the better government of this Trade, is without any foundation. The real and effectual discipline which is exercised over a workman, is not that of his corporation but that of his customers" (Book I, Chap. X, pp. 177-178.)

Smith's pessimism about trade associations undoubtedly was based on certain reasons and observations and while he may have been correct in some respects, in the light of more modern knowledge this belief, too, can be marked down as a definite error of principle, in spite of the fact that in England, as well as in America, while industry was on the upgrade, this basic philosophy brought quicker progress and better economic conditions than could be obtained by enforced association and codification.

The Task and Systems of Political Economy. In Book IV on Political Economy, Adam Smith gave his ideas on the task of this science and on certain phases of it, which had been practiced differently, especially in France.

"Political Economy, considered as a branch of the Science of a statesman or legislator, proposes two distinct objects; first to provide a plentiful revenue or subsistence for the people, or, more properly, to enable them to provide such a revenue or subsistence for themselves;

and, secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.

"The different progress of opulence in different ages and nations, have given occasion to two different systems of political economy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture." (Book IV, Vol. 2, p. 204.)

Smith as yet does not mention a third system of political economy. No industrial system as the source of national wealth had ripened in his mind, and while he struggled faithfully and bravely with most economic details and even man-

agement problems of manufacture of his days, an *Industrial Political Economy* had not become part of his ideas and of his new deal scheme.

Individualism.

"What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can in his local situation judge much better than any statesman or lawgiver can do for him.

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority, which could be safely trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it." (Book IV, Vol. 2, p. 243.)

In order to prove his point Adam Smith discussed especially Colbert's *Regulation of Industry* and his *Conseil de Commerce*. He objected to the wilful selection of new industries and their enforced transplanting from one country to another solely on the order of some potentates, pointing out the many failures in this respect.

Principal Policies on the Development of Industries. Smith sounded similar warnings against another policy which had been quite in vogue in France and which was bound to be imitated by England, namely, the Protectionist System. Against this practice he stated the following:

"To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must in almost all cases be either useless or a hurtful regulation.

"If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must be generally hurtful.

"It is the maxim of every prudent master of a family, never to attempt to make at home, what it will cost him more to make than to buy.

"The general industry of the country being always in proportion to the capital which employs it, will not thereby be diminished, . . . but only left to find out the way in which it can buy cheaper than it can make.

"By means of such regulations (prohibitive duties) indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap, or cheaper, than in foreign countries.

"But . . . it will by no means follow, that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue.

"But the immediate effect of every such regulation is to diminish its revenue; and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord had both capital and industry been left to find out their natural employments.

"Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market." (Vol. 2, Book IV, Chap. II, pp. 243-247.)

Many of these principles seem to have been entirely forgotten in modern industrial economy, and today we find that in almost every country more efforts are being made to make things at home rather than to buy at the cheapest source of supply. Modern economy is mostly a combination of these two principles which today are deliberately fostered not so much for the benefit of the merchants and manufacturers as for the benefit of the workers dependent on production at home. Only in reference to deliberately protectionistic countries is Smith's theory still correct. However, in 1776, freedom of trade was just what the British wanted and needed in order to expand.

Free Trade Limitations.

"There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry.

"The first is, when some particular sort of industry is necessary for the defence of the country.

"The second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, is when some tax is imposed upon the like produce of the former. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former.

"The case in which it may sometimes be a matter of de-

liberation, how far, or in what manner it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is when particular manufactures, by means of high duties or prohibitions upon all foreign goods, which can come into competition with them, have been so far extended as to employ a great multitude of hands.

"Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection." (Vol. 2, Book IV, Chap. 2, pp. 252-258-261.)

These are Adam Smith's major ideas in reference to industrial political economy. Written at a time when machine industry was merely beginning, they naturally could not be more comprehensive. Smith, in spite of his faculties as a clear thinker and economist, simply could not foresee the great extent to which industry has become the foundation of the entire economic life of nations and what would happen if other nations became industrialized.

At his time England's strength was still founded primarily in political successes, agriculture and trade, but he undoubtedly helped his fellow citizens to see more clearly on industrial matters and to choose methods and policies of developing their industries which were different from those practiced in the past in France or in any other country.

Not during his life and rarely after his death did the British government see fit publicly to acknowledge Adam Smith as the father of the policies which it enacted after 1776, but many of these policies are so closely akin to Smithian principles that one can safely attribute to Smith the basic philosophic foundation upon which the middle class built England's greatest and longest period of prosperity. His lasting influence upon his countrymen was due primarily to the fact that he undertook to warn British statesmen against selfish and inhuman policies and that history proved him right when Great Britain lost America in 1783 due to economic and industrial restrictions which they imposed upon the colony. Never since then have British statesmen engaged in similar interference towards colonial possessions.

CHAPTER 23

RECONSTRUCTIVE LEGAL REFORMS

1814-1840

presented to show how England changed her laws in order to progress, so that one can compare how it is done today: on debts, on foreign trade, on factories and quality of goods, on juveniles and children workers, their hours and their wages.

I. RECONSTRUCTION OF NATIONAL FINANCE

The various wars with France and in many parts of the world had cost England a great amount of money.

The National Debt had risen as follows:

1761	98,000,000 Pounds
1763	122,500,000 Pounds
1765	129,500,000 Pounds
1776	136,000,000 Pounds
1781	177,000,000 Pounds
1786	266,000,000 Pounds
1798	465,000,000 Pounds
1808	761,500,000 Pounds
1814	814,300,000 Pounds

(Nathan Ben Saddi, 1821.)

William Pitt, First Lord of the Treasury from 1783 to 1806, had made frantic efforts to raise the money through loans by issuing exchequer bills and by taking advantage of every opportunity to raise taxes and duties, but he had been unable to bring about any reduction in the national debt so long as the wars with France went on.

As soon, however, as Napoleon was defeated, financial reconstruction became the prime object of Pitt's successors in the Treasury. They took the following steps to reconstruct the finances of England:

1. The *Gold Embargo* and suspension of specie payment which had been announced on February 27, 1797, were maintained until 1823, but gradual resumption of such payments was foreseen in 59 Georgii III C. 49, an Act of July 2, 1819.

2. The *King's Household Expenditures* were reduced and were restricted to the following items:

1 Georgii IV C. 1. The Schedule to which this act refers.

	£
Ist Class. His Majesty's Privy Purse	60,000
IIId Class. Allowances to the Lord Chancellor, Judges and Speaker of the House of Commons	32,955
IIIId Class. Salaries, &c. of His Majesty's Amba- sadors and other Ministers,—Sal- aries to Consuls, and Pensions to retired Ambassadors and Ministers	226,950
IVth Class. Expenses (except Salaries) of His Majesty's Household in the Depart- ments of the Lord Steward, Lord Chamberlain, Master of the Horse, Master of the Robes, and Surveyor General of Works	209,000
Vth Class. Salaries in the above Departments .. Pensions limited by the Act 22° Geo. III C. 82	140,700 95,000
VIth Class. Salaries to certain Officers of State, and various other allowances	41,300
VIIth Class. Salaries to the Commissioners of the Treasury and Chancellor of the Ex- chequer	13,822
VIIIth Class. Occasional Payments, not comprised in any of the aforesaid Classes	26,000
	£845,727

3. The *Internal Revenue Duties* which had previously been levied were gradually reduced. The law to this effect was issued in 1819, July 2nd: "An Act to repeal the several Duties of Customs chargeable in Great Britain and to grant other Duties in lieu thereof." The act restored these taxes to about 50 per cent of the high war levels. 59 Geo. III C. 52.

Similarly the tax duties of 10 per cent ad valorem on inter state shipments between England and Ireland were reduced not all at once but according to a special program.

4. A complete *Financial Reconstruction Program* was worked out which dealt primarily with the reduction of the national debt.

It is contained in various acts: 59 Georgii III C. 52, July 2,

1819; 1 and 2 Georgii IV C. 70-71, July 2, 1821; 4 Georgii IV C. 19, March 26, 1823; 9 Georgii C. 40, July 25, 1828.

The Debt Reduction Program of 1823 is summed up in the act as follows:

"It is resolved, that to provide for the Exigencies of the Public Service, to make such progressive Reduction of the National Debt as may adequately support Public Credit and to afford to the Country a Prospect of Future Relief from a Part of its present Burthens, it is absolutely necessary that *there should be a clear Surplus of the Income of the Country beyond the Expenditure, of not less than Five Millions.*" (Pounds per year.)

The Act of 1828 states that the Total Amount of the Unredeemed Funded Debt and Outstanding Unfunded Debt in Exchequer Bills, in brief, the Entire Public Debt, would be published in the London and Dublin Gazettes and that in the future £5 million per year would be used for the amortization and reduction of the National Debt.

Repayment would start after a sinking fund of 1 per cent of the Total due was built up.

Not only was the fund to be built up from the Interest and Dividends obtained on any Capital Stock held by the Treasury, but to establish it at the earliest possible time, the proceeds from increased land taxes also were to be accrued into the sinking fund, until 1 per cent of the Total should be established.

The desire to reduce the National Debt became so definite that a further law was provided:

1829, June 1. "An Act to amend the several Acts for regulating the Reduction of the National Debt," which decreed that out of each year's surplus 25% should be used for Debt Reduction. 10 Georgii IV C. 27.

5. *Emergency Financing.* The financial reconstruction program also included special provisions for emergency financing in Ireland. For England this was not contemplated.

An amount of £250,000,000 was to be paid to Ireland for the encouragement of manufacture and for commercial credit. Ireland was to provide an additional £500,000,000 out of Irish funds to be loaned to manufacturers, insolvent banks, etc., for the relief of commercial credit.

But soon this measure was considered an undesirable burden and was repealed on March 25, 1823. (4 Georgii IV C. 19.)

The act and the decision of 1823 are of greatest importance because the government thus expressed its desire not to interfere and not to participate in restoration activities. Time has shown that thereby it stimulated private capital—otherwise idle—to invest in these activities and to take over its own function, leaving government money available for the more important and direct obligations.

6. *Reorganization of Revenue Offices.* In order still further to strengthen the Debt Reduction policy, an act to consolidate the several Boards of Customs and also the several Boards of Excise of Great Britain and Ireland was passed on May 2, 1823 (4 Georgii IV C. 23), which decreed:

“And whereas it is highly desirable that all the Rates, Duties, Taxes, Receipts and Revenues forming Part of or directed to be carried to the said Fund (for the Reduction of the National Debt) should be assessed, charged, levied, collected and managed in a uniform manner . . . be it enacted . . . that it shall be lawful for His Majesty, His Heirs and Successors . . . to appoint

not exceeding	13	Commissioners of Customs
“	“	13 Commissioners of Excise
“	“	4 Assistant Commissioners of Customs
“	“	4 Assistant Commissioners of Excise

to collect and manage revenues from customs and excise arising in England, Scotland and Ireland.”

In this act we have the typical example of consolidation of offices, simplification of procedure and really better practice not merely promised in a campaign speech but actually established. The importance of this office and of this consolidation in Great Britain should be self-evident.

In analyzing this financial program one finds the British government's efforts directed upon the most vital and pressing problems of economics: reduction of the national debt and balancing of the budget brought about through a natural and unregulated flow of funds. Montchretien had recommended all this to Louis XIII. The British statesmen now applied these policies, as history shows, much to the advantage of their country.

Time apparently changes British policy very little. They applied the same principles in overcoming the worst depression which had distressed their country, that following 1929, and Chamberlain's speeches reporting on the budgets and

actual results for 1933, 1934 and 1935, strongly bear out the fact that this old policy is still better than most others. The policy has made Great Britain the only country among the leading nations which could show a surplus for 1933 in contrast with the deficits of most other countries.

II. RECONSTRUCTION OF TRADE AND COMMERCE

The steps which were taken to reconstruct Commerce, which had been badly disturbed, were equally simple and direct.

Duties were gradually reduced and the various restrictions which had prevented importation of foreign merchandise and materials on any other but English ships were gradually relaxed.

But the main task was to provide legislation which would consolidate the new and vastly enlarged colonial trade and also would facilitate the actual carrying out of these trade activities.

1. *Warehousing Act.* With typical English foresight, an act was passed which solved one of the most important problems of large scale international trade, and which undoubtedly has contributed greatly toward making Great Britain the main international broker in raw materials and semi-finished products in the nineteenth century and even today. The act referred to was issued in

1823, May. 12. An Act to make more effectual Provision for . . . permitting Goods imported to be Secured in Warehouses or other Places without Payment of Duty on the first Entry thereof. 4 Georgii IV C. 24.

To require payment of duty immediately upon entry of materials or goods into any country is, as all people familiar with international trade know, one of the most serious handicaps for the conduct of large-scale foreign trade.

By establishing this act the British benefited greatly not only the warehousing industry of their ports, but even more the import and export trading activities, brokering, banking and insurance. Indirectly, by facilitating these activities, they also benefited traveling, news reporting, etc., etc.

The possibility of accumulating warehouse stocks of im-

ported materials, without the obligation to pay duty immediately, was also highly beneficial for domestic industrial activities, as these stocks, still remaining in the hands of traders, represented an accumulation of raw materials which otherwise would have to be carried by the producers using this merchandise. As the traders invested their own capital, the producers saved that much and industrial capital requirements were reduced.

The warehoused stocks also helped to prevent undesirable price fluctuations and panic prices and thus the large quantities stored in the warehouses helped to balance economic conditions better than any government regulation or supervision of prices could have done. Furthermore, as all the traders were in competition with themselves, they watched the actual demand for their materials closely and in this manner helped to provide the raw material markets with just as much raw material as was actually needed, which again benefited British industry as it made long-range planning and costing possible.

By issuing this act at the beginning of the recovery period, the British government chose an extremely wise, inexpensive and effective means of laying a foundation for the greatest industrial program of its history.

Characteristically, the government chose to regulate only the key activity, warehousing. Placing this function under the supervision of Royal Commissioners, it enforced automatically a reliable observation of all those rules of ethics which play such an important part in international trade. The law was there, but unobtrusive, and the British merchandise brokerage business has been developed as a highly dependable and reliable economic activity.

2. *Revision of All Customs Laws.* Equally important were the various acts which represent a complete revision of the entire legislation upon which British commerce and trade are based. These acts, too numerous to be detailed here, covered customs, duties of customs, management of customs, general regulation of customs, prevention of smuggling, encouragement of British shipping, registration of British vessels, docking, etc. summarized and again improved, the complete revision of customs laws appeared on August 28, 1833. (3 and 4 Gulielmi IV. Statutes at Large, Vol. 13, pp. 176-323.)

3. *Revision of All Maritime Laws.* In addition to these customs laws, all maritime laws were consolidated in order to make them uniform and more practical. The various acts were issued on July 2, 1821, 1 and 2 G. IV, C. 74, 75, 76. They regulated registration of vessels, navigation, light-houses, the rights of the crew and of their masters, wages, safety, seamen, engineers, certificates, wreck and salvage, liability of the ship owners, sailing rules, delivery of goods, liens for freight and warehousing on docks.

All these rules were further complemented by the very comprehensive Fishery Regulation of July 2, 1821.

It is not surprising that the training of seamen and the humanizing of the maritime service should be part of the basic development program of these days.

The training of apprentices was made obligatory for each master of a ship of over 80 tons, and the number of apprentices was prescribed, increasing with the tonnage. 4 G. IV C. 25, May 12, 1823.

Desertion had been regulated before, but now the act made the master and his company liable to pay to the Greenwich Hospital for Seamen the full amount of the wages which the deserter would have received.

This ruling may appear at first not quite justified, but again it shows the typical English way to get results without directly enforcing them. The seamen deserted in part for adventure. Others, however, deserted because the food and the treatment were not as they might have been. By making the master, who had to hire another seaman for any one who deserted his ship, liable to pay also the wages for the disappeared men (jumpers), he was forced to prevent desertion as much as possible by making the service on board his ship at least bearable.

III. RECONSTRUCTION OF COURT PROCEDURES

England in 1820 was no more legal-minded than any other nation; possibly the "average" Britisher cared even less for courts and legal procedures than his non-British contemporaries. Nevertheless, this did not prevent the government from properly extending its recovery program of 1821 to include the enactment of one of the most sweeping reforms in legal procedure and court practice ever carried out in England.

Law in England was never a matter to be trifled with. The judges have never been "elected," democratic fashion, but are the representatives of the crown. No new psychological threat was injected into the reorganization program but the people were reminded most effectively that from then on court practice and procedure was entering a more exacting era.

More serious punishment was provided not only for offenders but for defaulting judges as well. A better type of judge was trained and requirements for appointment were set higher. The crown thus unobtrusively but very effectively broadened its sphere of indirect influence, making itself felt but not in a dictatorial way.

As in the reforms all Domestic Court procedures were thoroughly improved and even Colonial Court practice was not overlooked, and as law is the basis for all political administration, England began to lay, through these reforms, the foundation for a really consolidated and firmly coordinated empire.

IV. RECONSTRUCTION OF INDUSTRIAL LEGISLATION

In view of the rapid strides which industrial development had taken between 1769 and 1820, it should be of special interest to see what kind of industrial legislation the British government prepared for the new era. However, the search for legislation directly concerning industrial activities yields surprisingly little. Besides, as will be seen, the few acts that were passed are hardly of vital importance.

They are novel, however, insofar as they mark the beginning of a new kind of legislation which commonly has become known as "Factory Supervision." It is technical in character and had originally the purpose of protecting the neighbor or community from certain technical practices which were dangerous or annoying.

1. *Factory Supervision.* But even in the attempt to regulate technical abuses, the British government showed extreme restraint and only very few laws were enacted. The first one came out on the

28th of May, 1821. An Act for giving greater Facility in the Prosecution and Abatement of Nuisances arising from Furnaces used and in the working of Steam Engines.

"Whereas great Inconvenience has arisen, and a great Degree of Injury has been and is now sustained by His Majesty's Subjects, . . . from the improper Construction as well as from the negligent Use of Furnaces employed in the working of Engines by Steam: And Whereas by Law every such Nuisance, being of a public Nature, is abateable as such by Indictment; . . . be it therefore enacted . . . That it shall and may be lawful for the Court . . . to award such Costs as shall be deemed proper and reasonable to the Prosecutor . . .

"And be it further enacted, That if it shall appear . . . that the Grievance may be remedied by altering the Construction of the Furnace so employed in the working of Engines by Steam, it shall be lawful to the Court . . . to make such Order . . . as . . . thought expedient for preventing the Nuisance in future before passing final Sentence upon the Defendant so convicted. 1 & 2 Georgii IV C. 41.

The next law appeared in

1838, Aug. 10. An Act . . . for the further and better Regulation of Buildings and Party Walls, and for the more effectually preventing Mischiefs by Fire, within the Cities . . . as relates to Manufactories of Pitch, Tar and Turpentine.—In workhouses contiguous or nearer than 75 feet to other buildings not more than 10 gallons of tar, turpentine or oil of both could be handled at one time. A fine of £100.0.0 was stipulated for the violation. 1 & 2 Victoriae C. 75;

Only much later did further acts of this kind follow:

1863, July 28. An Act for the more effectual Condensation of Muriatic Acid Gas in Alkali Works. Not less than 95% of Muriatic Gas could be condensed. Inspectors were to control and decide on offenses. The first offense was punished with a fine of £50.0.0. For further offenses additional sums were added until £100.0.0 was reached. All Alkali Works were to be registered with the Inspector. These professional Factory Inspectors were to be appointed by the Board of Trade, but were to be paid out of Treasury funds. They thus were Government officials. Alkali Act 1863—26 & 27 Victoriae C. 124.

1881, Aug. 11. An Act to consolidate the Alkali Acts, 1863 & 1874, and to make further provision for regulating Alkali and certain other works in which noxious or offensive gases are evolved.—The Act is rather technical and aims to prevent the escape of Gases and Lyes. 44 & 45 Victoriae C. 37.

2. *Quality Supervision.* More serious and also more elaborate is the legislation of this period providing for Quality

Supervision by the government whenever it deemed it necessary for the benefit of the consumers or for the reputation of a particular industry.

It is most characteristic of the British government that, while interfering but little with industrial practices proper, it should take this attitude.

In 1819 on March 23 the reason given in An Act to regulate the Cutlery Trade in England:

“Whereas Knives, Forks, Razors, Scissors, Shears and other Cutlery wares, Edge Tools and Hardware requiring a cutting Edge, forged and formed of Wrought Steel, and Iron and Steel, have for many years been a great Branch of Trade in England; and such articles being esteemed in Foreign Countries for their superior Quality, great Quantities thereof have been sent to Foreign Markets: And Whereas a Practice prevails of casting or forming in a Mould from Cast Iron, Knives, Knife Blades, Forks, Razors, Razor Blades, Scissors, Shears, and other Articles of Cutlery, Edge Tools and Hardware requiring a cutting Edge, and some of such Articles are, by a Chemical Process, previous to the finishing and polishing thereof, made to resemble so nearly the like Sort of Articles wrought of Steel, and Iron and Steel, as scarcely to be distinguishable from Wrought Steel, and Iron and Steel, even by Persons skilled in the Manufactory of Cutlery, Edge Tools and Hardware; Be it therefore enacted . . . That from and after the passing of this Act it shall be lawful for all and every Person and Persons who shall make, forge, form or manufacture . . . by means of the Hammer any Knives, Knife Blades, etc. . . to mark, strike, stamp, grave or impress upon them the Figure or Form of a Hammer . . . so as to denote that such Knives, Knife Blades, etc. . . are so formed by means of the Hammer . . . and so as to distinguish the same Articles from such Articles cast or formed in a Mould. . .” 59 Georgii III C. 7.

Otherwise the law is little different from all the many medieval Quality laws of a similar nature, and it was followed by a series of others.

The regulations clearly show that the British government, even at the beginning of its greatest period of progress, definitely was not endeavoring to interfere with industry more than was necessary to maintain the old policy of preventing abuses.

V. RECONSTRUCTION OF LABOR LEGISLATION

In one respect, however, there is at the beginning of the new era also the beginning of a more enlightened, and a morally and ethically less indifferent attitude towards labor.

The new attitude, undoubtedly influenced by the new philosophies and opinions of the Scotch humanitarians and of Adam Smith, found its expression in a new government interest in labor legislation. But even in this respect the government again was endeavoring only to curb the more obvious abuses and evils. Outstanding among them at that time were certain malpractices in reference to the payment of wages and the exploitation of child and juvenile labor.

Payment of Wages. The poorer classes had gladly availed themselves of the new opportunities for work which had been created in the new shops. But as the number of job seekers was still greater than industry could absorb, wages had remained extremely low. Furthermore, a most serious competition among the new manufacturers had developed, which forced them, due to the low prices for manufactured goods, which resulted from the unrestrained competition, to economize as much as possible. Industrial labor was still in the state where it had to accept any wages paid by the manufacturers, and as the law fixed minimum wages only in a rather loose fashion, the producers, less encumbered by moral philosophies, had frequently resorted to payment in kind, or in garden truck or, adopting an old seaman custom, they paid the weekly wages in inns, often giving to the workers, stupefied by cheap drink, less money than was due them, or false account. Remedy was attempted by

An Act to amend and render the Provisions of divers Acts, for securing to certain Artificers, Workmen, and Labourers, in such Acts mentioned, the due Payment of their Wages. 1820 July 24, 1 George IV C. 63.

Child Labor. The other way of saving labor cost which was adopted by the manufacturers was through the employment of young people. The new machinery made this possible, and poverty made children available for labor.

It is rather interesting to note that in almost every country at the beginning of any really new era, the government,

anxious or forced to reform, has to concern itself with the working conditions for child and juvenile labor.

In England the first act regulating such labor appeared as

An Act to make further Provisions for the Regulation of Cotton Mills and Factories and for the better Preservation of the Health of young Persons employed therein. 1825, June 22. 6 Georgii IV C. 63.

Under this act no child of less than sixteen years was allowed to work in these industries *more than twelve hours* on any one day, from five o'clock in the morning to eight o'clock in the evening. On Saturdays work was to last only nine hours, from 5 A.M. to 4:30 P.M. Half an hour was provided for breakfast and one hour for dinner. No work was to be done during meals. Lost time due to lack of water in the stream was to be made up at half an hour each day. Violation of this act resulted in a fine of £10 to £20, half paid to the poor and half to the informer. The fine, however, was never to be more than £100.0.0 for any one sentence or day. Children under nine years of age needed the approval of father or mother to be permitted to work. All names of children were to be entered in a book. The parents signed for those under nine. Whitewashing of ceilings and interiors of factories with quicklime and water once a year again was made obligatory to preserve the health of the workers.

It is obvious to us, and it was clear also to at least one humane lawmaker of Great Britain, that this law was still inhuman. When gradually public sentiment was aroused against such cruel exploitation of children, Anthony Ashley Cooper, Earl of Shaftsbury, made himself the champion of shorter working hours by bringing before Parliament the *Ten Hours Bill* in March, 1833. It proposed that no children should work more than ten hours per day, which meant a reduction of two hours from the customary twelve. A special committee was appointed to study the Bill (Sadler's Committee) which approved of the proposal in principal and recommended that a timebook be kept.

The "timebook," however, became a serious obstacle. The employers, represented by Wilson Batten, M.P., declared the Sadler Committee had not been fair to them, and when Lord Molyneux further stated for the manufacturers that their profits would be reduced to five sixths, if the bill was adopted which reduced working hours from twelve hours to

ten, the appointment of another committee was decided upon.

Spring Rice, then Secretary of the Treasury, took sides with the manufacturers, asking "whether severe labor with bread was not better than no labor without bread," but the Parliament finally approved in

1833, Aug. 29, An Act to regulate the labour of Children and young Persons in the Mills and Factories of the United Kingdom. 3 & 4 Guilielmi IV C. 103.

The act is worth reading as it shows in all details the child labor conditions soon after English industrialism had begun to grow. In principle, night work for children and juveniles was abolished, but working hours for persons under eighteen years were still left at twelve hours per day or sixty-nine hours per week, while children under thirteen years were permitted to work not more than nine hours per day or forty-eight hours per week. The children had to be at least nine years of age to be registered for work, and inspectors were appointed to supervise these and some other regulations which called for education of the children, for which the employer was permitted to deduct one penny out of every shilling which the child earned. As there are twelve pennies in a shilling, the deduction was equal to 8.33 per cent of the child's wages, a rather high amount in view of the smallness of the earnings.

In 1838 the child labor problem was brought again before the House of Commons by Lord Ashley. He now pleaded the necessity of amending the Act of 1833. For a time Prime Minister Peel took his side, urging the Parliament to settle the matter for the sake of humanity and trade, but soon he weakened, in part due to the opposition of the manufacturers and perhaps just as much due to his own scruples and belief in non-interference.

SUMMARY

A brief survey of these reconstruction measures clearly reveals their strong as well as their weak sides and also demonstrates the effect which the strict application of the non-interference principle has upon the economic life of a nation. There can be found little fault with the financial, legal, maritime and trade reforms. Even in reference to industrial

legislation one will have to find non-interference as stimulating and advantageous to the advancement of technical methods by private initiative.

However, an examination of the labor legislation of this period reveals that the non-interference policy should have had its very definite limits at the point where it begins to sponsor progress at the expense of the weakest economic group in the entire field of industrial economy. There is a very definite line where sound non-interference policy stops and unsound non-interference policy begins. In England it began with permitting the commercialization and exploitation of child and juvenile labor. Such policies had not been permitted by the guilds and had never taken on such serious forms even in France.

True, the application of child labor made possible the production of cheap goods and their sale in the expanded markets to people with a low purchasing power. But it seems that the simultaneous application of machinery and of child labor represents a combination which is shrewd but can be defended only by a string of very weak excuses.

It is further true that this policy produced wealth—wealth of astounding dimensions for some manufacturers and within a rather short time. But this cannot be the real aim of any economic system which should provide a plentiful revenue or subsistence for all.

Therefore, it would seem that in the British reconstruction legislation there was at least one serious flaw: disregard for labor. The government's program was still primarily a political one, while economically it was directed more towards the creation of a better and stronger framework than towards the promotion of just and "natural" economy.

CONSOLIDATION OF INDUSTRIAL ACTIVITIES 1840—1871

what can be done if a Queen reigns for sixty and four years, has a Prime Minister who knows, and people who invent, and laws are made with wisdom and concern for the true public welfare of the people.

The early economic reconstruction of England was followed by an era of unprecedented technical and economic progress.

Queen Victoria took the throne in 1837 and reigned until 1901. This fact alone helped considerably in the development of the country, which was able to consolidate itself. The government, although it refused the people's five-point petition of 1838 for annual parliaments, abolition of the property qualification of the members of Parliament, vote by ballot, universal suffrage and payment for the services of parliamentarians, now began to make living conditions for the poorer classes more bearable and industry and commerce still more prosperous.

Favorable Measures. Outstanding among the measures directed to benefit the people were:

- 1840 Introduction of the Penny postage;
- 1842 Removal or Reduction of the duties on more than 700 articles and raw materials;
- 1846 Repeal of all corn laws and reduction of import duties on corn from 53 shillings to 4 shillings per quarter until 1849 and to one shilling per quarter thereafter;
- 1849 Repeal of all navigation laws;
- 1852 Addition of 123 articles to the duty free list, leaving only 133 on the duty list;
- 1860 Addition of 85 articles to the duty free list, reducing the dutiable items to 48;
- 1860 Repeal of duty on corn;
- 1875 Repeal of duty on sugar.

By these laws the government did its share to bring food prices down and to supply industry with cheaper raw materials. The Manchester School, known also by its leaders, John Bright, Villiers and Richard Cobden, had been instru-

mental in bringing about these laws. "Abundance" was their slogan, and "cheap food" was asked by Cobden for his countrymen so persistently that rarely, if ever, since has an Englishman recommended a raise in food prices and basic commodities.

Retardations. The economic progress of this period, however, was not without setbacks. In

1842, a general income tax had to be introduced in order to make up for the reductions in duty revenue. While this burdened the people, it placed the government expenditure more on those who could afford to pay it and did away with the indirect taxes which had primarily burdened the poor and the small manufacturers;

1846, the failure of the potato crop in Ireland caused famine and emigration;

1847, a commercial panic followed in England, primarily caused by an unduly conservative limitation of money circulation (£14,000,000) imposed upon the Bank of England in 1844 by Peel;

1855, bread riots broke out in Liverpool, due to high prices, but were soon settled; the increase in prices was partly a result of the Crimean War, which lasted from 1854 until 1856 and brought only minor tangible gains for the British;

1857, the great Commercial Panic broke out at the end of a period of industrial over-expansion and financial over-speculation. But beginning in

1858, Disraeli, as Chancellor of the Exchequer, began to bring order into the banking system. He guided the economic policies of England until 1868, when Gladstone replaced him as Prime Minister.

Disraeli's Fundamental Policies. Young Disraeli started in English politics only a few years before Bismarck began his political career in Germany. While different in many respects, both men became at the height of their careers the creators of basic political beliefs which have determined definitely the attitudes of the governments of their countries, and were characteristic of their times.

Disraeli rarely expressed his political principles in his official capacities, but he set them forth elaborately in his writings.

The following citations are characteristic and should serve

to explain at least in part the spirit in which the industrial legislation of this period was conceived:

"The basis of English Society is Equality. But here let us distinguish. There are two kinds of equality: There is the Equality that levels and destroys, and the Equality that elevates and creates. The principle of the first Equality, base, terrestrial, Gallic, and grovelling, is that no one should be privileged; the principle of English Equality is that everyone should be privileged." (Disraeli, *Vindication of the English Constitution*, Hutcheon (pp. 228-229.)

"Thus the English in politics are as the old Hebrews in religion, a favoured and peculiar people." (ibid.)

"As Equality is the basis, so Gradation is the Superstructure; and the English nation is essentially a nation of classes, but not of castes. Hence the admirable order, which is the characteristic of our Society; for in England every man knows or finds his place; the law has supplied every man with a portion and nature has a liberal character to amend the arrangement of the law." (ibid.)

"The Constitution of England is founded not only on a profound knowledge of human nature, but of human nature in England; the political scheme of France originates not only in a profound ignorance of human nature in general but of French human nature in particular." (ibid.)

"... Thus in England, however vast and violent may be our revolutions, the Constitution ever becomes more firm and vigorous; while in France a riot oversets the government, and after half a century of political experiments one of the most intellectual of human races has succeeded in losing every attribute of a nation, and has sought refuge from anarchy in a despotism without lustre, which contradicts all its theories and violates all the principles for which it has ever affected to struggle." (ibid.)

"If England is to retain that Empire which she owes to no natural resources, but to the various influences of a most complicated and artificial, but most admirable and effective, social system, she must gather into one united phalanx all who hold the doctrine, that England to be safe, must be great; to continue free she must rest upon the intermediate institutions which fence around monarchy as the symbol of executive force from that suffrage of unalloyed democracy which represents the invading agencies of legislative changes." Disraeli, June 11, 1853, *Whigs & Whiggism*.

"Give the popular assembly of Great Britain up to the controlling influence of the lowest voters in large towns and you have brought again a Piraeus to destroy your Athens." (Ibid.)

Technical Progress. While all these developments took place, unprecedented technical progress was made in almost every field of industrial endeavor, and some of the most far-reaching inventions were industrially applied. In

- 1803 machine paper making was introduced into England by Henry Fourdrinier and Bryan Donkin;
- 1822 Dr. Dalston in Leith began industrial coal tar distillation;
- 1823 Leblanc's method of making soda was started in England in Muspratt's factory;
- 1825 Faraday discovered benzene;
- 1826 Phosphor matches were invented by John Walker, a chemist of Stockton-on-Tees;
- 1828 Nelson introduced the hot blast as an economical process in smelting of iron ore;
- 1832 galvanizing of iron was begun on industrial scale by Vivians at Swansea;
- 1845 I. C. Johnson started the modern method of making Portland Cement at Swanscombe on the Thames;
- (1854 coke ovens were set up in Vaarbincken, Belgium.)
- 1856 Henry Bessemer invented steel making in converters in which oxidation by air current was applied;
- 1856 coke ovens were established in Coventry;
- 1856 Henry Perkin discovered Mauve, the first coal tar dye;
- 1856 Frederick Siemens prepared his inventions for making steel from scrap and pig iron.
- 1860 F. Walton obtained his patents on making oilcloth and started production at Kirkcaldy;
- 1866 the Siemens steel works were started in Birmingham, where the first Siemens-Martin steel was made;
- 1870 Mege-Mouries started making margarine industrially in England.

INDUSTRIAL LEGISLATION OF THIS PERIOD

In spite of these inventions which revolutionized many production processes and created new work for many, the

British government added but little fundamentally new legislation to its industrial acts.

Most of the laws which were passed contained only minor improvements on already established laws:

1842, March 23, 5 & 6 Victoriae C.7	refers to apprentice regulation.
1845, Aug. 8 & 9 Victoriae C.77	prescribes work orders to avoid disputes.
1861, Aug. 6, 24 & 25 Victoriae C.117	regulates juvenile labor in lace factories.
1864, July 25, 27 & 28 Victoriae C.48	extends the previous Factory Acts.
1866, June 28, 29 & 30 Victoriae C.44	encourages lodging houses for labouring classes in Ireland.
1867, June 17, 30 & 31 Victoriae C.28	extends the Dwelling Act of 1866 to England and Scotland.
1868, July 31, 31 & 32 Victoriae C.30	requires better dwellings for artizans and laborers.

New in this list are only the Dwelling Acts, all of which decreed that workers should be housed properly.

England never had an excess of housing facilities and especially not in the new industrial centers which developed throughout the country. The new factories made permanent residence of low-paid workers a necessity and their living conditions soon became highly undesirable.

Industrial conditions as they existed at that time in England were thoroughly and vividly described by Karl Marx in his *Capital*, Chapter 13, and by Engels. Both offer interesting reading on this subject, based on reports of the official factory inspectors. From them we can glean that immorality and poor health became the outstanding evils.

In order to curb these conditions the Dwelling Acts were enforced. They did not entirely eliminate the bad habits of the workers, nor the poverty in which a great number of them continued to live, but building was started and gradually the workers obtained better living quarters and a higher standard of comfort than most of them had been accustomed to before they became industrial workers.

Aside from this, however, British legislation did not attempt to interfere with industry. Liberalistic in its basic atti-

tude, it still followed its age old "hands off" policy. As the lists of industrial laws indicate, interference appeared justified only in such cases when "public" interests were involved!

The quality of the goods sold to the public, the method of paying wages, the health and morals of children and of juvenile workers, the prevention of riots, the conditions of apprenticeship, the immorality and poor health of workers caused by poor housing—all these were conditions in which "public" interests were involved and, therefore, we find laws dealing with these industrial problems.

The amount of wages paid, poverty resulting from too low wages, exploitation of adult workers, accidents, sickness, old age and many similar problems were still considered as strictly "private" affairs; no lawmaker in the United Kingdom would have been able to obtain legislation on such topics, regardless of the seriousness of these problems. According to the prevailing legal concept, they did not concern the "public" interest and therefore were not subject to consideration by the Parliament or by the government.

In this principle is the key to the entire industrial legislation as it was enacted during the nineteenth century in Great Britain and only with this principle in mind can we understand the scarcity of industrial laws and, in strict contrast to this, the abundance of laws regulating "public" enterprises.

PUBLIC UTILITY REGULATION

As great as was the technical progress made in Great Britain during the first half of the nineteenth century, a few of the technical innovations were of such importance that they transformed the entire daily life not only of England but also of the world to such an extent that their beginning also marks the beginning of our present civilization.

These innovations are: railroads, gas works, electric light and power stations, and telegraphy. Some of the inventions underlying these technical achievements were strictly British, but a number of them originated with Germans or Frenchmen who had not found their own countries ready to apply their ideas. In individualistic England they found a more receptive response, less ridicule and also men willing to risk their money on the practical application of their ideas. It was due to these facts and to the policy of the British government not to interfere with industrial activities unduly, but

with true regard for public interest, that England became the leading nation in developing these technical innovations.

As soon as the public character of these enterprises became evident and their operation involved certain dangers to the users and risks to the investors, the British government began to enact a series of laws which have become exemplary for the basic official regulation of public enterprises in many lands. Naturally these laws have been modified in most details in England as well as elsewhere. But these first regulations reveal fundamental attitudes on certain points which deserve to be revived, especially in view of the fact that most recently quite contradictory opinions on the fundamental regulation of such enterprises have been propagated.

RAILWAY REGULATION

Railroad engines were one of the outgrowths of Watt's steam engine and many inventors could be cited who contributed indirectly to the idea of putting a steam engine on rails. In briefest form, however, the earliest history of locomotives and railroads can be summed up into the following data:

- 1813, William Hedley completed his "Puffing Billy";
- 1814, George Stephenson built a locomotive to haul coal in the Killingsworth colliery;
- 1825, George Stephenson's "Locomotion" was sold to the Stockton and Darlington railway;
- 1830, The first great railway was opened for passenger traffic between Liverpool and Manchester;
- 1830, The first American steam railroad began operating between South Carolina, Baltimore and Ohio;
- 1835, The first German railroad was opened between Fürth and Nürnberg;
- 1837, The second German railroad was started between Leipzig and Dresden.

Though at first afraid of the new means of transportation, the people soon looked favorably towards railroad travel. The Liverpool and Manchester Railroad proved a success for the investors, and many small railroads were built in England by enterprising companies which obtained their funds in part from the investment of rich men, but still more from public bond and stock subscriptions. From the start on the govern-

Lebon in Paris and had hoped to introduce the new industry into Germany. After he failed there he went to London in 1804 where he lectured on "Gas Light" at the Lyceum Theater. As he did not speak English well enough to do his own speech-making, he had to rely on the services of an interpreter and as Winzer did not pay much, the interpreter was careless and forgot sometimes the hour of the lecture and sometimes the manuscript. In spite of this poor advertising, Messrs. Phillips & Lees in Manchester declared themselves willing to have the new light installed in their large mill. After Samuel Clegg had invented a purification process for gas by means of lime, Winzer received a second order to light a cotton mill in Halifax.

However, Winzer had higher aims. In 1806 he again started his lectures, which he elaborated by demonstrations, verses and promises. He promised an annual return of £64 for every £6 expended and finally he received sufficient money to light part of Pall Mall in January, 1807. It was the first street in the world to be illuminated by coal gas. After that the shares which he sold were bought eagerly and so he acquired funds for establishing the London and Westminster Chartered Gas Light & Coke Company, for which he received a royal charter in 1812.

Winzer's promotional and chemical activities were carried on by Friedrich Christian Accum, also a German, while the engineering difficulties were gradually solved by Clegg and John Malam, all of whom were connected with Winzer's Gas Company.

In 1815 Accum published his *Practical Treatise on Gas Lights*, helping to bring about the more general establishment of gas plants which began to be built in various localities during and after 1820.

The government did not interfere much, but regulated certain details and, when too many detail regulations became necessary, a Summary Act was released:

1847, April 23. An Act for consolidating in One Act certain Provisions usually contained in Acts authorizing the making of Gasworks for Supplying towns with Gas. 10 & 11 Victoriae C.14.—The Gasworks Clauses Act 1847.

The act starts with numerous legal definitions for terms used, and then regulates the establishment of gasworks, their

district, the power to lay pipes on public and on private grounds, reinstating of streets, street damages, letting of meters, rights to stop gas in case of non-payment, rights to prosecute frauds on the part of the users, obligation for damages in case of accident, fouling of water, etc.

"§30. The profits of the undertaking to be divided amongst the undertakers in any year shall not exceed the prescribed rate or where no rate is prescribed they shall not exceed the rate of ten pounds in the hundred by the year on the paid-up capital in the undertaking."

"§31. Excess profits were to be invested in Government or other securities, until $1/10$ of the nominal capital formed a reserve fund to answer any deficiency which may at any time arise against the undertakers. This is the beginning of the "Legal Reserve."

"§35. Rates: In England or Ireland the court of quarter sessions, and in Scotland the sheriff, may on the petition of any two gas rate payers within the limits of the Special Act, nominate and appoint some accountant or other competent person, not being a proprietor of any gas works, to examine and ascertain, at the expense of the undertakers the actual state and condition of the concerns of the undertakers;

... "If it thereupon appears that the profits of the undertakers for the preceding year have exceeded the prescribed rate, the undertakers shall, ... in case the reserve fund is in order, ... make such a rate-able reduction in the rate for gas ... as in the judgment of the said court or sheriff shall be proper, but so as such rates when reduced, shall ensure a profit as near as may be to the prescribed rate."

Again the law is helpful to the consumer, and it also contains rather severe provisions for the control of the enterprise and of its rates. However, it was due to these severe provisions that investors felt readily inclined to trust their money to gaswork companies, some of which finally spread not only to numerous cities in England but to many cities on the Continent as well. Berlin, Vienna, Budapest, Warsaw, Constantinople, Madrid, and hundreds of smaller communities all had at one time or other "English gasworks" built by British interests. While today the British capital invested in gasworks on the Continent has mostly been withdrawn, British money still is most profitably employed in gasworks in many cities of South and Central America, in Asia, Africa and in the Crown colonies everywhere.

WATERWORKS REGULATION

Of similar importance to the gasworks were the works which had been and continued to be established in England by private capital to supply entire cities with water in a systematic manner.

Such enterprises did not originate in England. Waterworks had been built and administered in Greece, in Rome and in the Roman colonies, and had also been regulated before in every country. But the English government, while regulating other public utilities, did not forget to provide summary regulation in line with the others for this important branch of industry.

1847, April 23. An Act for consolidating in one Act certain Provisions usually contained in Acts authorizing the making of Water Works for supplying Towns with Water. 10 & 11 Victoriae C.17, The Waterworks Clauses Act. 1847.

"§6. Where by the Special Act the undertakers shall be Empowered, for the purpose of constructing or supplying waterworks, to take or use any lands or streams otherwise than with the consent of the owners and occupiers thereof . . . they shall make . . . full compensation for the value of the lands or streams so taken or used and for all damages. . ."

"§8. Waterworks shall not be constructed until plans of the original layout and of any alteration hereafter has been deposited with and approved by the Government.

The act contains provisions for most cases and problems arising from the establishment of waterworks; water supply, the rights of users, pipe laying, fireplugs, protection of water reservoirs, charges and water rates. Rates shall be paid . . . "according to the annual value of the tenement supplied with water and if any dispute arise as to such value the same shall be determined by two justices."

COMMISSIONERS CLAUSES ACT, 1847

In addition to all the laws regulating privately-owned public enterprises, the government issued one act which referred to municipal enterprises in particular. Ostensibly it is merely:

AN ACT for consolidating in One Act certain Provisions usually contained in Acts with respect to the Constitution and Regulation of Commissioners appointed for carrying on Undertakings of a public Nature. 11 & 12 Victoriae, C.16. Apr. 23, 1847.

Actually, however, it effects a definite and thorough enforcement of fair practice and financial responsibility on the part of those in charge of city public utility enterprises. The act stipulated that they were not to be appointed like other employees, but should be elected by the rate payers using the services of the public utility.

Specific requirements were established for these commissioners and for their various responsibilities, qualification, election, voting, delegation of duties, remuneration, meetings and transactions. Heavy fines were provided for those who neglected their duties or failed to render proper accounts. The act also regulated the responsibilities of municipal enterprises as such, and provided procedures for all financial obligations, accounting methods, distribution of profits, liquidation and bankruptcy.

The law did not over-regulate but, based on knowledge of human nature, it did not leave very much to chance in reference to municipal utilities.

THE TELEGRAPH ACT, 1868

Modern trade and industry without electric servants are unthinkable. Light, power, telegraph—all became technical realities in England during the period of industrial consolidation. In

- 1801, Sir Humphrey Davy made the first electric arc light;
- 1831, Faraday discovered the principles of the induction coil and of the dynamo;
- 1833, Faraday propounded the laws of electrolysis;
- 1833, the first electro-magnetic telegraph by Gauss and Weber was set up in Göttingen. It was introduced into England by Cooke in 1834;
- 1836, Daniells made the first constant current battery;
- 1844, Morse improved the telegraph and code system;
- 1845-1850, England established nation-wide telegraph networks;
- 1851, the first submarine cable was laid between Dover and Cap Griz Nez;
- 1857, the first transoceanic cable was completed but failed. Renewed attempts were made in 1858 and final success was achieved in 1866.

The British government did not find it necessary to regulate in any serious manner the industrial production of electric products. It did, however, concern itself seriously with the telegraph companies, all of which were private enterprises.

The Telegraph Act of 1868, "An Act to regulate the Exercise of Powers under Special Acts for the Construction and Maintenance of Telegraphs," was issued on July 28, 1868; 26 and 27 Victoriae C. 112.

Every authorized company was permitted to construct and to maintain "telegraphs" and was granted the right to place and maintain telegraph lines under any street or public road and to alter or remove the same. They could place posts in such places, could change or alter the position of any pipe and establish lines under, in, upon, over, along or across any railway, canal, estuary or branch of the sea or the shore or bed of any tidal water.

On the other hand, the act provided also many restrictions and legal obligations; for instance, definitely obligating the telegraph company to transmit any message of her Majesty's Service prior to all other messages.

Additional lines were to be arranged for by the company if and as the Board of Trade should desire. If such a request were not complied with, the Board of Trade was permitted "to have the desired line built and placed in connexion with any of the Company's worked by such Persons and in such Manner as the Board of Trade thought fit, and for that Purpose shall have and may exercise all the Powers under this Act or otherwise vested in the Company, subject nevertheless to the Restrictions and Provisions under this Act or otherwise applicable to the Company. . ."

Any dispute and special compensations were to be settled by friendly arbitration.

§52. "Where, in the Opinion of One of Her Majesty's Principal Secretaries of State, an Emergency has arisen in which it is expedient for the Public Service that her Majesty's Government should have Control over the Transmission of Messages by the Company's Telegraphs, the Secretary of State, by Warrant under his hand, may direct and cause the Company's Works, or any Part thereof to be taken possession of in the name and on behalf of Her Majesty, and to be used for Her Majesty's Service. . ."

It should be noted that these requirements were still more definite and far-reaching than those applied to the railroads or other public utilities and, taking the entire legislation on public enterprises as a whole, one finds it strict rather than lenient and by no means built upon any principles of non-interference. Every one of the laws contains provisions which permit the government to check on the activities and to prevent abuses, and the history of public enterprises in Great Britain shows a record fairly free from undesirable practices.

REGULATION OF INDUSTRIAL AND COMMERCIAL COMPANIES

The great inventions and their practical application caused commercial activities to grow to such dimensions and to take on such diversified form that finally the traditional methods of doing business no longer sufficed. No longer did small manufacturers market their individual products locally, and no longer were the merchants those whose activities kept manufacturers busy.

The industrial revolution brought about a definite and final reversal in the relationship between commerce and industry and made industry the driving force of commerce. The new processes created a demand for raw materials which had to be procured. The products of manufacture had to be "sold" in the truest sense of the word, and many industrial enterprises began to cover direct not only the English market but overseas markets as well. The British agent and the "Agency" came into being.

The new type of industrial enterprise which had gradually evolved was based on large investments and constantly demanded more capital funds. These funds were obtained through borrowing from the public, and the only security behind the certificates of debt was the enterprise or company.

The British government, in view of the many failures which occurred and the resulting losses to investors, recognized the need for a systematic regulation of the various kinds of industrial and commercial companies, and finally provided in 1862-63 two acts, both of which were designed to bring order into the somewhat chaotic conditions. These acts were primarily concerned with big enterprises, and again is discernible behind the direct regulations of the various duties of

companies, a much more important aim: to stimulate sound industrial and commercial investment and to eliminate as much as possible the undesirable practices which had been promoted during the hectic 1850's.

In Germany also a company regulation had been issued a few years earlier for the same reasons and with the same purpose. But as it had been too drastic, hundreds of business failures and a noticeable crisis had been the unavoidable outcome.

The British government, seeing the result in Germany, chose less radical methods of regulation and provided two acts, one primarily to remedy conditions and the second to legalize new means for further but sound progress.

The Companies Act, 1862. The "Act for the Incorporation, Regulation and Winding up of Trading Companies and other Associations" (25 and 26 Victoriae C. 89; Aug. 7, 1862) undoubtedly served to foster the first aim. It contains all the academic and practical legal requirements which the British government desired every company to fulfill.

The act is voluminous and apparently includes all the regulations which the lawmakers had desired to enact since the beginning of the new era, but till then had not properly codified. Nine different parts cover:

1. The Constitution and Incorporation of Companies and Associations.
2. The Distribution of the Capital and Liability of Members.
3. The Management and Administration of Companies.
4. The Winding up of Companies.
5. Registration Office.
6. Application of Joint Stock Companies.
7. Companies Authorized to Register under this Act.
8. Companies not Registered but Coming under this Act.
9. Repeal of Acts and Temporary Provisions.

Most interesting among the types of companies provided for is the joint stock company, which was especially conceived for industrial enterprises and became quite popular among the rather conservative producers who would rather take in a new partner than ask for credit in the open market.

Also the company with "limited" liability was given its special importance for industrial enterprises at that time,

and the possibility of organizing on this basis was of great help to many enterprises in obtaining funds for expansion.

The Companies Clauses Act, 1863. The "Act for consolidating in One Act certain Provisions frequently inserted in Acts relating to the Constitution and Management of Companies incorporated for carrying on Undertakings of a public Nature" obviously was designed primarily for the future. The act as such does not represent any new kind of legislation as it merely revised a similar act of 1845. But it contained a few new features which dealt with difficulties common in these days: for instance, cancellation and surrender of shares, change of company name, additional capital; and besides the act contained regulations on a new kind of security—debenture stock.

As common and preferred stocks, bonds, mortgages and other certificates of many varieties were already legally approved and in use, the appearance and approval of this new debenture stock might seem almost unjustified.

However, the government yielded in this point to the frequent and serious pleading of the companies who needed money for expansion but did not desire to obtain it from stock or bond buyers to whom they, according to the new laws, would have to grant voting rights. Voting in the stockholders' meeting was at that time a cardinal matter and even a small minority of stockholders could have interfered seriously with the policies and the progress of the new enterprises.

On the other hand, there were many capitalists who did not care to buy stock or bonds and run the usual risks, and who further did not care to vote, but were interested only in safe investment and its return. Private banks were frequently among these investors and they were anxious during the 'Sixties to "take interest" and to finance industrial enterprises or public utilities by means of securities which offered good returns, safety, and caused little trouble. The last feature was of special importance in financing English enterprises abroad.

In other words, by about 1863 England had reached the point where the banks took a definite interest in industry, at home and overseas, and industry as well as finance were anxious to have a new security which the banks could readily buy, hold or resell without entangling themselves or the ulti-

mate investors in more risks and difficulties than were desirable.

The government finally obliged and stipulated in the Companies Clauses Act with reference to Debenture Stock the following:

“§31. Debenture Stock shall not entitle the Holders thereof to be present or vote at any Meeting of the Company . . . but shall be considered as entitling the holders to the Rights and Powers of Mortgages. . .”

“§23. Debenture Stock, with the Interest thereon, shall be a charge upon the Undertaking of the Company, prior to all Shares or Stock of the Company, and shall be transmissible and transferable in the Same Manner and according to the Same Regulations and Provisions as other Stock of the Company.” In all other respects it was granted the Incidents of Personal Estate.”

“§25. If within thirty days after the Interest on any such Debenture Stock is payable the same is not paid, any One or more of the Holders of the Debenture Stock, holding . . . 1/10 of the authorized total of Bonds, Mortgage and Debenture Stock or the Sum of Ten Thousand Pounds, whichever of the Two is smaller, may . . . require the appointment of a Receiver.”

“§22. Where any Company is authorized to create and issue Debenture Stock it may do so instead of raising Money on anything else.”

Debenture stock could be issued even in smallest amounts of £1.0.0. The debentures were not secured by property but rested on the company's operating activities, leaving it all the freedom in reference to its property which it wanted or might have need of in the ordinary run of business.

Only if large sums were borrowed on debentures were special trust deeds drawn on company property, which became thus especially mortgaged, and local residents or even outsiders were appointed as trustees. Holding companies or banks could thus appear on the board of an industrial company without being involved in its affairs. Here is clearly the beginning of the new financial “Interest” era, of “Interlocking Directorates” and of “Domination of Industry by Banks.”

The British government did not then foresee such possibilities, but few English banks actually took unfair advantage of these possibilities at that early date. With legal require-

ments for companies properly established, they began rather to help industry to obtain funds, and a sound and mutually helpful relationship arose. Just as British industry had become a world industry, so British investment banking now was enabled to become world-banking, on the basis of a few laws.

SUMMARY

By 1870 Great Britain was the supreme industrial power in the world. The period from 1840 had been one of great progress achieved by a definite consolidation of political power, a definite encouragement of trade and commerce, sound financial policies and a peculiar and steadfast basic discrimination between "private" and "public" affairs, in consequence of which the latter were regulated while the former were trusted to private initiative, individual efforts and free competition.

But the bright sides of this picture were not without shadows. England had the mightiest fleet and at the same time the worst and largest slums; the greatest wealth on earth and simultaneously an unusually high proportion of poor and sick people. She had the greatest number of mills and machines and employed the greatest number of juveniles and children. Her ships visited every port and traded with every nation, but her statesmen were not as happy as they might have been; they had watched the rise of a new power on the Continent, which had developed its political importance by systematic planning, and they saw its growing efforts become notable in the field of economics, in international trade and in the vast realm of making goods by machines. Germany was now again politically united and had been ready even to accept the war which France had forced upon her in the hope of stopping her progress. These were serious problems for British statesmen and to meet them there was only one method which they thought suitable: more power for Great Britain.

In making this decision the British statesmen really had not much choice, because aside from Germany all other nations which had become industrialized now made "free competition" their private and official economic philosophy and applied it with increasing vigor to foster their own ends.

Thus in keenest national and international rivalry England, Germany, France, the United States, and even minor

countries such as Belgium and Holland entered upon an era of competition of a kind which none of the economic philosophers nor anyone else had foreseen.

The new machine industries were developed everywhere to produce goods and financial wealth, the utilization of which was influenced by statesmen, politicians, bankers, war-mongers, and military cliques. On the other hand the same competitive struggle created still more poverty-stricken masses, uncertain working conditions, business expansions, and depressions.

“The annual labour of every nation” was grossly abused and transformed into conditions which were anything but “natural” and the whole political economic spectacle was as grand and glorious while it lasted, as it was disastrous and detrimental to all industrial nations in its final outcome.

BRITISH IMPERIALISM

1870—1914

why England strove for world-wide power, and finally prepared for war, perhaps as much for some statistics that gave grave concern to Churchill and Lloyd George, as for the German deviltries; why many people could not find work and labor now was given rights, and unions were permitted.

THE POLITICAL REASONS FOR BRITISH IMPERIALISM

The outcome of the Franco-Prussian War made Germany a strong and powerful nation, striving openly for political recognition and influence, for trade expansion and new markets. The German government assisted German industry in all possible ways, and Bismarck began to apply the rules of free competition at home and in the field of international politics. This brought pressure to bear upon British interests. The two countries began to compete in almost every country of the world for political influence and trade, and a rather unhealthy stimulation of British political efforts followed which was primarily directed toward keeping England abreast of its newest and constantly gaining rival.

France, after her defeat in 1871, became distrustful of England because the latter had not supported her cause. Because of her defeat, France was forced to resort to more intensive protectionism in order to obtain revenue and to strengthen French industry. This, too, hurt British trade and exports. Soon after 1871 France sought the friendship of Russia, until then a rather good friend of England and a buyer of English goods. Slowly but surely the imports of French goods obtained supremacy and English imports lost ground.

When, almost immediately after her defeat, France began to cultivate friends and allies also in Central Europe and among the Balkan States, England, though at first she did not lose much of the influence and trade which she had already built up there, failed to make further headway, and lack of progress soon turned into political and economic stagnation. This, too, was recognized early by the English leaders but merely served to stimulate them to seek prestige in more remote continents and countries.

The Strife for Power. Disraeli, who had become Prime Minister of England on February 28, 1874, purchased sufficient Suez Canal shares from the Khedive of Egypt to bring this extremely important waterway under British control.

Next, he proclaimed Victoria Empress of India on January 1, 1877, thereby enhancing British prestige considerably. In 1878 he took possession of Cyprus to fortify England's new position in the Mediterranean and from then on England engaged in military and political expansion in almost every part of the globe.

The war with the Zulus in 1879 was followed by the war against the Afghans, from 1878 to 1881. Diplomatic power in Egypt was acquired in 1883 and the Sudan subdued in 1884. Bechuanaland was made a Crown colony in 1885 and Burma annexed and an Anglo-Chinese agreement concluded in 1886. Zululand was conquered in 1887 and protectorates established over North Borneo, Brunei and Sarawak during the following year.

During the years 1890 and 1891 parts of East and West Africa, Madagascar, Algeria and Abyssinia and Heligoland were ceded or recognized to be under the influence of other powers, but during the following years British interests were most active again in many parts of the world. Uganda, Sierra Leone, Venezuela, South Africa, Sudan, Siam, Egypt and many other countries appear in the history of British diplomacy during the 'Nineties. Most important of all acquisitions of this period proved to be South Africa, which has become England's most important source of gold.

With the beginning of the twentieth century, however, we find a fundamental change in British international policies taking place. In 1902 His Majesty's government concluded a "defensive" alliance with Japan on Eastern questions and thus began a series of decidedly political steps. The next followed in 1903 in form of a rapprochement with France, which in its final form was concluded on April 8, 1904, as the Anglo-French Agreement, or, as it is commonly known, the Entente Cordiale. The Japanese alliance was renewed for ten years in 1905 and an Anglo-Russian convention concluded on August 31, 1907, which gave Russia trade rights in Persia and made Afghanistan independent and uncontested territory. In 1909 it was decided to have a uniform British General Staff throughout the Empire and to establish military training colleges in every colony. During the

two Morocco crises in 1911 which concerned the effectiveness of French supremacy over Morocco and almost caused war between Germany and France, England observed greatest watchfulness. She also observed closely, and silently supported, all the conventions which France concluded or sponsored at that time among her various allies, better known as the Little Entente.

By 1914 England was well prepared defensively or aggressively to meet any political or military emergency which might arise. Stimulated by the political and commercial competition of Germany, she had made a supreme effort not only to retain world political leadership but to become a mightier power than ever before.

The Meaning of "Imperialism." For a glimpse into the international policy as applied by the ruling class of England during this period, and into the political and economic intricacies, entanglements, dangers, possible pitfalls, actual tragedy and high hopes connected with the actual applications of this policy, the following reading is recommended: *Memories and Reflections 1852-1927* by The Earl of Oxford and Asquith (Little, Brown & Company, Boston, 1928) and *Twenty-Five Years 1892-1916* by Viscount Edward Grey of Fallodon (Frederick A. Stokes Company, New York, 1925).

Still better will become the understanding of this period if the reader will also take notice of a book which John Colomb wrote in 1867 on *The Protection of Our Commerce and Distribution of Our War Forces Considered*. It is the first British book of importance which links commerce directly and industry indirectly with militaristic and political aims. Colomb later became a member of the House of Commons and the most ardent advocate of Imperial cooperation, meaning the close and empire-conscious militaristic and economic cooperation of all the British colonies with the United Kingdom.

Colomb's life and the principles which he advocated have been described in detail and stressed by Professor Howard D'Egville in his book on *Imperial Defence and Closer Union* (P. S. King & Son, Westminster, London, 1913). This book, written under the patronage of the Secretary of State of War, Col. J. E. B. Seely, and of Rear Admiral Sir Charles L. Ottley, created a sensation for its outspokenness and aggressive character both in Germany and in England.

Rear Admiral Sir Ottley had come to believe firmly in 1913 that "since...war seems destined for the present to be, as it has been from the immemorial past, a condition which may from time to time overtake the best of nations, it behooves a prudent people to prepare in peacetime to make war effectively, and in such fashion as shall best conduce to the prospect of victory."

Similarly Col. J. E. B. Seely remarked: "Sir John Colomb convinced himself that the surest way to secure the union of the different parts of the Empire was to begin by concentrating on Imperial Defence." (Egville, *Imperial Defence*, p. v.)

This point of view had been stressed also as early as in 1890 by James R. Thursfield, one of Great Britain's naval authorities, who declared: "It is nothing but the truth to say that attack is by far the most effective form of defence."

By 1908 (November 23) the strictly militaristic sentiment had gained so much ground that Lord Roberts brought forward a motion in the House of Lords asking for an army so big "that the most formidable foreign nation would hesitate to attempt a landing on these shores." Campbell Bannerman, the Prime Minister, and Asquith, Secretary of the Exchequer, both agreed openly to this point of view.

At about the same time Chamberlain's campaign for unification of the Empire by means of a colonial preferential tariff system, which would ask only one third of the duty asked on imports from outside sources, began to be taken seriously.

This combination of economic pursuits and militaristic attitude on the part of the responsible representatives of the British government has since been termed "British Imperialism," and as such it has been as severely criticized in France and Germany as German Imperial aggressiveness and militarism has been condemned in England and other countries.

THE ECONOMIC REASONS FOR BRITISH CONCERN

As a rule nations do not develop such policies without definite reasons and, therefore, it should be important to study the entire period also from its economic angle.

That Germany and the United States were constantly increasing their production and displacing British trade and products at an increasing rate was known in England as elsewhere. The official reports on this are available as the

Opinions of H. M. Diplomatic and Consular Officers on British Trade Methods. (Great Britain, Parliamentary Documents, Command 9078, H. M. Stationery, 1898.) But the full extent of the setback which Great Britain had been suffering was more or less unrealized until in 1908 David Lloyd George as Minister of the Exchequer, and Winston Churchill as Secretary of Trade, had some figures prepared by the Board of Trade which were so enlightening that they left not the slightest doubt about Great Britain's trade and industry being in serious economic danger. The following are excerpts from this study.

GREAT BRITAIN, BOARD OF TRADE

British and Foreign Trade and Industry
Statistical Tables and Charts 1854-1908
London, H.M. Stationery Office 1909

<i>Annual Ave.</i>	POPULATION (IN THOUSANDS)			
	<i>U. K.</i>	<i>France</i>	<i>Germany</i>	<i>U. S.</i>
1855-59	28,200	26,282	33,184	28,922
1860-64	29,230	37,398	.....	32,724
1865-69	30,430	38,210	37,101	36,231
1870-74	31,873	36,720	40,400	40,636
1875-79	33,572	36,998	43,111	46,381
1880-84	35,188	37,728	45,185	52,514
1885-89	36,598	38,252	47,286	58,699
1890-94	38,154	38,375	50,475	65,107
1895-99	39,993	38,625	53,808	71,609
1900-04	41,966	39,052	57,984	79,015
1905-08	43,882	39,243	61,873	85,092

Remarks: The figures represent the annual averages of five-year periods and permit a comparison of the increase in population in each of the various countries. It will be seen immediately that Germany and the United States showed an increase in population unparalleled in England or in France.

As the number of people inhabiting countries of approximately the same level of civilization is in some measure indicative of their inherent and potential powers to produce and to consume, it is obvious that England appeared to be left considerably behind, and it was not difficult to conclude that she could remain the first power of the world only by cultivating her colonial relations and by political manoeuvres.

PIG IRON OUTPUT

Long Tons (2240 lb. each)

<i>Annual Ave.</i>	<i>U. K.</i>	<i>France</i>	<i>Germany</i>	<i>U. S.</i>
1855-59	3,500,000	900,000	350,000	700,000
1860-64	4,100,000	1,100,000	700,000	800,000
1865-69	4,900,000	1,200,000	1,100,000	1,300,000
1870-74	6,500,000	1,200,000	1,800,000	2,200,000
1875-79	6,400,000	1,400,000	2,000,000	2,200,000
1880-84	8,100,000	1,900,000	3,200,000	4,200,000
1885-89	7,700,000	1,600,000	4,000,000	6,000,000
1890-94	7,300,000	2,000,000	4,800,000	8,100,000
1895-99	8,600,000	2,300,000	6,700,000	10,600,000
1900-04	8,600,000	2,600,000	8,900,000	16,400,000
1905-08	9,800,000	3,300,000	11,800,000	22,500,000

Remarks: Pig iron is the most important intermediate product of the iron industry because from it are made most of those iron products for which steel is not necessary. In everyday life one finds such products in almost any conceivable form or shape.

At the beginning of the period from 1855 to about 1870 England was far in the lead of any competing nation, and all of them were increasing their production at a fairly even rate.

After 1880 English pig iron production stayed almost at the same level and even showed decreases, while Germany and America quadrupled and quintupled their production as compared with the average of the early 'Eighties. By 1890 America outdid England in this fundamental industrial product and by 1900 England saw herself surpassed also by Germany.

STEEL OUTPUT

Long Tons (2240 lb. each)

<i>Annual Ave.</i>	<i>U. K.</i>	<i>France</i>	<i>Germany</i>	<i>U. S.</i>
1855-59	.....	20,000	.....	.....
1860-64	.....	40,000	.....	.....
1865-69	200,000	60,000	200,000	30,000
1870-74	500,000	130,000	300,000	140,000
1875-79	900,000	300,000	400,000	600,000
1880-84	1,800,000	400,000	800,000	1,600,000
1885-89	3,000,000	500,000	1,100,000	2,800,000
1890-94	3,200,000	800,000	2,800,000	4,300,000
1895-99	4,200,000	1,300,000	5,100,000	7,600,000
1900-04	4,900,000	1,700,000	7,300,000	13,400,000
1905-08	6,000,000	2,500,000	10,900,000	20,200,000

Remarks: Objects are made of steel when the lasting quality of the construction or object is of primary importance. If this perhaps unscientific but practical definition is recognized, then the steel production data are bound to reflect those activities of a nation which are planned to last and which can be undertaken only after rather high levels of technical knowledge and economic well-being have been reached.

On these scores, then, England soon after 1895 found herself far outdone first by America and then by Germany. These facts were known in England, and the numerous investigations on this subject which were made by the British Consuls in Germany and in the United States testify to a certain nervousness about the situation. However, they were not taken half as seriously by the Board of Trade as was the rapid increase in German exports.

EXPORTS—ALL ARTICLES

(Million Pounds Sterling)

<i>Annual Ave.</i>	<i>U. K.</i>	<i>France</i>	<i>Germany</i>	<i>U. S.</i>
1855-59	116.1	75.8	?	52.8
1860-64	138.4	96.1	?	42.9
1865-69	181.1	119.7	?	45.5
1870-74	234.8	135.4	113.7	96.2
1875-79	201.5	138.4	132.3	124.7
1880-84	234.3	138.3	152.8	165.4
1885-89	226.2	132.3	151.0	146.2
1890-94	234.4	136.8	152.5	184.7
1895-99	237.8	144.3	181.3	212.6
1900-04	282.7	168.6	235.6	292.3
1905-08	368.5	207.8	311.5	359.3

Remarks: Imports, exports and trade balances mean in Great Britain more to the government and even to the "average citizen" than in any other country of the world. They mean activity, income and prestige.

That American exports equalled and even exceeded British exports by 1900 was due to exports of raw materials, primarily cotton, and was forgiven. But that Germany's exports should come so close to the British total was alarming, especially if one considered the following:

EXPORTS OF MANUFACTURED ARTICLES ALONE

(Million Pounds Sterling)

<i>Annual Ave.</i>	<i>U. K.</i>	<i>France</i>	<i>Germany</i>	<i>U. S.</i>
1905-08	294.7	121.3	213.5	145.2

These data revealed clearly how close the Germans had come to matching English industry in the export field in which the United Kingdom had been supreme for a century. This fact, perhaps more than the larger German production in the most essential industrial products, caused grief, and as the Germans also showed much greater commercial alertness, used better sales methods and evidenced quite often little respect for British trade complacency and long established trade relations, the grief soon grew into definite resentment.

Unemployment, little felt in England during the greater part of the nineteenth century, became pronounced at first in special industries and later, after 1900, grew into a serious problem.

British shipping experienced most serious competition from German lines not only in passenger traffic across the Atlantic, but in every port where people or cargoes were shipped. The German rates were mostly only a trifle lower, but the ships were newer and possibly faster, and the service was as reliable as the British.

British banks which had had practically a monopoly in most overseas trade centers suddenly saw German competitors, speaking the foreign language, catering to the financial needs of almost every important port and harbor. German insurance companies wrote policies where previously only Lloyds and British companies had been known.

The German Consuls apparently also were more active than their British colleagues, as they succeeded in getting information on trade possibilities and engineering projects so quickly to Germany that quite often the German cable offer was accepted by the overseas buyer before the British Consul knew that an offer had been asked. No order was too small for the Germans; no specifications too complicated. They catered to the local requirements while British manufacturers often refused to comply with special requests. The export figures showed the results.

In order to meet the situation more effectively, the Brit-

ish government established the Colonial Conferences which have since obtained still greater economic and political importance. The first of these conferences was called in 1887, and they have been repeated ever since in five-year intervals: 1892, 1897, 1902, 1907, 1912, 1917, 1922, 1927, 1932, 1937. Their original purpose was to stress the political and economic unity of the Empire and to develop policies which would foster this aim. More recently they have also served to correlate the economic and industrial relations of the colonies with England and among themselves, as by now most of them have become politically and economically more independent from England.

During the period of British Imperialism primarily political relations were dealt with at these conferences. Those who led England during these decades obviously saw England's salvation and future in political strength, assumed to be the real foundation upon which economic well-being would most naturally develop and upon which all kinds of prosperity would most comfortably rest and endure. The belief is as old as political statesmanship and, as it was held by a number of nations in the past, it is not surprising that the British statesmen too acted under the same misapprehension.

The internal economic history of England, however, does not quite bear out the soundness of this belief.

INDUSTRIAL TROUBLES AT HOME AND THEIR REASONS

Until the twentieth century countries aspiring to political leadership and prestige, during the period of their most ardent political struggle, somehow frequently overlooked those measures which would prevent internal economic difficulties. Even if successful in the realization of their political aims and aspirations, history shows that just at the height, or near the climax, of such success they suddenly faced internal economic difficulties of more or less serious character. And most serious of all, in almost every instance the successful statesmen find reasons to involve their country in a war for political reasons, which thus become a desperate means to cover up and to "remedy" an internal economic weakness, the state of which is not supposed to become too obvious to the loyal subjects.

Imperialistic England was no exception to this frequent rule. The unhealthy conditions in the iron and steel indus-

tries and in exports have been presented in detail. Similar and perhaps even worse were the situations of certain important branches of the textile industries, and of the glass, pottery and metal industries. The coal and tar industries in which Great Britain had always held a leading position showed serious and unexpected signs of stagnation, and in some of the most profitable chemical industries the German output and methods of production soon could not even be approached.

Industrial and commercial unemployment, for decades almost entirely overcome in England, became once more a serious problem. Because of the loss of trade to foreign competitors and still more because of internal stagnation of economic and technical efforts, industry could no longer provide work for all those who depended on it for their livelihood. The new wave of unemployment which began seriously after 1900 clearly was not technical unemployment due to labor-saving devices. It was due rather to a pronounced tendency on the part of the industrialists to carry on production with machinery and equipment which was becoming obsolete. In America and in Germany, as is well known, the tremendous increases in production were made possible only by an almost fanatic use of new machinery and constant replacement of equipment by improved types. This helped the "heavy" or "capital goods" producing industries to progress in line with the great number of lighter industries and thereby the entire industrial economic structure was kept balanced and progressing evenly in *all* its branches.

The British government, true to its traditional industrial policy of leaving such matters entirely to private initiative, did nothing to bring about better cooperation and coordination of the various branches of industry, and thus committed its *first omission* of vital importance. British industry developed unevenly, some branches kept in front while many others, especially the heavy industries, remained behind. In Germany, as will be shown, such developments had been prevented by government-encouraged integration and cartelization of enterprises, by the placing of government orders when and where orders were needed, and by many other means.

Legislation, which would have helped industry to develop economically, is missing in England during the entire period.

LABOR REGULATION

In reference to labor only working hours, sanitary shop conditions, safety and similar elementary problems appear to be taken care of during this period in the Factory and Workshop Acts of 1878 (41 and 42 Victoriae C.16); of 1891 (54 and 55 Victoriae C.79), and of 1901 (1 Edw. VII C.19); and again the payment of wages to workmen in public houses, beer shops and similar places was forbidden on August 20, 1883 (46 and 47 Victoriae C.31).

But fundamentally there was no real improvement in any of these acts, no legislation which would have helped labor against exploitation and layoffs which became more frequent and general. Even the young worker and the factory girl (juveniles) could still be worked 12 hours a day with only 2 hours off for meals, and 7 hours on Saturdays, which meant 56½ working hours per week.

For homeworkers, employed where no steam was used, work was still prescribed by law from 6 A.M. to 9 P.M. every day, or 15 hours on full days and 8 hours on Saturdays. This meant 83 hours per week, less the absolutely necessary time for eating, which was not specified in the laws.

As the English producers, no longer possessing technical advantages, could now compete in the domestic and foreign markets only by lowering prices and granting long term credits (6 months to 12 months or longer in South America and the Colonies), they tried, especially during the years from 1894 to 1899, to save in wages more than they had ever done before. This not only depressed wages far below any fair economic level but also caused almost desperate uncertainty for the workers about their jobs.

The Friendly Societies. Good-naturedly enough, the majority of workers tried at first to ease their lot by the development of many forms of Penny Savings schemes, Mutual Aid or Friendly Societies, Loan Societies, Loan and Investment Societies, Consumers' Leagues and Cooperative Shops. All these efforts toward self-help were originally strictly non-political. They were emergency provisions created to provide at least some protection against need or the emergencies of death or illness.

Best known among these societies were the "Ancient Order of Foresters" (700,000 members), the "Loyal United

Friends" (50,000 members), the "Hearts of Oak" (115,000 members), the "Rechabites," the "Sons of Temperance" and a few more. (The memberships are stated for 1892.)

Also so-called Productive Societies were founded occasionally, which endeavored to promote cooperative production, and thereby to reduce the danger of unemployment, but they rarely succeeded for any length of time.

Moreover, throughout the entire nineteenth century workers' societies and trade societies had been created which attempted to render mutual aid only among workers. But they soon became professional craft unions with restricted professional aims rather than societies directed to render help to all workers, even if this feature was played up and liberalized towards the end of the century. Common laborers, for instance, were mostly excluded from such societies and had nobody to help them. Nor was there definite assurance that the trade union support would be sufficient, and frequently there was a rule that the membership automatically ceased after a member had received approximately £10.0.0 in benefits and was unable to pay further fees.

The Minority Report of the Poor Law Commission, Part II, the Unemployed, printed in 1908 by the National Committee to Promote the Break-Up of the Poor Law, gives a good picture of the prevailing unemployment and poverty among the workers and clearly reveals that a large portion of them was in serious distress and that the British government was fully informed of the difficulties which labor had to face.

The handwriting was on the wall, but the government, occupied fully with foreign affairs, did nothing about it at the right time and thus committed its *second major omission* which contributed to the internal industrial economic decline. The British government failed to provide *in time* such cooperation as would have helped the 8,000,000 men and women and children of all ages who worked in industry to retain not only their standard of living but, still more important than that, their steady employment. In view of the very sad experience which England's workers had to go through in the early days of machine industrialism, it is really amazing to see how little concern the government, which covered and ruled the greater part of the globe,

showed toward the economic well-being of a great part of the population at home.

Fundamentally it adhered to its principles of non-interference and of expecting self-help on the part of each individual. Only when the Friendly Societies took on the character of big companies, and money was to be guarded as well as the interests of the members, did the government issue a few acts regulating the business conduct of such societies. This was all the help the government rendered.

Company Shop Clubs. As the government failed to act in time, a number of industrial enterprises established thrift and loan societies of their own. In most instances the employers were sincerely motivated by the desire to give their workers through these company clubs, an opportunity to save and to provide in a systematic manner for emergencies. In most instances the company also contributed for each worker.

In many cases, however, the employers were less altruistic and objected to workers who were members of friendly societies, not sponsored by the company. They did this mainly because such workers were less dependent and, therefore, were less willing to be satisfied with the labor conditions as provided and enforced by the company.

Still more important for the employers was the fact that many workers' Friendly Societies were trade unions of a definitely militant type which had taken on the savings and insurance activities not only to help their members, but also to foster their own professional aims. Among these aims were: the desire to limit the number of apprentices; refusal to work with non-union members; spreading of the union principles among non-members; the making of "propositions" to the management and to the workers in reference to wages, hours, etc.

This, of course, upset the factory policies and in order to play safe many companies refused to hire such workers, or insisted on their signing the "Document" which meant the relinquishing of membership in any non-company society, regardless of the financial loss which always resulted to the worker.

As these contrasting views grew more serious from year to year, it must have been obvious not only to those directly concerned, but also to the government, that the very limit

of existence—the amount of money which was needed by a worker and by his family to keep alive while the bread earner was ill, unemployed or had to be buried—had become the object of a tenacious and bitterly fought battle between workers and employers.

Years went by and the government did nothing about it. Naturally, the workers grimly organized into constantly expanding and more militant unions and as the funds grew, the unions not only became able to render real help but also did not hesitate to call strikes which were financed by union funds.

The British government, when in doubt whom to help, appears quite often to settle—at least internal struggles—in the same manner as boxing referees settle hopeless fist fights. If and when victory appears absolutely certain to one party, but by no means earlier; and if and when any further mauling would be really and definitely dangerous to the other party, then, and no sooner, the government rises to the occasion and settles the issue by some sort of “technical knockout” act.

When labor conditions grew so bad and the strife between employers and workers over the company club movement became so dangerous, that its “public” character simply could not be overlooked any longer, the government finally found it proper to interfere and to issue

“An Act to prohibit compulsory Membership of Unregistered Shop Clubs or Thrift Funds, and to regulate such as are duly registered.” (2 Edw. 7 C. 20, Aug. 8, 1902.)

This act was not inspired by any great change in social consciousness on the part of the government, but rather was one of the first emergency measures of a social nature, which were brought about by the sheer force of industrial unemployment and by the acute industrial depression of 1902.

At the beginning of the twentieth century unemployment was the greatest labor problem which concerned the British government, and even before Edward VII, who had become king in 1901, engaged in making political defence agreements, he found himself forced to defend his own workers against their most bitter enemies: unemployment and social insecurity.

CHAPTER 26

INDUSTRIAL WELFARE LEGISLATION

the favors that were granted Labour: employment bureaus, pensions, compensation laws, health insurance and Boards of Trade to end starvation wages.

HISTORICAL SURVEY

England, the first country to mechanize industries and achieve industrial supremacy, was also the first which was forced to provide legislation on unemployment. Soon afterwards she also provided laws dealing with other industrial problems and welfare, but Germany had preceded her in this by many decades.

As little as one may approve of the tardiness which the government showed, one must concede that once the beginning was made, social legislation was enacted with almost unbelievable rapidity. On:

- July 2, 1902, *Labour Bureaus* were created for London only;
- Aug. 11, 1905, *Labour Bureaus* were approved for all cities having more than 50,000 inhabitants;
- Dec. 21, 1906, *Workman's Compensation* was enforced;
- July 30, 1908, *Old Age Pensions* became a reality;
- Sept. 20, 1909, *Labour Exchanges* were established to round out the employment program;
- Dec. 16, 1911, *National Health Insurance* was made legal.

All these measures were destined to benefit industrial labor more than any other part of the population. They did not bring about changes of too far-reaching proportions for the industrial masses, nor did they provide more benefits than were absolutely necessary. Almost every concession made was the outcome of a long and painful struggle between a mass of conflicting policies and theories, party politics and strikes by the workers. In a way the government, now for the first time feeling the influence of real workers' representatives in the Parliament, and the power of organ-

ized labor behind them, simply could not help abandoning its old "do nothing" policy.

Thus, soon after the climax of British Imperialism, the social welfare of the industrial masses was made a matter of direct concern and responsibility of the British government. This represents one of the most important changes in British industrial economics.

The government, which for centuries had regulated industrial matters as little as possible and mostly by indirect legislation, by force of economic circumstances found itself obliged to remedy the effects of its early omissions—and to do so quickly.

The government also found that so far it had not even set up the proper apparatus for doing this work and, therefore, on October 20, 1909, it created *Boards of Trade* for individual industries.

These boards were made the permanent representatives of the government and it was their prime task to guard the interests of the country at large. Besides, they had to protect the economic interests of the workers, of the enterprises, of the banks and investors and, most of all, they had to find ways and means of curbing sweatshop practices by setting minimum wages. This alone, if properly undertaken, represents a task of gigantic proportions and full of industrial political risks for any government.

That it was undertaken merely proves still further how serious were the conditions which prompted it.

PROVISION OF WORK

According to the British conception of work, it had been always the individual's obligation to find work for himself. It was also up to each individual to earn enough through his work to be able to pay for his own and his family's support, to pay for his illness, to support himself and his family during this time, and to provide for his old age. To be classed as pauper, and to seek work through the aid of public institutions was shameful and placed even the man willing to work but unable to do so on the same level with the tramp, the navy or the loafer.

No sadder conditions can be imagined than are described in the "Minority Report of the Poor Law Commission, Part II, The Unemployed, Printed for the National Com-

mittee to Promote the Break-Up of the Poor Law, Ldn. 1909."

This report reveals the real true conditions which the unemployed had to face during the various decades of British Imperialism, and the various means which were provided for their assistance: the Outdoor Labour Test, to find out whether a man really wanted work or to loaf in the Poorhouse; the General Mixed Workhouse, a medium between Asylum and Prison; the Casual Ward, a temporary shelter offering work for the tramp and also for the man temporarily out of work; Charity Shelters, similar but less odious; the Mayor's Funds, voluntary contributions collected by the mayors when need caused desperation; the Distress Committees, fluttering hither and thither, without really giving work nor adequate help, etc.

Some sort of help and also work was provided at all times, to be sure, by the municipalities under the Poor Laws, but it was hard work indeed and paid less than anywhere else, to discourage hardened applicants.

In the more advanced stages of unemployment (1903) the City of London even provided work in "Rural Colonies" for male heads of families, the men being boarded and lodged in the country and employed on emergency work, while an allowance was paid to the families in London on a scale based on the number of children, the families averaging 14s. 6d. a week. The men were allowed to return home on furlough at regular intervals to visit their families and look for work. (Minority Report, p. 139.)

"Apart from minor shortcomings, which were remedied by experience, the main objection to these first experiments in Rural Colonies"—we would call them Work Relief Camps—"was their unexpected costliness. It had been assumed that these carefully selected men, put to work at useful tasks, would produce, at any rate, some considerable proportion of their maintenance. The result proved quite the reverse. The conduct of the men was, on the whole, good; and the majority of them seem honestly to have worked. But including the allowance to their families in London, they cost on an average about 25s. per week each. . . The expense of supervision and skilled organization and direction of their labour was necessarily heavy. . . It would have been almost exactly as cheap to the Central Body (Unemployment Administration) to have paid the

135 men 25s. a week for doing nothing in London." (Minority Report, pp. 140, 141.)

For these reasons and still more due to the traditional belief that it was not its task to create work, which would have competed with private enterprise, the government did not attempt to do more at first than to provide Labour Exchanges in London.

This form of unemployment relief, which was begun in 1902, was very elementary. In line with old customs, the government let the municipality render what assistance it could, but as there was a great shortage of funds in the London Treasury, the government was willing to pay the expenses. The whole scheme can be seen from

An Act to Authorize the Establishment of Labour Bureaux throughout the Metropolis. (2 Edw. 7 C.13, July 22, 1902.)

1. It shall be lawful for the council of any metropolitan borough to establish and maintain a labour bureau.

2. Any expenses incurred by a borough council in or incidental to the exercise of the powers conferred by this Act shall be paid out of the general rate. (Tax to the Government.)

3. In this Act the term "Labour bureau" shall mean an office or place used for the purpose of supplying information either by the keeping of registers or otherwise respecting employers who desire to engage work-people and work-people who seek engagement or employment.

4. This Act may be cited at the Labour Bureaux (London) Act, 1902.

As unemployment spread, the government's scope of activities in this direction was also made to grow.

On August 11, 1905, employment or assistance for unemployed workers was provided out of government funds, not only for London but also for every other city having a population of more than 50,000 people. Still it was up to the Municipal Borough Councils to do all necessary work and to organize special distress committees in order to procure work for the unemployed. (5 Edw. 7 C.18, Aug. 11, 1905.)

However, in spite of all efforts these institutions obviously did not solve the problem to any appreciable extent. The assistance which the municipalities rendered was neither useful to the job seekers nor cheap for the government and, therefore, the government tried in 1909 a new method which represented a drastic departure from any

previous policy. It is expressed in the Labour Exchanges Act of September 20, 1909 (9 Edw. 7 C.7.).

It should be noted that now the Board of Trade, which was a government institution, and not the municipalities, was empowered to establish and maintain such labour exchanges. The Board of Trade also was empowered to assist and cooperate with any authorities or persons having powers for the purpose. Those best qualified and able to get work for anyone in England at that time and to know about employment conditions throughout the country were the trade unions. The law thus created, without directly stating it, the possibility that the trade unions might be made the main means to find unemployment remedies. In its totality the act represented, therefore, the very first step toward direct and open cooperation between the government and the trade unions. Never before had such cooperation taken place.

Interesting also is the fact that the government, which a few years ago would have made hardly any provisions for services rendered by the trade unions, now not only declared itself willing to pay the operating expenses of the labour exchanges but also the special traveling expenses of their members out of Parliament funds. As these members were mostly union officials they, for the first time, traveled on government business and on government expense!

How strong union influence was in the whole measure can be seen from the various stipulations: for instance, that the job seeker should be given advance funds if assigned to a job out of town. This had been union practice since they had started to render employment service to their members.

Characteristic of the influence of union policy is also the stipulation that no job seeker should be made a strike-breaker: the acceptance by the government of this request shows that it not only had lost its neutral position, but also recognized without reservation the most serious right which labour always had claimed for itself and which heretofore the government had so ardently opposed.

These labour exchanges on a national scale represented a great improvement over the previous means chosen to help unemployment, but even with the considerably better background which the unions offered, the labour exchanges could not reach nor cure the real causes of unemployment.

OLD AGE PENSION ACT

What a worker dreads still more than unemployment is old age. Some are fortunate and can rely on their children. Very few can rely on their savings.

While it may be contended, facts seem to bear out that generally at the age of 50 the earning power of a worker has pretty well passed its peak. His strength is not needed in the modern shop and in skill he is outdone by younger men. Many are retained at work as long as possible or until some favorable break for the worker makes his departure from the factory possible.

It is really surprising how many different possibilities to make a meagre living the dismissed workers between 55 and 60 can create for themselves, especially in industrial and rural districts where they are mostly able to eke out a living as small shopkeepers or doing simple jobs, helping here and there.

However, at the age of 60 or 70, when physical breakdown is almost the rule, the fate of the worker is most disheartening. All he had to look forward to in England was the poorhouse—a place which no respectable worker held in any high esteem. Only the well-to-do workers who were members of unions or of Friendly Societies had also the possibility of buying for themselves an old age pension insurance which gave them approximately 7 shillings per week.

Primarily concerned in finding new and better means to relieve the very old who were not otherwise provided for, were the municipalities, as under British Poor Law it was their duty to supply poorhouses and other provisions for the aged.

By 1900 a great number of the City Council seats had been filled by Labour candidates, and it was due to their influence and contact with their Labour friends in Parliament that a new attitude was now shown also towards those who deserved special consideration after having helped, during the prime of life, to bear the public burdens.

The Old Age Pension Bill was introduced to both Houses in 1903 and its desirability was tested in various Committee meetings. On July 20, 1903, Jesse Clement Gray appeared before the Committee to speak for Labour, or rather for the Cooperative Union, which represented 1169 workers' socie-

ties or 1,834,118 members. He gave a definite report on the various meetings of the Trade Union Conferences and summed their recommendations up as follows:

"That this (Trade Union) Conference, recognizing in the question of old-age pensions a subject of vast importance, and charged with interests of a far-reaching character, hereby expresses the opinion that its solution on the basis of a National Old-age Pension Scheme will alone prove satisfactory, adequate and just, and further thinks that any attempted solution on sectional lines for the benefit of co-operators only, through the medium of the co-operative movement, is unwise, ungenerous, and impracticable."

Mr. Gray explained that many people did not belong to trade unions and that it would be ungenerous if trade unions should advocate a scheme which would exclude these poorest of all.

The majority of the Trade Union Conferences passed resolutions in that strain, believing that *it would be wiser and better from every point of view to support a national system of old age pensions rather than a sectional one, in which old age pension schemes would be worked out and administered by regional or sectional sub-groups.*

(Report and Special Report, Aged Pensioners Bill. House of Commons, July 27, 1903. #276.)

The government finally adopted a National Old Age Pension Scheme as advocated by the unions, but did not adopt their proposal to start paying pensions to all those who had attained 60 years of age. Various calculations were made as to the number of participants beginning the pension age at 60, 65 or 70. It seems, however, that the experience gathered in Denmark, New Zealand and Victoria finally pointed to beginning pension payment only to those who had attained 70 years of age.

The government further reduced the proposed weekly maximum allowance from 7 shillings to 5 shillings, but its promise to pay old age pensions out of government funds relieved the fears of many.

This step represented one of the most humanitarian moves forward in practical economics even if the high age limit as well as the pension as such were by no means very generous.

In order to show the practical meaning of this act and its cost to the government, the official statistics covering the years 1909 to 1914 are offered below.

OLD AGE PENSIONS

NUMBER AND AMOUNT OF PENSION ORDERS PAID BY POST OFFICES FROM JANUARY 1st, 1909, TO MARCH 31st, 1914.

[Compiled from the Annual Reports of the Postmaster-General, supplemented by information specially furnished by the Post Office.]

Year ended March 31st.	Number of Orders of Value of					Total Number of Orders Paid.	Total Value of Orders Paid.
	5s.	4s.	3s.	2s.	1s.		
United Kingdom.							
1909*	7,159,020	282,779	276,327	132,237	74,727	7,925,150	£ 1,904,723
1910	31,881,630	1,225,017	1,182,900	569,460	309,067	35,167,983	8,465,231
1911†	36,777,473	1,189,606	1,163,379	544,303	280,991	39,955,842	9,675,293
1912	45,005,101	1,118,015	1,107,140	507,763	253,445	47,991,464	11,704,396
1913	46,883,932	1,012,942	1,002,637	457,428	218,005	49,574,944	12,130,609
1914	47,819,379	1,000,059	1,005,238	466,545	226,781	50,518,052	12,363,643

* Three months ended March 31st, 1909.

† Pauper disqualification removed, January 1st, 1911

WORKMEN'S COMPENSATION ACT

"By the common law of England a person is liable for the results, not only of his own negligence, but also for that of his servant, if acting within the scope of his employment. The one exception is that, whereas to a stranger the master is liable for the negligence of any person whom he employs, to his servant he is not liable for the negligence of a fellow-servant in common employment.

"By this legal refinement which dates only from 1837, and which successive judicial decisions have engrafted upon the common law, a workman who suffered injury through the negligence of some other person in the same employment was precluded from recovering that compensation from the common employer which a stranger, to whom the same accident had happened, could claim and enforce.

"This defence of 'common employment,' which practically deprived the workman in large undertakings of any remedy in case of accidents arising through negligence in the works, was first recognized in the case of Priestley vs. Fowler in 1837.

Not until 1868 did the House of Lords, as the final Court of Appeal, extend it to Scotland.

"The growth of colossal industrial undertakings, in which thousands of workmen were, technically, 'in common employment,' made the occasional harshness of the law still more invidious.

"What the workman demanded was the abolition of the doctrine of 'common employment,' and the placing of the employee upon exactly the same footing for compensation as any member of the public."

(Webb, S. & B., *History of Trade Unionism*, p. 365.)

Trade unions, one after the other, and in particular the powerful unions of miners, bricklayers, boilermakers and railway servants, took up the fight for a better status of the worker and by and by succeeded in receiving compensation for approximately 300 to 400 cases per year, in regular courts but no general recognition of any definite responsibility on the part of the employers.

The considerably increased union pressure, however, which was brought upon the government between 1900 and 1905 finally produced

An Act to consolidate and amend the Law with respect to Compensation to Workmen for Injuries suffered in the course of their Employment. (6 Edw. 7 C. 58, Dec. 21, 1906.)

NATIONAL HEALTH INSURANCE ACT

In view of the very long standing reluctance of the British authorities in granting workmen compensation for occupational injuries, the National Health Insurance Scheme enacted during 1912 must appear as a real surprise on account of its vast scope and the almost liberal benefits which it granted to the workers and, still more important, to their wives and families in case of illness.

Great Britain had had a Board of Health and health regulations since 1848 (The Public Health Act, 1848, 11 and 12 Vict. C. 63). Numerous health acts had been passed afterwards. They had been issued to bring about better health conditions by the regulation of sewage, disease prevention, common lodging houses, nuisances removal and similar dangers to humanity.

If one reads, however, the "Extracts from Local Government Board Reports upon Sanitary Administration in

certain Urban and Rural Districts, Presented to the House of Commons by command of His Majesty in reference to the National Insurance Bill in 1911" (Command 5984), he will readily see that the health of the workers was endangered not only by occupational dangers but by sanitation dangers as well, the remedy of which was far beyond the abilities of the workers and their employers.

The following is one of these reports, dealing with a town in the coal region:

"TAVISTOCK URBAN DISTRICT (DEVON): population (1901), 4728: Dr. Wheaton.

Authority concerned:—Tavistock Urban District Council.

Ground of Inquiry:—Performance of his duties by the Medical Officer of Health.

Chief Facts reported by Inspector:—Water supply from springs and subsoil drainage. Housing of the working classes in great part very unsatisfactory. Overcrowding also pronounced. No action under the Housing Acts until the present year, when one case was dealt with. Sewerage: no provision for ventilation or flushing of sewers; sewage disposed of by broad irrigation on sewage farm. Excrement disposal by waterclosets, chiefly hand flushed. Refuse collected twice weekly by council's own staff. No systematic inspection for detection of nuisances. No hospital provision; no disinfecting apparatus. Slaughter-houses well constructed; arrangements for collection of offal faulty. Condition of cowsheds various, mostly unsatisfactory. Average infantile mortality for 1899-1908 was 113; average birth rate 18.8, thus pointing to the injurious effect of the prevalence of unwholesome housing conditions on infant life."

This is not the exceptional report of an embittered country doctor but merely a sample of hundreds of similar or worse reports covering the whole country. Together they clearly revealed to the Board of Health and also to the government the reasons for the "Excessive Sickness" which was reported for England according to the Annual Reports of the Board in every year since 1905.

When finally a Standing Committee was appointed to consider the National Insurance Bill (Part II, Health) which had been sponsored by the labor candidates, it included the names of most of the famous British statesmen, labor leaders under the leadership of Ramsay MacDonald and others:

Alden, Baird, Baldwin, Harmood Banner, Hugh Barrie,

Hamilton Benn, Bigland, Bird, Sir Arthur Griffith Boscawen, Brady, Sydney Buxton, Edwin Cornwall, Devlin, Scott Dickson, Cowan, Denman, France, Captain Gilmour, Goldman, Grant, Hackett, Cecil Harmsworth, Harris, Thomas Edmund Harvey, Haviland-Burke, Hayden, Hills, Hoare, Holt, Ingleby, William Jones, Joyce, Joynson-Hicks, Kelly, Sir Clement Kinloch-Cooke, Bonar Law, Lawson, Leach, Sir Francis Lowe, Ramsay MacDonald, M'Callum, Sir Alfred Mond, Captain Murray, Sir Henry Norman, Sir Walter Nugent, Nuttall, Palmer, Peel, Peto, Primrose, John Robertson, Roch, Scanlon, Albert Smith, the Solicitor General, Gershom Steward, Mitchell-Thomson, John Ward, Watt, Penry Williams, Tyson Wilson, McKinnon Wood and Worthington-Evans.

They all agreed on the real necessity of helping the working classes not any longer by indirect legislation but by a definite health insurance scheme, and in consequence, by the approval of both Houses the National Health Insurance Bill became law. Because of the length of the act, only excerpts are presented in Appendix D.

The act contains many most interesting technical and economic details, and its study ought to help considerably in avoiding future useless experiments.

Just as interesting and possibly of still greater value to the industrial political economist is the "Copy of a Memorandum Explanatory of the Bill as passed by the House of Commons so far as relates to National Health Insurance." (Command 5995.) This memorandum explains the health insurance scheme and its object as follows: (p. 2.)

"The Bill is intended to effect as wide an insurance as possible of the industrial population against sickness and breakdown. It is also intended to be as far as possible a preventive measure operating to reduce the amount of sickness. Both the Majority and Minority Reports of the Poor Law Commission call special attention to the utter inadequacy of our methods for preventing and curing sickness amongst the industrial classes. This Bill contains several provisions designed to amend this unsatisfactory state of things. In other words, it is, as described in the title, a Bill for 'National Health Insurance' and the prevention of Sickness; the title 'Invalidity Insurance' being by no means a suitable one for English purposes.

"The Plan differs from the German Scheme of Sickness and Invalidity Insurances in the following respects:—

"1. It is proposed that under proper safeguards the admin-

istration of the Fund should be handed over to Societies either already established in this country or hereafter to be founded under the Act. As all deficits due to malingering will have to be borne either in levies or loss of benefits by the members of a defaulting Society, and not by the State or the employer, there is every inducement to economy. Bad management will be promptly and effectively penalised. Good management will be rewarded.

"In Germany the system is much more bureaucratic in its management, and does not nearly to the same extent adopt the principle of self-government.

"2. In starting a universal scheme there must necessarily be a very heavy burden during the earlier years of its operation, owing to a large number of persons entering it at an age when their contributions are actuarially inadequate to ensure the benefits guaranteed by the Bill. Unless financial arrangements are made to liquidate the loss so arising, it will fall on future generations of insurers.

"The finance of the present scheme will be so arranged that the deficiency inevitable in starting a scheme which includes all ages shall in about 18 years be completely wiped out. At the end of that period the administrators of the fund will be in a position to declare increased benefits, e.g., the reduction of the pension age.

"3. The fact that the superannuation of all persons over 70 is undertaken by the Government in this country, whereas in Germany it is a burden on the contributory scheme, makes an enormous difference in the rates of weekly payments, which suffice under the proposed scheme to produce higher benefits than those conferred by the German scheme. Moreover, the German Government makes no contribution to the cost of sickness as distinguished from invalidity, whereas the present scheme proposes to pay one-quarter of such cost in the case of women and two-ninths in the case of men.

"4. There are several other points of difference between this scheme and the German system, e.g., it is not proposed to adopt the German plan of dividing the industrial population into four classes according to the rate of wages earned—and not, as in Germany, to set up separate machinery for sickness and invalidity. By taking this course and by the machinery which has been adopted for the collection of contributions (Post Offices and Trade Unions) the inconvenience and trouble likely to be caused to employers will be greatly diminished.

"There are other points of variation, notably in the measure of control given to the workmen, which will appear later on."

While the memorandum only deals with the facts pertaining to insurance, it also shows that apparently health

conditions and strengthened labor influence were not the only reasons for this sudden spurt of humanitarian feelings. German competition also had something to do with it. It was not competition in the usual sense, but in 1883 the German government had embarked on a very great program of economic and especially industrial welfare, and as soon as British labour had obtained sufficient political influence, it had not failed to bring this point to the attention of the British government, who finally could not very well stay behind.

The full consequences of this act become still more obvious when one considers the fact that the whole scheme was to be anchored in all those societies which already were or were intended to be registered under the Friendly Societies Acts. Aside from the regular Aid and Friendly Societies, most trade unions were registered as Friendly Societies, and if one considers all the privileges and benefits which now were granted to them, one must come to realize fully not only the power which the workers had achieved, but also the enormous change of attitude towards them which the government was willing to display. This is also especially stressed in the memorandum:

“Approved Societies. The working of the Health Insurance Scheme will be carried out mainly through Approved Societies, whose primary functions will be to issue and receive the contribution cards of their members insured under the Act and to administer certain of the benefits on their behalf. (p. 7.)

“All the Friendly Societies and Trades Unions will be able to comply with the conditions. By doing so they will not sacrifice their independence or their right to select members. The Government inspection and supervision to which they will be liable is only devised in the interest of the members themselves to secure the proper administration of the funds and should strengthen the position of the Managing Committees in well-managed Societies. (p. 7.)

“The financial position of existing Societies which undertake the administration of the scheme will be greatly strengthened. They will be credited with fresh reserves in respect of their members who become insured persons. This will reduce the demands on the present reserves, so that the Societies will be in a better position for meeting their remaining liabilities. Moreover, out of the funds set free the Societies will be able to give additional benefits to their present members or to assist them in the payment of their contributions, but the extent to

which this can be done will depend in each case upon the degree of the Society's solvency. (p. 7.)

"To assist small Societies which would not have sufficient members to secure a proper average of risks, Societies with less than 5000 members may combine to form an association with a central financial committee.

"A branch of an Approved Society may not secede without the consent of the Commissioners unless it makes satisfactory provision for the transfer of its insured members to other branches or Approved Societies. (p. 8.)

"A Provident or similar Fund by one or more employers may become an Approved Society. Its committees must be elected by ballot; its members must be free to transfer to other Societies; and membership must not be a condition of employment.

"With reference to the Employer's representation in the management of such Funds, the employer is allowed one-fourth representation if he makes himself responsible for the solvency of the fund or contributes substantially towards it." (p. 8.)

On the same day when the Health Insurance Act was made law (Dec. 16, 1911), £1,500,000 were appropriated for sanatoria alone. (1 & 2 George 5 C. 55, Dec. 16, 1911.) This sum enabled the County Councils to establish institutions for the immediate treatment of tuberculosis and similar diseases and to begin the great task of restoring the health of the working classes.

The German Health Insurance System is founded differently and a comparison of the two systems will show clearly the difference in approach and in the philosophies underlying the economic measures taken in the two countries to protect the health of their respective workers. The system chosen in England strengthened the power of the unions; in Germany, a "bureaucratic" government protected primarily the health of the workers. In England union power forced the government to contribute part of the premiums; in Germany the government, acting in time, had made the health of the workers the exclusive concern of those involved. In 1912, when England issued the National Health Insurance Act, the German workers and employers already had provided more than 5,000,000,000 Goldmarks for restoring and maintaining the health of the German workers and their dependents!

The official statistics, showing receipts and payments for the first two years of operation of the British National Health

NATIONAL HEALTH INSURANCE FUND; RECEIPTS & PAYMENTS, 15th JULY, 1912, TO 11th JANUARY, 1914.

[Compiled from the Report for 1913-14 on the Administration of National Health Insurance, Cd. 7496 of 1914.]

	England.	Wales.	Scotland.	Ireland.	United Kingdom.
Receipts.					
From Sale of Health Insurance Stamps :	£	£	£	£	£
At Post Offices	19,788,000	1,090,000	2,847,984	983,000	24,698,984
At Board of Trade Labour Exchanges	184,810	13,096	43,655	225	191,586
To Army Council	78,798	—	1,072	9,087	89,957
„ Army (India)	65,888	—	—	—	65,888
„ Other Government Departments	115,096	—	855	2,476	118,427
„ Employer Depositors, Quarterly and Weekly Stamping	1,827,725	349,411	140,066	53,993	2,371,195
„ Employers' Sales of High Value Stamps	3,868	—	—	—	3,868
„ Sundry Persons by Insurance Commissioners	1,852	223	142	202	2,419
Admiralty Contributions on behalf of Sailors and Marines	100,000	5,336	2,762	—	108,098
Mercantile Marine Exempt Persons	14,682	—	—	—	14,682
Exchequer Grants	4,535,777	293,852	651,149	284,472	5,765,250
Other Receipts	323	55	449	175	1,002
Total	26,661,619	1,741,973	3,688,084	1,333,630	33,425,306
Payments.					
Issues to :	£	£	£	£	£
Approved Societies for Sickness and Maternity Benefits and for Administration Expenses (less refunds)	8,774,909	642,460	1,230,400	632,707	11,280,476
Approved Societies for Investment	870,519	23,660	8,069	—	902,248
Insurance Committees for Sanatorium and Medical Benefits and for Administration Expenses	4,623,287	236,350	608,473	36,078	5,554,188
Deposit Contributors for Sickness and Maternity Benefits (less refunds)	15,727	983	1,306	389	18,405
Navy and Army Insurance Fund for Sickness and Maternity Benefits (less refunds)	2,567	—	—	—	2,567
Employer Depositors—Quarterly and Weekly Stamping—Deposits repaid	15,518	977	508	43	17,044
Refunds on account of Health Insurance Stamps returned to Commissioners	12,852	574	—	1,368	14,794
For purchase of Investments on behalf of Approved Societies	34,856	585	—	—	35,441
Other Payments	10,512	171	2,766	21,702	35,151
Balance in hands of National Debt Commissioners :					
For Investment Account	1,642,490	43,443	—	—	1,685,942
For Temporary Investment	10,457,501	697,527	1,335,000	637,500	13,627,528
Balance at Bank	200,872	45,243	1,564*	8,843	251,522
Total	26,661,619	1,741,973	3,688,084	1,333,630	33,425,306

* Including £107** Cash in Hand.**

Insurance Fund, are offered here in order to demonstrate the financial transactions which resulted from the Health Act. The Exchequer Grants should be noted among the Receipts. They amounted to 17.2 per cent of the total receipts. In the Payment column the amounts diverted for Investment Account and Temporary Investment are of special significance, as they represent money which had been collected in excess of actual requirements and which was set aside in order to build up funds rather than health. The recommended comparison with the German system will show great differences in policy also in this respect.

TRADE BOARDS ACT, 1909

The success or failure of any large-scale economic program depends not only on welfare measures but still more on the establishment of proper wages and on the machinery which is made available to determine the wage level, to supervise its application and so to represent the government in this activity that neither the program nor the government can be readily attacked.

If in the purposes of any government agencies are mistakes or defections, whether they be easily recognizable or become obvious only after some time, or if they attempt to regulate too many phases of economic activity, opposition and sabotage can with certainty be expected from all sides and difficulties arise not only for the agencies, boards or commissions proper, but also for the projects which they are supposed to foster.

English politics, as has been proved repeatedly, in apparent recognition of these facts, has definitely aimed to keep its agencies at the very minimum, and instead of trying to establish permanent government agencies, the British government has always attempted to cure emergencies if need be by emergency or temporary boards.

As early as in the fourteenth century special councils and commissions were formed to advise the government or the Parliament on special matters of trade or commerce; and later on relations with the colonies, currency problems and similar matters were taken care of by so-called Private Councils.

The first really permanent Committee of Privy Council for Trade, or Board of Trade, as it is now known, was

established in 1786. Many of its duties are still in effect today.

Under the Act of 1786 all the principal officers of state, including the first lords of the treasury and admiralty, the first secretaries of the state and the Archbishop of Canterbury were made ex-officio members; ten additional unofficial members were also placed on the committee.

As trade grew the activities and functions of the Board of Trade also were enlarged, but it has remained always a Department of State for Trade and Commerce rather than an agency concerned with industries. The Board's prime functions cover among others: commercial intelligence work and the gathering of current information, statistics, customs information, tariffs, regulations, etc. The work is distributed among five departments: Commercial, Railway, Marine, Harbour, Finance and Bankruptcy.

Of all industrial matters, the Board of Trade had assigned to it only "Labour" as part of its activities. The Board, however, never acted as a labour supervising agency, but rather served primarily as an information bureau on labour for the government. Therefore, the Board of Trade concentrated primarily on studies of labour statistics, hours of labour, the labour market, price of commodities as influencing wages, unions, strikes, lockouts, etc. The reports were published either in the "Annual Reports" or as special studies.

In 1867, in order to bring about a closer contact with the Parliament, the Vice President of the Board of Trade was made a parliamentary Secretary. The President of the Board is usually a member of the Cabinet. Thus the economic Research Department of the government is made readily available to all those who may make use of it.

This was the only institution which the government had available when it was forced to consent to the various welfare measures outlined before. As direct government expenditures and in the establishment of wages also political interests were at stake, it was obvious that the Board of Trade could no longer cope with its old duties and also keep close track of all the industrial tasks which the government undertook.

It has been mentioned that most of the actual work in reference to the welfare program had been trusted to the workers' unions and to the Friendly Societies, which were well prepared to handle the tasks assigned to them. However,

the government was not willing to delegate the most urgent industrial problem, the setting of wages, to any private, semi-private or political organizations. Wages and wage disputes had caused constant and very serious trouble and they were the only immediate problems left which needed absolutely fair, neutral and also economically practical solutions, else the entire program would be endangered.

Until then no British government had been willing to do more than arbitrate in such matters, and its good services always had been rendered only temporarily. The "Conciliation Boards" had served well in some labour disputes; on other occasions they had failed miserably.

But now this policy could no longer be applied because in quite a few "sweated" industries wages had been reduced so far by the employers as well as by the competitive job-seekers that an early and thorough remedy was urgently needed.

As the interest of the taxpaying employers was just as much at stake as the interest of the underpaid workers, the government, after consultation with both sides, finally decided to consider such wage conditions as "public" matters, to establish for these industries special "Boards of Trade" and to trust them with the task of fixing and enforcing minimum wages, maximum hours and better cooperation among all interested groups.

The very existence of approximately three million people, or almost one third of the entire total employed in industry, was involved. Resentment against any interference was extremely strong on the part of the employers, and bitter feelings, need, and obstinate unions, were the only things which the workers had in common.

It was a task challenging most seriously the willingness to help, the tact and the wisdom of the government. In principle such an undertaking falls into the class of "regulation of industries," and that is what individualistic conception of industrial economy resents above all else. In England, furthermore, it was a policy which the government persistently had refused to adopt.

However, the English government found a method which it could use with a fair chance of success under the given circumstances.

It established the "Trade Board Act of October 20, 1909," which provided individual trade boards for every industry

which needed special regulation. These special boards were made subdivisions of the Board of Trade and were given the right to deal with all matters pertaining to their particular industry. Full cooperation of all government departments was assured. The setting of minimum wage rates was made their special task. The act stipulated clearly the conditions under which these rates would have to be established and also the fines which were to be imposed for non-observance of the rates.

Details on the actual results achieved by these trade boards can be seen in "The Cave Report on the British Trade Board Acts 1909-1922,—The Success of Minimum Wage Legislation," Compiled by Mary W. Dewson, National Consumers League, 1923, or in the original "Report to the Minister of Labour," London, April 1922, compiled by the Committee Appointed to Enquire into the Workings and Effects of the Trade Boards Act. (Cave Report.)

The act as well as the report bear out that at first only four industries were given such boards of trade, but that after a new act had been passed in 1918, which considerably strengthened the powers of the boards, 63 British industries finally were provided with them.

Only those industries were "boarded" where wages were low and regulation was needed to avoid sweatshop practices. By December 31, 1921, 3,000,000 workers including 2,100,000 women were aided by minimum wage tariffs.

The information given in the Cave Report on the usefulness of the boards naturally shows differences in the various industries. The following are samples from the official witness reports:

"So far as women are concerned, it is roughly true to say that there is very little difference between the rates payable to women in the Trade Board trades and women in allied trades outside the operation of the Acts. Generally the results were good." (548, Humbert Wolfe, Principal Assistant Secretary, Ministry of Labour.)

"So far as the National Union of Manufacturers are concerned, we have no grave objections to the operation of the 1909 Act" . . . (2833, Gordon T. H. Stamper on behalf of the National Union of Manufacturers).

"The National Chamber of Trade (100,000 members) has consistently supported the principle of employer and employed conferring together and arriving at mutual agreement for the settlement of wage and other problems. It recognizes that the

Trade Boards established under the original Act, not only by legislation but also by the authority of public sanction, have served a most useful and necessary purpose." (4879 Nat. Chamber of Trade.)

The trade unions were all in favor of the boards, and as it was felt generally that they had helped to bring about greater stability in otherwise unstable industries, the continuation of the trade boards was decided upon as a result of the Cave investigation.

Due to the great strike which flared up in the coal industry in 1912, on account of wage demands, the "Act to provide a Minimum Wage in the case of Workmen employed underground in Coal Mines," commonly called the "Minimum Wage Act of 1912," has become very famous. However, this fame is somewhat exaggerated as the act did not introduce any new method. However, it applied trade board practices to one of the most important British industries and thus served very well to settle one of the greatest strikes in English history.)

SUMMARY

These acts together mark a most important transition period from a state of individual self-help or reliance on private charity and private organizations, to a state of government-regulated industrial welfare. Most of these laws were by no means too liberal, and the benefits were not inducive enough to rely upon them. This the British lawmakers carefully avoided. Taking all circumstances into consideration, it must be conceded, however, that the range of social welfare which suddenly was bestowed upon the masses was by no means too narrow. In view of its previous aloofness from such activities, the British government showed an almost amazing willingness to make the masses more secure and satisfied. In terms of money, through the various Welfare Acts, the government was pledged to an annual expenditure of at least £20,000,000 on behalf of the industrial population alone.

This is a relatively unimportant sum, but it had great significance. It was an expenditure which had not originated entirely with the leaders of England. It was forced upon them by their own policies, by their economic tardiness, and by the masses who gradually had learned to use their powers of organization, solidarity and strike.

THE RISE OF BRITISH LABOUR TO ECONOMIC
AND POLITICAL POWER

how Labour came to get not only benefits but power too in politics; and unionism was transformed into a party. MacDonald's program which was approved by less than a thousand voters.

In view of these remarkable changes in the official economic policies of England, and considering the extraordinary influence which labour finally obtained upon the economic life of the country, it should be interesting to trace the methods and policies which the workers applied in order to obtain their important position. The rise of British Labour clearly shows that *organization* is one of the most powerful means towards economic success and the fact that this method applied by the humble masses proved itself superior to the individualism of even the most powerful classes in England should give special importance to these events.

THE CHANGE IN GOVERNMENT ATTITUDE

The British government, in line with every other European government, was for centuries opposed to the organization of labor, primarily on account of the demands which the organized workers made on their employers and the militant means which were adopted to enforce them. Fundamentally, the government, therefore, intended to protect the producers against unjustified tactics. (See the preambles of most laws against unions.)

It must be stated, however, in fairness to British legislation and industrial policy that the government appeared to be definitely and consistently opposed also to organization of employers in all those cases in which they attempted to combine for the regulation or control of manufacture, wages, hours and other things which would have been against the interest of the workers or of the public.

In its persistent opposition to any organized enforcement

of one-sided benefits, regardless of who was involved, the government had acted absolutely logically and as a government should.

The continuation of such a neutral policy would appear to be a satisfactory government policy in industrial economics—if only it could be maintained. It seems, however, that due to the modern constitutional rights and certain inherent features of large-scale production, no government is able to maintain a strictly neutral policy for an indefinite length of time. Troubles arise, and the representatives of the two main industrial groups elected to Parliament, in order to overcome their economic difficulties, always try to force the government into a one-sided instead of a neutral policy. This is the general trend and in industrialized countries the workers are usually able to support their claims with pertinent facts.

Socialist doctrines and investigations mention again and again that large-scale industry, while entirely able to cause a surprising advance in material civilization for greatly increased populations and over a period of decades (approximately 50 to 60 years seems to be the span of time in which modern industry can make a country more prosperous), "will always be followed by a definite decay and decline, bringing the most serious hardships and disappointment to a great mass of those whom industry had needed to elevate itself and the country to the climactic state of fecundity and industrial perfection which it has achieved." (S. and B. Webb, *The Decay of Capitalist Civilization*, Introduction.)

The probable reasons for this decay, which is not to be confounded with mere seasonal or short-term business cycles and occasional panics, have also been investigated by almost every socialist of intellectual calibre. Most of them seem to feel that the over-employment of people, the over-investment of capital, the installation of too much machinery or of mechanical devices, the utilization of child labor, the application of exploitative methods of all kinds and various kinds of pressure on the "wage slaves," are causing for the workers sufferings to which they seem doomed—after they have helped to build up "capitalism" to the power it is today.

These problems have been set forth in Sidney and Beatrice Webb's *The Decay of Capitalist Civilization* (London, Longmans, 1920), the proofs of which have been revised by George Bernard Shaw. The book shows clearly the forceful

and satirical phraseology of this society socialist and is undoubtedly more interesting than most of his plays. One need not arrive at the same pessimistic conclusions as the authors of this book, but one may have an enjoyable evening reading good Bernard Shaw and getting another interesting insight into the Industrial Economics of the period of British Imperialism at the same time.

In England these typical industrial economic problems appeared quite early in the evolution of industrialism, and the workers, in order to provide at least some measure of protection, ~~continued to~~ organize themselves into groups, which really did not try to enforce any unfair demands of the workers but aimed towards the creation of economic security.

The British government recognized early that a mere negative attitude towards each and every form of combination of workers or producers did not really solve the problems which were nursed and kept alive in the minds of millions of workers and, therefore, it embarked on the rather thorny task of regulating not only the abuses but also the uses of trade associations.

How painful this beginning must have been one can see from 6 Georgii IV, C. 129, July 6, 1825, which is entitled:

An Act to repeal the Laws relating to the Combinations of Workmen, and to make other Provisions in lieu thereof.

In this act more than thirty-five previous regulations, which had forbidden any agreement among the workers, were modified and the punishment for violence, threats, intimidation, molestation, obstruction, etc., was reduced to three months imprisonment at hard labor. Associations founded, and meetings held for the sole purpose of consulting upon and determining the rate of wages, payment, working hours, contract work and agreements to such extent were expressly permitted. The ruling applied to employers and to workers.

This act, commonly referred to as Peel's Act, is one of the most impressive events in the history of trade unions because it conceded for the first time in British industrial history the right of collective action, and thus marks the beginnings of legally recognized unions in England.

The granting of these concessions was the outcome of a seven-year struggle put up primarily by Francis Place, origi-

nally a journeyman breeches-maker and later on a master tailor who had given up his profession for politics in general for the breaking down of the Association Laws in particular. He was supported and helped in his efforts by Hume and finally succeeded in getting his bills through the Parliamentary committees until the act was approved by Peel.

THE HISTORY OF TRADE UNIONISM

Sidney and Beatrice Webb have written *The History of Trade Unionism* (Revised Edition, Longmans, 1920), which covers the subsequent events, so well and in such detail that there seems little need to go over the material here. Special attention is drawn to this really excellent book, which demonstrates the gradual rise of the British Trade Unions to social and economic importance, and the gradual recognition which they were given by the British government.

The authors subdivide the entire period from 1799 to 1920 into seven more or less distinct phases, which is mentioned mainly to show that the rise of labor to *economic power* in England was by no means a quick process.

The reader who desires also to familiarize himself with the details of the struggle which British Labour waged in more recent years in order to make itself felt as a *political power*, is further referred to *James Ramsay MacDonald, Labour's Man of Destiny*, written by Hubert Hessel Tiltman. (Second Impression, Jarrold's Publishers, London, 1929.)

Very slowly but unceasingly British workers, many of them suffering a humble life of work, sleep, unemployment, misery, marriage, children and more misery, organized themselves into extremely weak trade unions. Gradually they strengthened them until they were given freedom in 1825 to organize trade unions openly.

During and after 1833-34, we find efforts to create a General Union of All Trades, and as an actual federation union the "Grand National Consolidated Trades Union" was started in January, 1834, by Owen. Within a few weeks half a million members had organized under this same union which for the first time in union history accepted and represented members and groups coming from many different industries, farm occupations and trades. The central union

supported local unions when funds were needed and the local unions sent money to the central union when it had special requirements to meet.

Success was followed by blunders on the part of the unions, the employers and the government. Strikes were called to strengthen labor but they weakened the funds. Lockouts, which merely weakened their own enterprises, were made by employers. Concessionary laws on hours and wages were made by the government, merely to be again modified.

By 1862 there came into being a real Council of all Trade Unions, the Junta, and by 1875 the Trades Union Congress

"loomed before the general public with ever-increasing impressiveness as the representative Parliament of the Trade Union world.

"...The new 'Front Bench' (Trades Union Congress) carried on the traditions of the Junta. We see the same shrewd caution and practical opportunism. We notice the same assiduous lobbying in the House of Commons, and the same recurring deputations to evasive Ministers.

"If during these years the occupants of the 'Front Bench' failed to give so decisive a lead to the Labour Movement as their predecessors had done, the fault lay, not in the men or in the machinery, but rather in the programme which they set themselves to carry out." (S. & B. Webb, *History of Trade Unionism*, pp. 358, 368 ff.)

Relatively little change in the status of labor occurred until the late 'Eighties when under Socialist stimulus the unions began to become more active again. The Socialists began now to organize unskilled labor, and received a fairly large following. By 1892 about 1,500,000 men, or 20 per cent of the adult male wage earners, were organized. The percentage grew as misery increased, in particular during the upswings after the various crises: 1897, 1902, etc.

Gradually after 1892 the unions also outgrew their earliest mission: the payment of all kinds of relief and the organized enforcement of better working conditions. They began to concentrate on getting influence in legislation of industry and labor in line with the increase in prestige which was reflected in their constantly increasing membership.

But the progress which they made in politics was extremely slow and difficult, because, according to the interpretation of the various trade union acts, *political* activities

were not originally conceded to the trade unions and also were excluded from the various activities authorized for the trade unions by the acts of 1871 and 1876. To overcome this, union funds were used to sponsor minor town candidatures and one union representative, Thomas Burt, was even smuggled into Parliament. In general, however, the union influence on actual politics was directed more towards preventing candidates opposed to labor from being elected than towards the actual delegation of union representatives to Westminster.

Nevertheless, the intention of gaining greater and more direct political influence grew among a certain group of union representatives, and finally Keir Hardie became the real founder of the political British Labour movement. He was a laborer who had been elected to the House of Commons and soon he started to gather friends for a definite promotion of Socialism among workers. He held the first secret meeting with his admirers at the Trade Union Congress in 1892.

In 1893 he founded the Independent Labour Party of which Snowden and Ramsay MacDonald were members.

POLITICAL ASPIRATIONS

MacDonald suggested to Keir Hardie that the rather undecided and politically inactive trade unions should be approached more vigorously to give up their old ideas of standing aloof from politics. "The working classes were stirring discontented, anxious for better things. But until the trade union leaders undertook the task of marshalling them to the ballot box in support of Labour candidates there would be little chance of making any impression on the solid phalanx of Tories and Liberals at Westminster..." (Tiltman, p. 38.)

MacDonald set out to campaign in 1895 in Southampton as candidate for the Labour Party on the following program points:

1. Nationalization of Land;
2. Taxes on Unearned Rent;
3. Nationalization of Railways and Mining Royalties;
4. Invention of Machinery to be continued;
5. Eight hour Day;

6. Drastic Employers Liability Bill;
 7. More thorough Factory Act;
 8. The Government should become a Model Employer, procure Employment, etc.;
 9. Abolition of tied houses; (Houses mortgaged to Brewing Companies);
 10. Municipalization of Drink Traffic;
 11. Graduated Income Tax;
 12. Adult Suffrage;
 13. Abolition of the House of Lords;
 14. Self-government for Ireland, Scotland, England and Wales, but an Imperial Federated Parliament;
 15. Payment of Election Expenses by the government;
 16. Payment for the Members of the Imperial Federated Parliament;
- etc. (Tiltman, p. 39.)

Mr. MacDonald received no more than 866 votes supporting this program.

In 1899 the first British Labour Manifesto was drawn up by MacDonald who in the same year had become also Secretary of the Trade Union Congress and of the Independent Labour Party. Main leaders of the movement were Keir Hardie, MacDonald and George Bernard Shaw.

MacDonald's program was adopted on February 27 and 28, 1900, in Memorial Hall by 120 delegates representing the unions, the Independent Labour Party, the Social Democratic Federation and the Fabian Society. They merged into the Labour Representation Committee and from then on the combined forces of labour succeeded in getting one concession after the other from Parliament to which they delegated a constantly increasing number of labour representatives every year.

The social and welfare acts which were gradually granted by the government have been discussed in the previous chapter. They gave to labour what it needed most at that time and what it struck for: greater economic security.

Political strength came to labour also and in the same proportion as the British government drifted into international difficulties. The British government gave labour its final political recognition by two acts. The first, issued on December 21, 1906, was the Trades Dispute Act 1906. It made strikes and regular strike routine legally permitted

activities. The second act, known as Trade Union Act 1913, permitted trade unions to pursue not only their statutory aims but political aims as well. It also expressly empowered the trade unions to use their funds for such purposes. Thereby the government gave up one of its strongest means of keeping the unions under indirect control.

By securing these two acts labour brought to a successful climax at least temporarily a movement which had been most characteristic of industrial conditions in England during the entire period of Imperialism. Labour had achieved its economic as well as its political goals and further success and progress in this direction was in the making.

BRITISH INDUSTRY DURING THE WAR

1914—1918

an organization process that was slow, but was extended far and caused important changes; and about workers who were quite alert and gained ministries, high wages, shorter hours, better housing and some real influence on industry and economics.

It can be safely stated that none of the countries which declared war in 1914 was industrially prepared, either for the technical undertakings involved or for the length of time it lasted.

Therefore, in every country industrial war policies were primarily directed toward mobilizing and utilizing a constantly increasing proportion of available technical, human and financial resources. The difference between countries consisted in the intensity with which they carried out the innumerable measures required and in the dates when they began really to "mobilize" their industries.

The industrial events in England during the war have been described most comprehensively in the eight volumes issued by the Ministry of Munitions: *History of the Ministry of Munitions, Confidential, 1921, 1922*, and in numerous other treatises.

For this reason it might seem unnecessary to dwell upon the details of industrial wartime events. Besides, industrial economic policies designed for war times are so fundamentally different from those that can and should be applied in times of peace and during normal evolution, that it might appear useless for one not interested professionally in the mobilization for wars to spend much time on such problems and their history.

The student of industrial political economy, however, cannot overlook those basic and vital war policies which were applied during the last war by the various governments and have become permanent or have left a definite imprint on the industrial economic pattern of the various

countries. In this respect, British war history shows remarkable developments.

BRITISH INDUSTRIAL WAR POLICIES

Only after ten months of war had passed and the government had tried in vain to rely on its own resources and accumulated stocks of war material, did England decide that private industrial production should be "organized" along especially "planned" lines, and, therefore, the Ministry of Munitions was created in June, 1915.

In April, 1917, due to the German submarine campaign, the "organization" was intensified to positive "control" and operation of industry through a special Surveyor General of Supply, and finally, late in 1917, the government came to see that, in spite of all control and organization of industry, British production facilities were not sufficient for the steadily growing demands made by the British and allied armies. It became obvious that it was necessary to build up and strengthen industry, to improve it in almost every respect. Though this recognition came rather late, before the close of the conflict there was hardly any problem concerning industrial management or administration, shop practice, labor, wages, hours, material prices, contracts, purchasing machinery, tools, training, health, transportation, imports, exports, economy, new development, salvage and waste utilization, which had not been dealt with by the government or its appointed representatives in order to increase the quantity and to improve the methods of British industrial production.

The government gradually came to interfere with every branch of industry, and its control finally affected every production unit from the largest to the smallest. But always one could note "that control, though inevitable, was tardily and unwillingly undertaken."

"Thus during the war, France with her doctrines of liberty, equality and fraternity, accepted a state control of labour of a character far more stringent than that admitted in England, while in Germany, as soon as war broke out, the state created machinery for controlling raw materials, rationing their distribution and fixing their price. Similar machinery was finally evolved in Great Britain by a lengthy, painful and often illogical process, Government control being extended to meet

emergencies as and when they arose. State control was therefore slow in its development and unscientific in its application. It was never extended until the necessity for it became clamant, but this halting process was in harmony with the spirit of a nation which has always preferred individual liberty to order, freedom to logic, opportunism to principle."

These remarks taken from the confidential *History of the Ministry of Munitions* (Vol. 7, Part 1, p. 1) neglect to state only a few things, for instance, that this "halting" policy cost tremendous extra amounts of money, which could be procured only by developing borrowing into an art and by making this art the most significant economic activity of the early twentieth century.

In view of the shortcomings of industrial policy which were brought to light in England during the war, and the costs which their attempted remedy involved, one is led to realize that too much "hands off" policy on the part of a government towards its industry may have just as serious drawbacks as a policy of undue interest and interference. Furthermore, it should be valuable to determine what really has been achieved by the new policies.

EFFECTS OF GOVERNMENT CONTROL

(A.) "In reviewing the industrial developments, it is important to make a clear distinction between war and post-war values. A few of them, like the development of the iron and steel industry, could be justified from both points of view, but the bulk of them were frankly war schemes doomed to failure when government support was withdrawn and foreign competition revived. As war schemes, they were abundantly successful..."

"...The Traders engaged in the industry naturally laid great stress on the post-war importance of developments for which they were seeking the financial support of the State, and their arguments were occasionally reinforced by the advocacy of the Board of Trade. But with some important exceptions, the Ministry was uninfluenced by these arguments. One of the exceptions was the steel trade, in connection with which there is evidence that the Ministry in 1917 deliberately undertook to finance extensions, which were not expected to produce steel until 1919 or 1920 at the earliest. These extensions aimed at doubling the country's prewar capacity for steel production and at leaving the industry better equipped to face American and German competition after the war. Similar argu-

ments influenced the Ministry, as has already been seen, with regard to smelter refining and glass manufacture." (*History of the Ministry of Munitions*, Vol. 7, Ch. 3, p. 40 ff.)

(B.) "Some of the industries upon which the Ministry spent the most pains, therefore, were doomed to failure as soon as Government support was withdrawn and foreign competition again became effective. This, of course, was only to be expected since the unfavourable conditions which had prevented capital being invested in these industries before the war, again became operative as soon as they lost the artificial support of government subsidies and the quasi-monopoly created by restrictions on importation."

"These unfavorable prospects led to an agitation in favour of the protection of certain industries described as essential or 'key' industries for a term of years... The safeguarding of Industries Act met the situation by imposing an import duty of one third ad valorem on foreign manufactures which competed with these new industries. The duty was only to operate for a limited period, and it was anticipated that at the end of that period any new industry which had a commercial future in Great Britain would be strong enough to stand on its own feet... The Bill was defended as a step to secure economic freedom from the German monopolists..." (*Ibid.*, Vol. 7, Ch. 3, pp. 42, 43.)

(C.) "At the time of the Armistice the bulk of the essential materials required for war production were controlled not only by the British Ministry of Munitions and other Government Departments but by Inter-Allied organizations. Decontrol was thus governed by international as well as national considerations."

"The reaction against all forms of control was strong both in England and America, but additional force was lent to the movement in the States by the desire to cut loose from all European entanglements..."

"In Great Britain two schools of opinion arose as to the policy of decontrol. Labour opinion was in favour of the continuance of Government control as the only means by which the public could be protected against extortionate prices. Trade interests on the other hand were almost unanimously in favour of the re-establishment of private dealings with the least possible delay. The general policy of the Government was to remove control as quickly as possible though it was recognized that... control would have to be continued until conditions became more normal." (*Ibid.*, Vol. 7, Ch. 5, p. 72 ff.)

(D.) "On the credit side of Ministry control stand certain obvious economies in production and consumption, the chief

of which were the adoption and spreading of improved processes which economised labour and material, the utilization of scrap and waste and compulsory economy of materials both in munitions and trade factories." (The iron and steel using industries in particular are being mentioned as having benefited greatly from control and from the spread of standardization and specialisation. Moreover,—it is stated—central control made it possible to consider the most economical methods of employing the machining capacity of the country by concentrating firms on the work to which they were most suited.)

(E.) "The methods of costing and pricing obtained a great improvement insofar as they had been the objects of constant supervision and control by government offices." (This should not mean, however, that the prices were always calculated to represent the economic minimum, nor that the British manufacturers had been taught the really useful principles of price setting.)

(F.) "Most important of all perhaps was the enforced expansion of plants in the basic industries, which now were equipped for real quantity production as it had been known in the United States and in Germany for decades." (Ibid., Vol. 8, p. 54 ff.)

These above results are officially listed as the major effects of the government policies applied to British industries during the war. Obviously they represent a variety of consequences which basically can be classified as technical achievements, in reference to which the interference of the government was apparently useful, and as economic achievements, about which the report of the Ministry itself is not quite so complimentary.

WAR PROFITS TO INDUSTRY

In reference to profits, the government was good to its industrialists. It gave them loans, cash advances, materials at or below cost, profits at 10 per cent of the total cost of wages, materials and expenses, help and assistance and consideration in everything that they brought up. The government needed industrial service and was willing to pay for it.

How much money was paid to industry and stayed with industry as a result of the war is difficult to determine. Probably at least one fourth of all war expenditures was thus absorbed.

Since the total public debt of Great Britain on March 31, 1914, amounted to £649,770,000, and on March 31, 1919, amounted to £7,434,949,000, it is safe to estimate that the war cost England at least £6,785,179,000.

If one fourth of this amount went to industry, then it was benefited by new capital amounting to £1,696,300,000. It would therefore appear that the wartime control of her industries was a most costly experiment to England, and the sufferance of regulated industrial economy a most profitable and successful experience for her industries.

In terms of profits British industry was nearly as well off as the industry of any other country. But when we try to find out whether the manufacturers really gained economically, politically, nationally, or internationally, from this period of government interference, we soon find that, aside from its profits, British industry had to book some serious losses.

WAR BLOWS TO INDUSTRY

(A.) A very severe blow was dealt to British industry by the rather orthodox application of the "non-interference policy" which the government observed during the first two years of the war. In its desire not to disturb private industry too much, the British government undertook to build or remodel about 250 small and large size factories and to equip them with machinery. When the war ended, these properties were sold in the open market, which depressed the value of factories and of equipment. The privately owned factories, to keep in line with market appraisals, therefore, had to make heavy write-downs, not all of which were fully provided for. The write-downs, of course, absorbed part of the war profits, since the private enterprises could not shift the loss to the taxpayers.

(B.) Still more serious was the fact that wages, material costs and prices, all "controlled" by the government, were permitted to rise to levels which made it rather difficult for the British manufacturers to recapture their former foreign markets after the war. Capturing a market is not only a matter of taking it from competitors; one must also set his prices so that they are in line with the purchasing power of the market. The war had greatly unbalanced the pre-war economic levels. In the United Kingdom, under

government sponsorship, it had been raised more than in the English markets (South America, Far East, Near East, etc.) and this naturally made the reestablishment of trade relations extremely difficult, as now the prices which the British asked appeared not only absolutely but also relatively higher than they had been before. The problem was aggravated by the fact that there was considerable excess plant capacity available and both disturbances were felt by private industry in England long after the government had signed, sealed and delivered the peace treaties.

Even in 1924 these very conditions were still so pronounced and the sales outlook was so discouraging that Prime Minister MacDonald, on July 28, appointed a Committee on Industry and Trade to undertake definite studies and make recommendations "on the prospect of British participation in the markets of the world, on the growth of competition with British goods in these markets, the likelihood of its continuance and its probable consequences."

The committee did some very interesting work in determining the increases in costs. Setting pre-war costs at 100 it found the cost of production had risen as follows:

<i>Industry</i>	<i>Pre-war Cost</i>	<i>Cost 1924/25</i>
Coal Mining.....	100	190.5
Coke Making	100	167.4-224.2
Gas (coal)	100	182.1
Iron and Steel.....	100	134.0-183.3
Agricultural Machinery	100	150.0-183.3
Marine Engines and Boilers	100	170.0
Electrical Equipment	100	183.0
Chemicals	100	169.7-220.7
Textiles	100	208.0-274.6
Clothing	100	187.7-218.6

*Great Britain, Committee on Industry and Trade.
Part I, p. III. 1927.*

It should be noticed that these increases refer to cost of production only, not to wholesale or retail prices. If the increases in the cost of distribution are considered, the difficult position of the British manufacturers becomes still more obvious.

The real effects of the industrial economic actions of any government, as a rule, do not appear immediately after the action has been taken. It usually takes years, and in

every country it still costs enormous amounts of money and effort, plus the expenses for special commissions, paid out of tax moneys, to find out that a mistaken policy had been adopted sometime ago, and even then attention is directed not always to the real causes, nor can much be done about them. As it was, the committee could find out what had happened but it could do nothing to remedy the cost situation and the British producers came to suffer permanently in those countries which began to produce at lower costs at home.

(C.) The war and post-war history of British industry reveals, however, a still more detrimental phase of wrong governmental policy: a one-sided labour policy from which resulted difficulties far greater than any of the other two.

THE STATUS OF LABOUR

When war broke out, British labour was already in a much stronger position than the manufacturers. All the unions were recognized as economic and political bodies; all union rights and self-made rules were acknowledged; the unions were officially in control of employment, health insurance and industrial welfare in general. They had large funds and knew their organized powers; they had tested their strength in serious strikes. Labour was an organized party in Parliament; it took part in making almost every law; it sat in all committees, whether concerned with the Empire, the kingdom, the county or a humble borough. Labour had leadership, industry had not; and still the working man was made to feel that he had been given so far only a small part in government.

Moreover, organized labour soon came to know that it was to supply soldiers for the front and workers for the benches. It was not by any means their war, and while Labour did not take unfair advantage of the opportunity, they also did not overlook any occasion to foster their own political ends.

In Parliament the labour leaders voted all necessary measures; throughout the country the union leaders assisted in filling the ranks of the army; throughout the industries they helped to organize the new kind and volume of work; they maintained discipline, took care of the families of those who had left for the trenches and rendered all those thou-

sand and one services which made the British war machinery go. They agreed to night work, to longer hours, to the employment of women, to piecework rates set without union approval, and in 1915 consented to the wartime abandonment of trade union working conditions.

"Though theoretically internationalistic in sympathy, and predominantly opposed to 'militarism' at home as well as abroad, British Trade Unionism, when war was declared, took a decided line from first to last the whole strength of the movement was thrown on the side of the nation's effort." (S. & B. Webb, *History of Trade Unionism*, p. 637.)

For all these concessions naturally the government had to show recognition, and it did this by granting a Ministry of Labour through

An Act for establishing certain new Ministries and for the appointment of additional Secretaries or Undersecretaries in certain Government Departments; and for purposes incidental thereto. (6 & 7 Geo. 5 C. 68, Dec. 22, 1916.)

Ministry of Labour

"1. It shall be lawful for His Majesty to appoint a Minister of Labour, who shall hold office during His Majesty's pleasure.

"2. There shall be transferred to the Minister of Labour the powers and duties of the Board of Trade under the Enactments mentioned in the Schedule to this Act, and the Minister of Labour shall have such other powers and duties of the Board of Trade or of any other Government department or authority, relating to labour or industry, whether conferred by statute or otherwise, as His Majesty may by order in Council transfer to him, or authorise him to exercise or perform concurrently with or in consultation with the Government department or authority concerned."

This Ministry of Labour was not a war emergency measure, even if it was granted during the war. It had been recommended by labour representatives for a long time, for instance, in "The Minority Report of the Poor Law Commission" in 1909 as follows:

"We propose, that in order to ensure complete ministerial responsibility, and the full and continuous control of Parliament over so important a branch of industrial organization (Labour Exchanges, Trade Union Insurance, Unemployment and Training), the whole work should be entrusted to a Min-

ister for Labour, who would naturally be a member of the House of Commons and included in the Cabinet.

"We should transfer in this way to form a new Industrial Regulation Division, all the administration of the laws relating to hours, wages and conditions of employment, including the Factories and Workshops Acts, the Shop Hours and Truck Acts, and the Mines Regulation Acts, from the Home Office; and the Regulation of the Railways Act, 1893, from the Board of Trade. The Labour Department of the Board of Trade would form the nucleus of a new Statistical Division, and the Emigrants' Information Office under the Secretary of State for the Colonies the nucleus of a new Emigration and Immigration Division.

"It has been suggested that the Minister for Labour should be the President of a Board including representatives of employers and employed. We are entirely opposed to any such arrangement, as calculated to interfere with the control of Parliament, and the complete responsibility of the Minister to the House of Commons. Unless the Minister, and the Minister alone, is placed in a position to decide what is to be done, it will be difficult for Parliament to ensure that its views upon policy will not be thwarted by influences over which it has no control; and impossible for the House of Commons to hold the Cabinet in general, and the Minister for Labour in particular, responsible for the results of his administration. The place of representatives of employers and employed is on Advisory Committees, which should be either constituted permanently or convened from time to time." (Minority Report, p. 311 ff.)

This clearly reflects the desires of labour, and its unconciliatory determination to control all the vital industrial economic factors, even though the report was not official. Not all of these desires were granted, but most of them were and labour also obtained its long coveted Ministry and a seat in the Cabinet in its own right. Arthur Henderson, who had represented the Friendly Society of Ironfounders, became President of the Board of Education in 1915.

"Later on, G. N. Barnes of the Amalgamated Society of Engineers had been appointed to the new office of Minister of Pensions. When, in December 1916, Mr. Asquith resigned and Mr. Lloyd George formed a new Coalition Cabinet, Mr. Henderson entered the small war cabinet that was then formed, with the nominal office of Paymaster-General; whilst Mr. Barnes continued Minister of Pensions, Mr. John Hodge (British Steel Smelter's Society) was appointed to the new office of

Minister of Labour, and three other members of the Party (Mr. W. Brace, South Wales Miners; Mr. G. H. Roberts, Typographical Society; and Mr. James Parker, National Union of General Workers) received minor ministerial posts. Subsequently, Mr. J. R. Clynes (National Union of General Workers) . . . succeeded Lord Rhondda as Minister of Food." (S. & B. Webb, *History of Trade Unionism*, p. 692.)

No one who knows what "work" really means and how immense the distance really is which separates a worker from a cabinet post, and no one who is familiar with the sacrifices which British labour made, will begrudge them these successes, to which a long series of minor ones could be added. Labour deserved reward and had worked for it for decades.

But the industrial economist cannot overlook the fact that most of this recognition was in the form of political rewards which carried great economic power. This, too, from the labour point of view was merited. However, the industrial economic conditions of any country have never been improved for any length of time by the one-sided political elevation of one of its main groups over the others. Labour is most essential to industrial activities and prosperity, but so are employers, consumers and also the government, each group about equally well able to make or to break industrial prosperity.

It would seem that any predominant elevation of one group should reduce not only the willingness but also the ability of the other groups to achieve results in the best interests of all. It should further be apparent that any politically arranged cooperation of only two of the parties in a deal which should be a tri- or four-partite agreement must bring about lopsidedness in the economic structure which is just as dangerous as disequilibrium in a mechanical structure.

A less frightened and economically more considerate British government of the old school undoubtedly would have hesitated before granting so much increase in power to one industrial partner and so little influence to the other. A government should at all times balance the various groups and coordinate them; to unbalance them politically is undesirable. Prevailing circumstances may have indicated the necessity of thus upsetting the industrial economic equilibrium, yet in yielding to this "absolute necessity of coali-

tion with labour" the British government made perhaps its most serious mistake during the war.

It did not make its mistake in granting Labour honors and rights; both were more than merited. But it erred in leaving industry, meaning the employers, out of the new deal and relegated to the background to "muddle through."

THE RESULTS OF POLITICAL ONE-SIDEDNESS

Labour, granted special political powers, had sufficient influence to take definite action towards securing its "share" of special economic benefits from industry. In the most condensed form the various opportunities which Labour utilized to foster its own end, can be listed as follows:

First step: Early in the war, when prices rose rapidly and wages lagged behind and were out of proportion to the profits made by the manufacturers, Labour asked for and obtained in February, 1915, war bonuses consisting of increases in wages and in piece rates. The railwaymen, for instance, received 3 shillings per week more on all wages over 30 shillings a week, and 2 shillings per week more on all wages below 30 shillings after January 22, 1915. In August, 1915, they threatened to strike if they were not given more. As strikes were illegal during the war, Labour would have lost. The urgent need for ammunition, however, worked in their favor.

Second step: The government had to ask the unions for concessions in reference to trade union rules in regard to night work, changing of employer, and the calling of strikes, and naturally, had to compensate labour again by granting and subsidizing higher wages.

Third step: When employment of women, girls, unskilled labour on skilled jobs, and night work in large measure became necessary, Labour consented to Lloyd George's "Labour Dilution Program" in exchange for additional increases in wages and other concessions including exemption from military service. During and after the summer of 1917 the government became so considerate that Labour was officially notified in advance of any new concession which the government needed, so that they could file protest or prepare their demands.

Fourth step: In the fall of 1917, renewed requests by the government for more workers to be used at home and to be

sent to the field gave Labour the opportunity to ask for increases in women's wages, workmen's compensation, improved housing, better payment of skilled workers compared with unskilled labour, and a further 12 per cent increase in wages for all munitions and shipyard workers. When the response of the government was slow, unrest began to appear in various places, and to cure this a "Trade Union Advisory Committee as part of the Ministry of Munitions" was established, out of which grew a whole string of semi-political and semi-economic Industrial Councils, standing bodies of Employers and Labour to insure a "satisfactory mutual understanding."

Fifth step: The Labourites, through the Committees on Industrial Unrest, found themselves still further at an advantage as government negotiators and advisers. Their proposals and advice soon covered also regulation of prices, commodities, materials, wages, labour contracts, working conditions, reconstruction, etc. If and when conditions were not bad enough to make the government see the desirability of accepting Labour's viewpoint, the Labourites masterfully succeeded in making their own thunder just at the right moment and with the necessary resonance by threatening strikes. Never during the war did they go too far, but never were they afraid to go still farther. Their strategy was clever, and they made the very best of an opportunity given only once in a century.

When the war ended, Great Britain had undergone two fundamental changes: the government, which for decades had legislated on the principle of public interest, was now dominated by Labour, and Labour's interests and the principle of individual industrial efforts had been changed into Labour-regulated industrialism.

As has been seen, government regulation, if applied one-sidedly, has always failed in industrial economics. Labour, so far, never had been given any great opportunities to influence industrial economics directly. Now it was given full powers and the post-war industrial developments should show to what extent this change has "benefited" England, the people, the workers, industry and trade.

CHAPTER 29

POST-WAR ENGLAND UNDER LABOUR REGIME

1919—1931

some Acts of help to industry; and legislation that was meant to help the workers and create a better economic order, but failed its sponsors, England and her industries.

HELP TO INDUSTRY

When the war ended, official England thought that she was ready for the new era. The peace treaties had been severe enough for the enemies and the Allies had emerged as victors in every sense of the word. That post-war conditions would be different and would bring new problems had been anticipated. Difficulties were expected, particularly in the recapturing of foreign markets, in changing war production back to peace-time operation and in obtaining the necessary raw materials, but careful provisions had been made to handle these problems properly for the special benefit of industry.

Raw Material Regulation. The whole demobilization program, and, in connection with it, the program of reconstruction had been trusted to a special "Ministry of Reconstruction" which had been established long before the treaties were signed. The Ministry secured the advice of business leaders and concerned itself in its first moves with raw materials. They had been fully controlled as to quantity, quality, imports, production, distribution, exports and prices, and now the Ministry was going to see to it that all those peace industries which needed special raw materials would get them in sufficient quantities to be ready for the earliest distribution of their goods.

This plan was well-intentioned, but did not work out satisfactorily. The bureaucratic machinery worked too slowly and business complained. Besides, the government soon found itself in serious difficulties due to the fact that prices for raw materials dropped more quickly than anticipated. The materials which it could procure could not compete with

materials offered in direct trade because the government could not gauge the prices properly, and this ended the material control planned. Therefore, on May 31, 1919, most controls over the domestic sale and distribution of commodities were dropped. Only the development of foreign sources on an Empire trade policy basis was to be continued. This has been advocated on various Empire conferences; the policy had been confirmed during the war (Board of Trade, May 22, 1917, and Balfour Committee on Commercial and Industrial Policy after the war, Dec. 3, 1917) and thus was really not a new measure benefiting industry. But even in this respect not much success was expected in official quarters, and finally the Prime Minister announced on August 18, 1919, before the House of Commons, that the government would again observe officially a hands-off policy, except that protection would be given to the "key or pivotal industries" which had been developed during the war, and the dumping of foreign merchandise would be prevented.

Safeguarding of Industries. The government fulfilled these promises by issuing "An Act to regulate the importation of dyestuffs (10 & 11 Geo. 5 C. 77, Dec. 23, 1920) and, further, the king approved of

"An Act to impose duties of customs on certain goods with a view to the safeguarding of certain special industries and the safeguarding of employment in industries in the United Kingdom against the effects of the depreciation of foreign currencies, and the disposal of imported goods at prices below the cost of production, and for purposes connected therewith." (11 & 12 Geo. 5 C. 47, August 19, 1921.)

Francis Wrigley Hirst in his book, *The Consequences of the War to Great Britain* (Oxford University Press, 1934, pp. 27, 184-5) comments on these acts:

"In 1920 the Dyestuffs (Import Regulation) Act created a new monopoly based on the licencing of imports;" "... (the Safeguarding of Industries Act), unimportant from a fiscal point of view (the duties yielded about half a million pounds a year), had great political significance; for it was a definitely protectionist Act. It was divided into three parts. The first imposed duties of 33⅓ per cent on what were to be called 'key industry' goods. The key industries were not, as might be supposed, industries of economic importance, but related to the production of articles which were necessary in war time,

including some thousands of chemicals and scientific instruments, such as arc lamp carbons, magnetos, etc. The second part of the Act dealt with 'dumping,' which it described as selling in this country at prices below the cost of production or at prices which, by reason of depreciated currencies, were below the price at which similar goods could be manufactured in Great Britain. The third part of the Act dealt with administrative provisions . . . Mr. Baldwin, the President of the Board of Trade, was in charge of the Bill; . . . Mr. Asquith declared that, though trifling in itself, this Act was the first installment of a tariff; and the measure received very strong opposition from Free Traders inside and outside of Parliament. The first part of the Act was to operate for only five years, but in 1926 it was renewed by the Conservative Government for a further ten years, and these key industry duties are still in operation. Under Part II, no case of actual 'dumping' or selling below the cost of production was ever proved; but for a time a few 'depreciated currency' duties were imposed on imports from Germany."

The Committee on Trusts. Aside from the Safeguarding Acts, the government investigated for the possible benefit of industry another line of thought: namely, to strengthen industry by having it combine into big trusts or cartels, which form of organization had caused British manufacturers most serious competition in pre-war days.

A study was made by "The Committee on Trusts," established by the Ministry of Reconstruction, and a report was published on April 24, 1919 (Ministry of Reconstruction, Command 236, 1919, His Majesty's Stationery Office.)

England's Company Laws, especially the revision of 1865, had made it possible to create industrial combinations by means of holding companies, and a number had been established in the Public Utilities field. But among industrial enterprises the desire of the English owners for independence, and their loyalty to their own way of doing things, more or less prevented this form of enterprise in which coordinated management, efficiency in engineering and special methods of financing and selling, played such an important role. Besides, any outright association of manufacturers was still considered equal to a trade union and was subject to regulations. Therefore, many industrialists who could afford it bought competing industrial enterprises, rather than attempting to pool their interests with others.

John Hilton, who had been in charge of the investigation,

made a number of interesting statements (*A Study of Trade Organizations*, p. 8 ff.):

"The Immorality of Competition. Competition has vicious features to offset its virtues, and even its virtues are of limited range. It elevates self-interest into a gospel and makes 'Each for himself and the Devil take the hindmost' the first rule of conduct. It applies 'buying in the cheapest market and selling in the dearest' to human beings as well as to things, and makes 'sweating' not ~~some~~ but shrewd.

"There is a point at which the continuance of competition along the old lines is no longer compatible with industrial efficiency and continued progress.

"Competitive production often means a wasteful duplication of activity and plant. . . It may stimulate the will to improve and yet deny the means.

"For these reasons, goods produced under a regime of free competition may be dear, even though the competing producers are making less than a living profit.

"Most associations were born of dire necessity; it was seldom, indeed, that an association came into being until the trade was faced with all-round disaster, if it did not combine.

"So long as the individual will to survive is stronger than the instinct of common danger, and the hope of coming out on top in the industrial scrimmage counts for more than the sense of common interest, competition will hold the field; but when self-preservation and self-interest are seen to be in line with the general interest, competition is abandoned and co-operation begins.

"Little has been done by associations in this country in the way of centralized purchasing of materials. . . It is complained, that any considerable extension along these lines is hampered by reason of associations being a trade union in the eyes of the law, and consequently debarred from entering into enforceable contracts. It would seem that attention is required to the question how trade associations in the United Kingdom are to develop this unquestionably beneficial side of their potentialities."

Hilton pointed out that any improvement in this direction would benefit also standardization, most effective utilization of factories and by-products, equal distribution of work, quality, transportation, central selling, foreign representations, collective advertising, interchange of costs and experience, standardization and exchange of costing, scientific and technical research, collection and distribution of statistical data, information, etc., all of which were not developed

properly and were impossible under the legal and individualistic attitudes cultivated so far. In discussing possible changes (Ibid., p. 122 ff.) Hilton stated:

“Legislative action in respect of monopolistic combinations can take one of two directions. It can be aimed at preventing combination, with the idea of preserving competition as the natural and proper order of industry, or it can take the tendency to combination for granted and concern itself with preventing and penalizing any use of the power derived from combination which may prove to be inimical to the public interest. The first may be called ‘repressive’ legislation; the second ‘policing’ action.

“Monumental examples of the first kind are in the American anti-trust laws, notably the Sherman Anti-Trust Act of 1890 . . . and the Clayton Anti-Trust Act of 1914.

“Sweeping judgment as to the results produced in practice by this kind of legislative action are not to be lightly made; but the conclusion to which competent critics are forced is, that *anti-combination laws have proved thus far worse than futile; by making combinations of independent manufacturers criminal conspiracies, they have encouraged the fusion of firms into great amalgamations; and they have driven combination underground, where its worst qualities have thriven and its best qualities declined . . . it has prevented the realization of the beneficial possibilities which above-board combination holds.*” (Author’s italics.)

The Committee on Trusts took Mr. Hilton’s recommendations, endorsed them in principle, but stressed the possibilities of danger and abuses and recommended a further, more detailed investigation by the Board of Trade. In other words, the whole idea of strengthening industry by relaxing laws which were not vital but prevented the establishment of really effective industrial strength, was politely put to sleep.

Why suddenly the frosty attitude towards a policy of coordination of industry, which practiced by the Germans had done British industry serious harm and which had been applied by the British government as one of the prime means to win the war?

The fate of suggestions does not always depend on the soundness of the advice but on the attitude of those who are in a position to decide what suits them best. In England the Labour Party had just come into power and their representatives were in the Ministry of Reconstruction, as well as in any other public office or committee. To strengthen industry was the very last thing they wanted, as they had

an industrial program of their own. So the idea was put in the class of "danger from monopolies," in spite of the fact that there is a great difference between a trust or cartel and a monopoly, and that proper legislation can easily prevent abuses, as Hilton had pointed out.

Since the government was partly composed of labour representatives, and the power of the unions was growing from day to day, as could be seen in the enormous increase of organized members, not much else was done by the Ministry of Reconstruction really, to reconstruct industry. British industry, at the beginning of its most difficult period, was left to "see it through" without further assistance from the government. Lethargic individualism was pitched against militant and highly organized labor.

THE INFLUENCE OF LABOUR ON INDUSTRIAL POLITICAL ECONOMY IN ENGLAND

Politics is the attempted or actual application of the political and economic ideas of a certain group to the whole. In England politics entered the economic field for the first time in a serious manner after the war. England had had parties, the Tories and the Whigs, since 1714. But they were political parties first and above all. Their economic ideas and aims were unimportant in comparison with their political aims. They had never attempted to bring about any social upheaval, and as the legislative history shows, when in power they had not interfered with industry in favor of either labour or employers. They had left them both pretty well alone and had regulated industry on the principles of "public" interest.

When the war ended, British Labour found itself in the government as the representative of a very large and well organized group. Labor also was putting into effect entirely new economic concepts all over Europe, and the labor wings of all countries saw that in the League of Nations an old dream had come true, namely, a central organization of the various governments in which socialism and the rights of labor were fully and legally recognized. Until then labor had been forced to hold its national and international meetings under the shadows of suspicion and political distrust and every attempt to press economic programs had been a long-drawn struggle over each individual issue.

Labor now was trump all over Europe and in England. Its first aim, to obtain political power, had been achieved. Now it was up to labor to put its own economic ideas into effect.

It was undoubtedly MacDonal'd's greatest achievement that he prevented radicalism in England. It was also his influence which persuaded the British Labour Party to reconcile itself to most old established political traditions. But he did not—could not—prevent Labour from practicing its reform ideas primarily in that field of British economics on which they had been dependent: industry.

It has long been a problem whether the enforcement of the political and economic programs of any one group can be economically beneficial to all. In all countries and at all times, those aspiring to political power claim that their economic program is the very best for their country. If this claim is made by a uniform group, and if they are really given overwhelming power, they, as a party, and with them their economic programs, turn out to be a handicap rather than a help to the nation and in particular to industry. History proves that economic programs, confessedly designed to favor certain special groups—state, or labor, or both at the same time—when actually applied in a highly industrialized country, are bound to threaten most seriously the interests of those not especially benefited, and to cause difficulties, which in turn endanger and sometimes actually hurt the interests of the intended beneficiaries.

The industrial history of post-war England is an excellent example of such experience, and it shows clearly what a government should and should not do in industry.

Labour's Political Strength. The number of British voters varies from approximately 16,000,000 to 20,000,000 out of a total population of 45,000,000. From these the Labourites obtained the following votes:

<i>Year</i>	<i>Labour</i>	<i>Conservatives</i>	<i>Others</i>
1906	323,200	.....	.....
1910 Jan.	505,690	.....	.....
1918	2,245,000	.....	.....
1922	4,237,000	.....	.....
1924	5,488,000	8,112,800	3,056,783
1929	8,331,500	8,591,100	5,568,851
1931	6,982,000	11,873,000	2,875,000

Out of the 615 seats in Parliament these votes meant a constant increase in the number of Labour representatives:

Year	Labour	Conservatives	Others
1900	2	...	...
1906	19	...	...
1910 Jan.	40	...	...
1918	57	...	...
1922	42	347	126
1923	102	257	166
1924	151	412	51
1929	289	260	326
1931	65	471	79

To these seats must be added all those held by Labour representatives in the political administration of municipalities. At the peak in 1929 Labour held at least 900 such posts throughout Great Britain, and thus had greater political power than any other party.

The Economic Strength of the Unions. Labour's political strength is not identical with its organized economic strength, which is represented in the unions. Many workers subscribe to the union without adopting the political party. Other union members cannot vote because of their youth. In Great Britain one can become a member of a trade union at the age of sixteen, but can be a voter only at the age of twenty-one. It is, therefore, not surprising that Labour, in the trade unions and employees' associations together, has many more organized members than voters.

The figures in the tabulation on page 340 clearly show the progress which Labour made in unionizing the workers until 1920, when the peak was reached with 8,346,000 organized members.

Labour's Fighting Strength. Those issues which British Labour could not settle by political or parliamentary action, by direct union negotiation or by court action, they attempted to settle by strike. The statistics of British strikes and lockouts show clearly that Labour did not hesitate to call strikes. The most serious were called in the coal industry, in other mining industries, in the transportation industries and among the dock and textile workers.

The strikes of 1918, 1919, 1920, 1921 and 1922 were called as much for political as for economic reasons. In 1926 there occurred the greatest general strike in England's

TRADE UNIONS AND OTHER EMPLOYEES' ASSOCIATIONS
TOTAL NUMBER AND MEMBERSHIP IN GREAT BRITAIN AND
NORTHERN IRELAND, 1892-1932

[Extracted from the "Ministry of Labour Gazette" for October, 1933.]

Year	Number at end of Year	Membership at end of Year		
		Males	Females	Total
		Thousands	Thousands	Thousands
1892 ..	1,233	} Not available	} Not available	1,576
1893 ..	1,279			1,559
1894 ..	1,314			1,530
1895 ..	1,340			1,504
1896 ..	1,358	1,466	142	1,608
1897 ..	1,353	1,584	147	1,731
1898 ..	1,326	1,608	144	1,752
1899 ..	1,325	1,761	150	1,911
1900 ..	1,323	1,868	154	2,022
1901 ..	1,322	1,873	152	2,025
1902 ..	1,297	1,857	156	2,013
1903 ..	1,285	1,838	158	1,994
1904 ..	1,256	1,802	165	1,967
1905 ..	1,244	1,817	180	1,997
1906 ..	1,282	1,999	211	2,210
1907 ..	1,283	2,263	250	2,513
1908 ..	1,268	2,230	255	2,485
1909 ..	1,260	2,214	263	2,477
1910 ..	1,269	2,287	278	2,565
1911 ..	1,290	2,804	335	3,139
1912 ..	1,252	3,026	390	3,416
1913 ..	1,269	3,702	433	4,135
1914 ..	1,260	3,708	437	4,145
1915 ..	1,229	3,868	491	4,359
1916 ..	1,225	4,018	626	4,644
1917 ..	1,241	4,621	878	5,499
1918 ..	1,264	5,324	1,209	6,533
1919 ..	1,360	6,600	1,326	7,926
1920 ..	1,375	7,004	1,342	8,346
1921 ..	1,265	5,626	1,005	6,631
1922 ..	1,221	4,752	872	5,624
1923 ..	1,181	4,607	821	5,428
1924 ..	1,182	4,729	814	5,543
1925 ..	1,165	4,670	835	5,505
1926 ..	1,153	4,406	812	5,218
1927 ..	1,147	4,123	794	4,917
1928 ..	1,130	4,009	795	4,804
1929 ..	1,120	4,053	802	4,855
1930 ..	1,105	4,046	793	4,839
1931 ..	1,089	3,855	766	4,621
1932 ..	1,060	3,695	746	4,441

Note—These statistics relate to all organisations of employees, including those of salaried and professional workers, as well as those of manual wage earners, which are known to include among their functions that of negotiating with employers with the object of regulating the conditions of employment of their members.

The statistics relate to all unions, etc., with head offices in Great Britain and Northern Ireland, and the figures of membership include members of such unions in Irish Free State or oversea branches, but wholly exclude membership of unions whose headquarters are outside Great Britain and Northern Ireland.

The figures have been revised in accordance with the latest information available at October, 1933. Exact information as to the respective numbers of male and female members is not available for certain unions, and in such cases estimated figures have been used.

The figures relating to membership include a number of persons who are members of more than one organisation and are therefore counted more than once in the figures. While precise figures are not ascertainable, it would appear improbable from the information available that the number of persons who are members of more than one organisation exceeded 20,000 at the end of 1932.

history. When the strike took on dimensions which would have caused hardship for the public, Prime Minister Stanley Baldwin, rather than negotiate still further with the coal miners and transportation unions, called the militia and voluntary service workers, and the strike which had lasted in certain coal mining sections for seven months was ended within twelve days, with little advantage to the miners because, in the meantime, the Ruhr Valley coal industry had taken over the business which England lost.

The futility of strikes and the hardships inflicted on all are known to everyone, but hardly has any strike demonstrated the danger which may lie in such a settlement of economic differences more clearly than the strike called in 1926.

LABOUR'S ECONOMIC PROGRAM

The economic objectives of Labour were frequently stated, but varied according to the intensity of the Socialist beliefs held by the respective advocates. They were also modified as time went on.

MacDonald first announced the official Labour government attitude in the speech on government policy, which he made in the House of Commons on February 12, 1924, when he formed the first Labour Cabinet. His program contained little that was new and his proposals merely attempted to strengthen all the various achievements previously obtained. (Tiltman, *MacDonald, The Man of Destiny*, p. 146 ff.)

The program of Philip Snowden contained in his semi-official booklet "If Labour Rules" (The Labour Publishing Company Ltd., 1923) was much more outspoken and also quite ambitious.

"It is sometimes said that the Labour Government would find its greatest obstacle in the resistance of the permanent Civil Service. I do not believe this. Our Civil Service, whatever may be the personal views of its members, is officially loyal to the Government which for the time being is in power . . . there is a highly developed sense of pride among Civil Servants in the success of Governmental enterprise." (Philip Snowden, *If Labour Rules*, p. 9.)

"If Labour governed, therefore, we should have in power a Party which, whether it succeeded or not, would be actuated by a desire to advance the national welfare by promoting such

measures as would, while benefiting in the largest measure the most needy classes, increase the national wealth and effect a more equitable distribution of it. For that is the real test of national prosperity. It is not by the aggregate wealth of a nation that its prosperity should be judged, but by the extent to which all its citizens contribute and enjoy the wealth. To achieve that desirable condition will be the aim to which the policy and legislation of a Labour Government will be directed." (Ibid., p. 12.)

"The aim of the Labour Party as set forth in its Constitution is to secure for the producers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production and the best obtainable system of popular administration and control of each industry or service." (Ibid., p. 22.)

"The production of commodities and the distributive services are social functions, and no service or industry is independent. That being the fact, there is a general and common interest in them all. Society as a whole, therefore, must own the undertakings, and exercise a control over them in the common interest." (Ibid., p. 24.)

So far Mr. Snowden semi-officially in 1923.

In 1929 the Labour Party presented again "Labour's Appeal to the Nation" containing the "Official Programme of the Labour Party at the General Election 1929." (Tiltman, p. 326 ff.)

The Party gave an unqualified pledge to deal immediately and unqualifiedly with unemployment, by undertaking housing and slum clearance, land drainage and reclamation, electrification, reorganization of railways and transport, new roads and road and bridge improvements, afforestation associated with small holdings, training and help in emigration; development of the home market and of exports, restoration of prosperity to industries, export credits, shipbuilding; relief of distress, raising of schooling age, houses for the working class at proper rents; support of the League of Nations, disarmament and of relations with Russia: farming must be made profitable; taxation will be according to ability to pay; no taxes on foods; widows, orphans and old age pensioners to be better provided for; eight-hour day to be general; better factory acts, better trade union acts, etc.

"We pledge ourselves to give unsparingly the best we can of our energy, experience and knowledge, to the great task of

making Britain a happier and more contented land, and establishing peace in the world. Signed MacDonald, Clynes, Morrison, Henderson." (Tiltman, p. 326 ff.)

These various programs show clearly how Labour gradually extended the range of activities provided in the programs to benefit labour and reduce unemployment which they had attempted to eliminate already before and ever since they had come to power. Most interesting also is the departure in 1929 from the original scheme of obtaining a general improvement through government ownership and government control of all industries. Furthermore, the old Labour Party slogan of a more equitable distribution of wealth no longer appears as prominently as it did before.

In view of these vital changes, it is of interest to investigate what Labour really did achieve to improve industrial conditions in Great Britain.

LABOUR'S ECONOMIC ACHIEVEMENTS

Reduction in Working Hours. The outward aspect of England after the war has been summed up by Keynes as follows:

"In England the outward aspect of life does not yet teach us to feel or realize in the least, that an age is over. We are busy picking up the threads of our life where we dropped them, with this difference only, that many of us seem a good deal richer than we were before. Where we spent millions before the war, we have now learnt that we can spend hundreds of millions and apparently not suffer for it. Evidently we did not exploit to the utmost the possibilities of our economic life. We look, therefore, not only to a return to the comforts of 1914, but to an immense broadening and intensification of them. All classes alike thus build their plans, the rich to spend more and save less, the poor to spend more and work less." (Keynes, *The Economic Consequences of the Peace*, p. 9.)

The very last words especially have reference to an aim which Labour had set for itself and which, in view of the working hours in effect until 1914, was more than justified. The tabulation on page 344 shows that in industry the reduction in working hours amounted to approximately 12 to 15 per cent, and this can be booked as an important achievement of Labour.

**RELATIVE FULL-TIME HOURS OF LABOUR IN CERTAIN INDUSTRIES
IN GREAT BRITAIN AND NORTHERN IRELAND AT JULY, 1914, AND
AT THE END OF EACH OF THE YEARS 1919-33.**

[The particulars of hours given in this Table relate to those industries and occupations for which particulars of wages are given in the Tables on pages 84 to 88 and are, in most cases, those recognised by organisations of employers and workpeople. The hours stated are exclusive of meal times, except for coal mining underground workers. For further particulars of hours in 1933 see the Table on page 82.]

INDUSTRY (See Note above)	Weekly Hours of Labour.		
	July, 1914.	At 31st December 1919-25.	At 31st December 1926-33.
Agriculture: Ordinary Labourers in England and Wales.	See note (a)		48 to 54
Coal Mining: Underground Workers	8 per shift	7 per shift	(c)
Surface Workers ..	51 to 58	46½	44 to 49
Engineering (16 principal centres) ..	53 or 54	47	47
Shipbuilding (8 principal centres) ..	53 or 54	47	47
Cotton ..	55½	48	48
Woolen and Worsted: Yorkshire ..	55½	48	48
Hosiery: Midlands ..	Various	48	48
Textile Bleaching, Dyeing, Printing and Finishing: Yorkshire, Lanca- shire and Scotland.	54 to 56	48	48
Boot and Shoe Manufacture ..	52½	48	48
Baking (26 large towns) ..	48 to 60	44 to 48	44 to 48
Furniture (20 large towns) ..	46½ to 54	44 to 47	44 to 47
Building (39 large towns) ..	See note (d)		
Electrical Installation (12 large towns)	53 or 54	47	47
Printing and Bookbinding (26 large towns).	50 and 51	48	48
Tramways (46 large towns) ..	54 to 60	48.	48
Road Transport (12 large towns) ..	56 and upwards	48	48
Railway Service ..	Various (e)	48	48
Dock-Labour (10 large ports) ..	9 to 10½ per day.	8 per day	8 per day
Local Authority (Non-Trading) Ser- vices (28 large towns).	48 to 56½	44 to 48	44 to 48

(a) Before the war the hours in summer were usually 11 or 12 per day, with intervals of 1½ to 2 hours for meals; in winter the hours were generally limited by daylight. At the end of the years 1919 and 1920 the hours were usually 48 and 50. At the end of the years 1921 to 1925 they ranged from 48 to 54.

(b) Except in Northumberland and Durham where the hours were usually less.

(c) At the end of the years 1926 to 1929 the hours permitted were 8 per shift, but actually 7½ or 8 were worked in different coalfields. At the end of 1930 to 1933 the hours were 7½ per shift.

(d) In the building trade hours have varied at different dates and in different towns. The average hours (taking into account both summer and winter hours) in 39 large towns were approximately as follows:—49½ in July, 1914; 45½ at the end of 1919; 44 at the end of 1920 and of 1921; 43½ at the end of 1922; 44 at the end of 1923; 44½ at the end of 1924; 44½ at the end of 1925-1930; and between 44½ and 44½ at the end of 1931-1933. The general range of hours at the end of 1933 was 44 to 46½ in summer time and 44 during the remainder of the year.

(e) The average normal hours for men (six-day workers) were about 58.

Increase in Wages. Simultaneously with its drive for shorter hours, Labour succeeded in enforcing higher wages. That the strikes of 1918, 1919 and 1920 brought results in this direction is clearly evident from the statistics compiled by the British Ministry of Labour, especially if one examines the following data both for individual groups and for all industries combined.

Ship firemen, for instance, trebled their wages between 1914 and December 31, 1919. Engine drivers earned, in 1920, 2.5 times as much as they had been paid before the war, and untrained laborers succeeded in getting 2.15 times their pre-war wages, all due to Labour's new political and economic power. Other groups lagged behind, but even so the wage averages in 1920 were 2.7 times those paid in 1914 in Great Britain.

Such an increase in wages is considerable, and in it Labour apparently fulfilled the most important point of its program from which should have come the salvation of the working class—if only the old Labour slogan was really true that: "What we need today is a large increase in the share of national income paid to workers in wages. Such a redistribution of income would act as a tonic on our whole economic system, for it would go to persons who would use it immediately to buy goods. It would lift us out of depression and form the basis for a greater economic expansion than we have ever before known."

Mr. William Green made this recommendation for the United States in 1935 (New York Times, August 17, 1935), obviously believing in the same theory which British Labour had believed and advocated in 1919. In England was actually achieved, right after the war, what Mr. Green had proposed, but it seems that the wage increase theory has its limits. At least, the official figures clearly show that British Labour stopped boosting wages after 1920 and obviously also the British workman must have accepted lower rather than higher wages, as all wages show a steady decline from 1921 on, while British Labour was in power. (See p. 346.)

Increase in Cost of Living. In view of these statistics, and following Mr. Green's analysis, it might appear that British economics received its high wage tonic in the years 1919 and 1920 and therefore one should be entitled to look for the

RELATIVE LEVEL OF RATES OF WAGES FOR ADULT WORKERS IN CERTAIN INDUSTRIES AND OCCUPATIONS IN GREAT BRITAIN AND NORTHERN IRELAND AT JULY, 1914, AND AT THE END OF EACH OF THE YEARS, 1919-33

Level of Rates of Wages at	RAILWAY SERVICE (a)				
	Engine Drivers (b)	Goods Porters	Passenger Porters, Grade 2	Permanent Way Labourers	Permanent Way Gangers
July, 1914	per week s. d. 40 6	per week s. d. 22 0	per week s. d. 19 2	per week s. d. 22 0	per week s. d. 27 0
31st Dec.					
1919 ..	74s. to 92s.	55 0	52 2	55 0	60 0
1920 ..	88s. to 106s.	71 6	67 0	71 6	77 0
1921 ..	80s. to 98s.	63 6	59 0	63 6	69 0
1922 ..	72s. to 90s.	51 6	47 0	51 6	57 0
1923 ..	72s. to 90s.	49 0	45 0	49 0	54 0
1924 ..	72s. to 90s.	49 0	45 0	49 0	54 0
1925 ..	72s. to 90s.	50 0	46 0	50 0	55 0
1926 ..	72s. to 90s.	49 0(c)	45 0(c)	49 0(e)	54 0(c)
1927 ..	72s. to 90s.	48 0(c)	44 0(c)	48 0(c)	53 0(c)
1928 ..	70s. 2d. to 87s. 9d.	46 10(c)	42 11(c)	46 10(c)	51 8(c)
1929 ..	70s. 2d. to 87s. 9d.	45 10(c)	41 11(c)	45 10(c)	50 8
1930 ..	72s. to 90s.	46 0(c)	42 0(c)	46 0(c)	52 0
1931 ..	69s. 5d. to 86s. 6d.	42 10	40 0	42 10	50 5
1932 ..	69s. 5d. to 86s. 6d.	42 10	40 0	42 10	50 5
1933 ..	69s. 5d. to 86s. 6d.	42 10	40 0	42 10	50 5

Level of Rates of Wages at	SHIPPING — Predominant or standard monthly rates (d)		DOCK LABOUR — Average of recognised minimum rates in 10 large ports	LOCAL AUTHORITY (NON-TRADING) SERVICES — Average of rates in 28 large towns	ALL INDUSTRIES (e) — Estimated average percentage increase in full-time rates of wages, compared with July, 1914.
	Able Seamen	Firemen	General Cargo Workers	Labourers	
July, 1914	per month 100s. to 110s.	per month 110s. to 120s.	per day s. d. 6 1	per week s. d. 26 9	per cent —
31st Dec.					
1919 ..	290s.	300s.	13 4	62 6	+115 to 120
1920 ..	290s.	300s.	16 2	74 8	+170 to 180
1921 ..	240s.	250s.	14 4	66 0	+110 to 115
1922 ..	200s.	210s.	11 7	54 10	+70 to 75
1923 ..	180s.	190s.	10 5	51 5	+65 to 70
1924 ..	200s.	210s.	12 3	53 0	+70 to 75
1925 ..	180s.	190s.	12 3	53 4	+75
1926 ..	180s.	190s.	12 3	53 3	+75
1927 ..	180s.	190s.	12 3	52 7	+70 to 75
1928 ..	180s.	190s.	12 3	52 5	+70 to 75
1929 ..	180s.	190s.	12 3	52 5	+70 to 74
1930 ..	180s.	190s.	12 3	52 5	+70 to 74
1931 ..	180s.	190s.	12 3	51 9	+66 to 70
1932 ..	162s.	172s.	11 6	50 8	+65
1933 ..	162s.	172s.	11 6	50 10	+64

(a) For the years 1914 and 1919 the rates shown are the estimated approximate averages of the rates actually paid; for later dates they are the agreed standard rates, modified for 1928, 1929, 1931, 1932 and 1933, by agreed general deductions. The figures for porters and permanent way men relate to the rates paid in "industrial areas," excluding London.

(b) Extra payment received when performing over a certain mileage per day.

(c) For entrants to this grade after 1st February, 1926, the rates were somewhat lower.

(d) Free food was provided in addition. For 1914 the rates shown are the predominant rates at the principal ports; for other dates they are the agreed standard rates.

(e) Estimated approximate average percentage increase in all industries for which figures are available. The particulars relate only to full-time rates of wages for corresponding classes of workers at each date. They do not take account of changes in average earnings resulting from variations in the state of employment, or from the operation of other factors.

resulting benefits which came to the workers and to the country in order to prove the wisdom of the high wage tonic theory.

Immediately one is led to consider the cost of living. Obviously, only if the workers can buy more with their additional income is their condition really improved. They must purchase food, rent, clothing, fuel and light and miscellaneous necessities before they can raise their "standard of living" by buying more of these goods or of other industrial products; naturally if these necessary expenses go up in price they cannot buy more. Still less can the economic condition of the country be improved on the theory of increased wages, unless it is coupled with the theory of keeping retail prices down. This, however, cannot be accomplished, as by sheer cold logic the farmer is entitled to higher prices too if the worker is to get more, and so is the tailor, the landlord, the candlemaker, the power company, the railroad and the shipping company, and all the dealers employing now much better paid help. An increase in prices and in the cost of living is unavoidable, and the process will be accelerated by the competitive and less-restrained bidding of the now better paid groups of workers, who got their increases through political force rather than for economic reasons. These are the facts and consequences which labor never seems to consider whenever they advocate their high wage theory for application to industrial economics.

What happened in Great Britain is apparent from the following tabulation, taken from official sources.

It shows that only food and rent remained below the wage increases which labor obtained. However, if one takes into account not only these prices but all the other necessary expenditures as well, then one obtains the following picture:

DATE	WAGE LEVEL	RETAIL PRICES (COST OF LIVING)					
End of	Average Wages All Industries	Food	Rent	Clothing	Fuel and Light	Other Items	All Items Combined
1914	100	100	100	100	100	100	100
1925	175	152	148	225	182	180	175
1929	170	152	152	215	175	180	166
1930	170	143	154	205	175	175	153
1931	168	139	154	190	175	175	147
1932	165	133	155	185	172	172	142
1933	164	114	156	185	172	172	142
1934	160	115	156	187	172	172	143

Had it not been for the food prices, the high wage policy would have given only very slim advantages to the British workers, and as the groups which had the greatest political and union strength got more benefits than the average, it is certain that behind all the high wage screen serious unbalancing processes took place.

As wages were increased, employment shrank; as prices rose, sales declined, and unemployment in Great Britain became again the outstanding labor problem during 1919 and 1920. More than 2.5 million workers were out of work and they obviously lost in income much more than the reduced number of higher wage receivers could contribute above the higher cost of living towards the creation of greater economic prosperity. Besides, agriculture began to suffer seriously.

Unemployment Regulation. As the reestablishment of "normal" or even pre-war employment conditions was a rather difficult—in fact, almost impossible—task, the government, under the pressure of Labour, provided in 1920

An Act to amend the Law in respect to Insurance against Unemployment. (10 & 11 Geo. 5 C. 30, Aug. 9, 1920.)

This was not the very first act dealing with unemployment relief. Tentatively unemployment relief insurance had been introduced in 1911.

The act of 1920, however, is most important because it meant the beginning of systematic unemployment insurance for all industries and trades in Great Britain. In order to show how the system was conceived, two schedules of the act are presented.

This law was modified a number of times. On March 3, 1921 (11 Geo. 5 C.1), the contributions were raised to

5d per week for men	} paid by the Employee
4d per week for women	
6d per week for men	} paid by the Employer
5d per week for women	

Also the government raised its own contribution to make increased weekly payments possible.

In 1921 the benefit of unemployment relief was extended considerably to new groups, till then excluded, but simultaneous increases in the required contributions were also necessary. (11 & 12 Geo. 5 C.62.)

SECOND SCHEDULE.

RATES AND PERIODS OF UNEMPLOYMENT BENEFIT.

1. Unemployment benefit shall be payable in respect of each week of any continuous period of unemployment after the first three days of unemployment, and shall, subject as hereinafter provided, be at the weekly rate of fifteen shillings for men and twelve shillings for women, or such other weekly rates as may be prescribed :

Provided that, in the case of an insured contributor under the age of eighteen unemployment benefit shall only be paid at half the full rate.

2. No person shall receive unemployment benefit for more than fifteen or such other number of weeks as may be prescribed, either generally or for any particular employment or branch thereof, within any insurance year, or in respect of any period of less than one day.

3. No person shall receive more unemployment benefit than in the proportion of one week's benefit for every six contributions paid in respect of him under this Act, or such other proportion as may be prescribed with the consent of the Treasury :

Provided that where, owing to the fact that the wages or other remuneration of an employed person are paid at intervals greater than a week, or for any other like reason contributions are paid under this Act in respect of any person at intervals greater than a week, that person shall for the purpose of this paragraph be entitled to treat each of those contributions as so many contributions as there are weeks in the period for which the contribution was paid.

4. Any time during which a person is, under this Act, disqualified for receiving unemployment benefit shall be excluded in the computation of periods of unemployment under this Schedule.

5. A period of unemployment shall not be deemed to commence till the employed person has made application for unemployment benefit in the prescribed manner.

6. The power conferred by this Schedule on the Minister of prescribing rates and periods of unemployment benefit shall not be exercised so as to increase the rate of benefit above seventeen shillings per week for men or above fourteen shillings per week for women, or to reduce it below thirteen shillings per week for men or below ten shillings per week for women, or so as to increase the period of unemployment benefit above fifteen weeks, or so as to alter the proportion which the period of benefit bears to the number of contributions paid, except by rules confirmed by an order made in accordance with the provisions of this Act relating to special orders.

FOURTH SCHEDULE

RULES AS TO PAYMENT AND RECOVERY OF CONTRIBUTIONS PAID BY EMPLOYERS ON BEHALF OF EMPLOYED PERSONS

(1) A weekly contribution shall be payable for each calendar week during the whole or any part of which an employed person has been employed by an employer :

Provided that where one weekly contribution has been paid in respect of an employed person in any week, no further contribution shall be payable in respect of him in the same week, and that, where no remuneration has been received and no services rendered by an employed person during any such week, the employer shall not be liable to pay any contribution either on his own behalf or on behalf of the employed person in respect of that week.

(2) The employer shall, except as hereinafter provided, be entitled to recover from the employed person the amount of any contributions paid by him on behalf of the employed person.

(3) Except where the employed person does not receive any wages or other pecuniary remuneration from the employer, the amounts so recoverable shall, notwithstanding the provisions of any Act or any contract to the contrary, be recoverable by means of deductions from the wages of the employed person or from any other remuneration due from the employer to the employed person and not otherwise, but no such deductions may be made from any wages or remuneration other than such as are paid in respect of the period or part of the period in respect of which the contribution is payable, or in excess of the sum which represents the amount of the contributions for the period (if such period is longer than a week) in respect of which the wages or other remuneration are paid.

(4) Where a contribution paid by the employer on behalf of an employed person is recoverable from such person, but is not recoverable by means of deductions as aforesaid, it shall (without prejudice to any other means of recovery) be recoverable summarily as a civil debt, but no such contribution shall be recoverable unless proceedings for the purpose are instituted within three months from the date when the contribution was payable.

(5) Where the employed person is employed by more than one person in any calendar week, the first person employing him in that week or such other employer or employers as may be prescribed, shall be deemed to be the employer for the purposes of the provisions of this Act relating to the payment of contributions and of this schedule.

In 1922 extensions in the length of the benefit period were granted, with further need for contributions.

In 1921, 1922 and in 1924 the Trade Facilities Acts provided the means to grant £65,000,000 for loans to foster capital expenditures or public utility undertakings which were intended to promote employment. (14 Geo. 5 C.8, May 15, 1924.)

In 1926 an Unemployment Insurance Agreement was made between the Treasury and the Ministry of Finance for Northern Ireland with a view to assimilating the Burdens on the Exchequer of the United Kingdom and on the Exchequer of North Ireland and in respect to unemployment insurance. (16 Geo. 5 C.4, March 26, 1926.)

In 1927 local loan funds were granted money for the purpose of making certain local loans for public works. (17 Geo. 5 C.1, March 11, 1927.) Also the entire Unemployment Insurance Act was revised. The revisions appeared as an Act to amend the Unemployment Insurance Acts (17 & 18 Geo. 5, Dec. 22, 1927.)

In 1928 the amount to be paid out of the Treasury for Ireland's unemployed alone was raised to £40,000,000 per year.

In 1931 it was enacted that "the limit on the amount of the advances to be made by the Treasury to the Unemployment Fund . . . shall be raised to ninety million pounds." This was exclusive of Ireland (21 Geo. 5 C.8, March 3, 1931) and represented only a small portion of the total unemployment relief paid.

From these chronological facts it may be seen that definite changes have been made in the British unemployment relief system.

Originally in 1911 the system was conceived as an insurance system. The premiums received from the employed workers, from the employers and from the government were calculated so that they should provide unemployment payments for approximately 2,250,000 workers. The insurance was compulsory, supervised by the state and benefits received were in line with the contributions which the worker himself had made. The system proved satisfactory.

The Act of 1920 extended the insurance scheme to all industries and covered approximately 11,500,000 employees. So long as the original features of the insurance system were

maintained, the established contributions were sufficient to cover the payments to those who needed support.

When, however, due to rising prices, the support had to be raised; and when, due to economic pressure, the number of beneficiaries was increased by including the wives and children of insured workers; and when, due to political pressure, more provisions were adopted which added more unemployed than contributions; and when, finally, in 1924, relief was made a legal right, no longer dependent on the contribution of the workers—the receipts were insufficient to cover all payments and funds had to be borrowed from the Treasury.

In 1929 the Labour Party succeeded in establishing "transitional benefits." This was relief money paid outright from treasury funds and had nothing to do any longer with insurance or actuarial principles. The relief had become the "dole." The word comes from the Latin word "dolum," meaning gift as well as share. The amounts were paid out of treasury funds to supplement the funds obtainable under the insurance system which was maintained and was calculated in 1929, for instance, at £58,000,000 per year. These gifts were no longer considered as loans to the insurance system, but were paid out of increases in taxes.

The payment of this kind of gifts, borne by the entire tax-paying population, was justified by the Royal Commission on Unemployment in 1928 as follows:

"Until 1928 the view was taken that all or most unemployment was due to trade depression of the ordinary type. Had this been the case, its duration would have been limited. . . It is now clear that the greater part of the unemployment of the period 1923 to 1929 was not due to trade depression, but was of a more persistent character due to causes that were not transient."

If the Commission had been honest, it would have stated that abnormally high wages were the main reason.

So, Great Britain reconciled herself to dealing from then on with "permanent unemployment" and the government decided to continue the contribution of Treasury funds for the relief of 2,500,000 unemployed for approximately ten years. All the modifications considered and enacted in the years 1933 and later are based on these principles.

From the humane point of view this was the only thing to do. But from a practical standpoint these solutions seem to

indicate clearly that the Labour government did not or could not cope successfully with the real reasons for unemployment and, further, that it had been laboring and legislating for some years on the entirely mistaken conception that "trade depression" was the real reason for unemployment. This is poor statesmanship.

In view of the fact that the Labour government failed to reduce unemployment, it should be of special interest to investigate what else it attempted to improve industrial conditions and thereby to advance the national welfare, increase the national wealth and effect a more equitable distribution of it, as Snowden had promised.

Labour's Help to the Coal Industry. The coal industry, even before the war, had been one of the most strongly unionized industries and had caused serious trouble during the war. Many acts had been released to appease the miners, and their wages had been raised frequently.

This had raised the cost of production, however, and when the government was no longer in need of high-priced coal, prices slumped. The miners had obtained high wage tariffs, but the coal mines made no profit. For these reasons the coal industry was the very first industry in which the new Socialist regime could have shown how to improve the national welfare. Actually it did not take the Labour Party long to obtain

An Act to make temporary provision on account of the emergency arising from the war as to the profits and control of wages in, and advances in respect of, colliery undertakings, and for purposes connected therewith. (10 Geo. 5 C. 4, March 31, 1920.)

The act provided that definitely-stipulated excess profits of the mines should be pooled and that the fund so created should be distributed among those mines which needed part of the fund in order to be able to pay the wages which were asked by the unions.

The plan is simple and might have been a useful measure if prices had remained the same as they were when the profit distribution scheme was put into effect. Soon afterwards, however, sales dropped and prices had to be reduced. Therefore, the act was repeatedly modified:

On August 16, 1920, by an act providing for the better administration of mines, and to regulate the coal industry

(10 & 11 Geo. 5 C.50), and finally, on March 24, 1921, by an act to curtail the duration of and amend the Coal Mines (Emergency) Act, 1920, (11 Geo. 5 C.6) the whole profit pooling scheme was terminated as of March 31, 1921.

In 1926 the industry was regulated again by a special Mining Industry Act, 1926 (16 & 17 Geo. 5 C.28). This was most elaborate and provided voluntary as well as enforced full or partial amalgamation of enterprises, welfare funds, wages, recruiting of labour by the Minister of Labour, etc. Scarcely anything remained unregulated.

In 1930 a still more voluminous act (20 & 21 Geo. 5 C.34) provided a Coal Mines National Industrial Board, whose task it was to have a "central scheme" regulating the production, supply and sale of coal by owners of coal mines. Further were established "district schemes," administered by District Executive Boards. The coal mining industry was to be reorganized by a Coal Mines Reorganization Commission appointed by the Board of Trade. A Coal Mines National Industrial Board was to be appointed, composed of the representatives of the following organizations:

- 6 members from the Mining Association of Great Britain,
- 6 members from the Miners Federation of Great Britain,
- 1 member from the Federation of British Industries,
- 1 member from the Association of British Chambers of Commerce,
- 1 member from the General Council of Trade Unions,
- 1 member from the Cooperative Union,
- 1 member from the National Confederation of Employers' Organizations.

It was the task of all these boards and especially selected representatives of experts to improve the coal industry. Their means to that end, provided in the act, were: centralization and regulation of production, sales through a central marketing organization, quota regulation of output and maintenance of minimum prices. At the same time a 7½-hour day was decreed for one year.

The results of all these acts and Labour government regulations can be traced in the tabulation compiled by the Board of Trade, Statistical Tables 1924-1930, Command 3849. To add the data for more recent years, which also show the results produced by the Coal Mines Industrial Board, a few more figures are offered on page 356.

PRODUCTION OF COAL IN THE CHIEF COAL-MINING DISTRICTS OF GREAT BRITAIN, 1909-13 AND 1924-30, TOGETHER WITH PARTICULARS OF PERSONS EMPLOYED, PROCEEDS, COSTS, PROFIT OR LOSS, AND EARNINGS OF PERSONS EMPLOYED.

Note.—The particulars for 1930 are provisional and subject to correction. Those relating to the output per man-shift, proceeds, costs, and earnings are based upon the first 9 months.

A.—GREAT BRITAIN

Particulars	Unit.	Average, 1909-13	1924	1925	1927.	1928	1929	1930
Coal raised	Million tons	270	287	243	251	227	266	244
Coal obtained by coal-cutting machines	"	18.4	49.9	48.1	58.5	51.4	72.0	Not yet available.
Coal exported or shipped as bunkers (a)	"	88.4	64.5	71.5	71.9	71.6	88.2	73.1
Coal retained in Great Britain (b)	"	175.9	180.4	169.6	179.5	163.9	177.8	168.5
Persons Employed :—	Thousands	846	966	879	814	745	765	751
Above ground	"	202	248	223	210	194	184	191
Below ground (including clerks and salaried persons)	"	644	718	656	604	551	581	560
Total	"	1,048	1,214	1,102	1,024	939	947	942
Coal raised :—	Tons	319	278	277	309	219	258	324
Per person below ground	"	257	220	221	245	253	270	259
Per person employed	"	25.80	22.21	22.81	26.22	27.10	27.47	27.46
Per man-shift below ground	"	20.52	17.59	18.02	20.61	21.29	21.09	21.55
Per man-shift above and below ground	"	7	19	20	23	26	28	Not yet available.
Percentage of coal cut by machines	Per cent.	19.89	19.89	17.20	15.20	13.35	13.99	14.15
Proceeds per ton disposable commercially (gross)	Shillings	13.24	12.79	10.62	9.48	9.48	9.17	9.32
Costs per ton disposable commercially :—	"	4.85	4.79	4.52	4.29	4.29	4.06	4.04
Wages	"	0.53	0.53	0.52	0.50	0.49	0.49	0.49
Quarry Costs	"	18.72	18.65	15.66	14.57	13.62	13.85	13.85
Royalties	"	1.17	1.17	1.17	1.17	1.17	1.17	1.17
Total	"	19.89	19.89	17.20	15.20	13.35	13.99	14.15
Profits (+) or Losses (-) per ton disposable commercially	"	3.39	3.00	1.04	4.28	6.13	5.18	5.17
Cash Earnings per annum per worker employed	£	70	138	132	114	114	118	114
Total Value of coal raised (c)	Million £	75	171	148	128	109	115	110
Total Value of coal raised (d)	"	118	252	199	184	153	173	Not yet available.
Average Value per ton raised	Shillings	8.74	18.84	16.37	14.61	12.85	13.43	13.43

(a) Including the coal equivalent of coke and briquettes.
 (b) Including coal imported as such or the coal equivalent of coke and briquettes, and adjusted in respect of shipments to and from Ireland.
 (c) Including estimated value of mine consumption and miners' coal.
 (d) After crediting subvention, viz. 1.12s. per ton disposable commercially.

Great Britain, Board of Trade, Statistical Tables 1924-1930, p. 10.

	<i>Coal Mined Million Tons</i>	<i>Coal Exported or Bunker Million Tons</i>	<i>Persons Employed Thousands</i>
1930	244	75,1	942
1931	219	57,4	868
1932	208	53,1	819
1933	200	52,6	774

The table on page 355 is so informative that it should need no further comments.

Labour's Help to the Iron and Steel Industries. It will be remembered that the war government spent considerable sums to increase British steel production in large size units, in order to strengthen it for the post-war competition.

When the war ended, the Ministry of Reconstruction had the steel-producing as well as the steel-consuming industries investigated, and the report, published in December, 1918, stated fairly well what was needed to increase production, to obtain world trade and to compete more successfully with the United States and Germany.

However, the figures on page 357 clearly indicate that these aims were not achieved between 1919 and 1931, while Labour had economic influence and was in political power.

It is especially striking that the United States as well as Germany succeeded in continuing and even increasing their pre-war advantages over Great Britain in these most important and representative industries.

Labour's Help to the Cotton Industry. The cotton industries, including bleaching, dyeing, printing and finishing, had for a long time employed more than 700,000 people and at times close to 1,000,000 workers had found a meagre but safe living in these industries. At the close of the war the capital investment in these industries may have amounted to approximately £430,000,000. Three fourths of the entire production had always been for export, which in 1913 had included 7,075,252,000 yards of cotton piece goods.

The war was caused by government action and when the war was over the British government could claim a victory. But the interruptions of trade which government interference had caused for four years left the industry in a position which was by no means victorious nor even hopeful.

As the first result, the British cotton industry, after the

PIG IRON AND STEEL OUTPUT OF CHIEF COUNTRIES
(Figures by Amer. Iron & Steel Institute); gr. t. = gross tons (2,240 lbs.);
met. t. = metric tons (2,204.6 lbs.)

Year (Cal.)	UNITED KINGDOM			UNITED STATES			GERMANY		
	Iron	Steel	Total	Iron	Steel	Total	Iron	Steel	Total
	1,000 gr. t.	1,000 gr. t.		1,000 gr. t.	1,000 gr. t.		1,000 met. t.	1,000 met. t.	
Average 1909-13	9,620	6,630	16,250	27,490	27,260	54,750	13,850	14,340	28,190
1916	8,919	6,992	17,911	39,435	42,774	82,209	13,293	16,182	29,475
1917	9,338	9,716	19,054	38,621	45,061	83,682	13,171	16,587	30,758
1918	9,107	9,539	18,646	39,053	44,462	83,517	13,387	11,786	20,173
1919	7,417	7,894	15,311	31,015	34,671	65,686	5,654	6,877	12,531
1920	8,035	9,067	17,102	36,926	42,133	79,059	6,388	8,537	14,925
1921	2,616	3,703	6,319	16,688	19,784	36,472	7,855	9,996	17,851
1922	4,902	5,881	10,783	27,220	35,603	62,823	9,194	11,714	20,908
1923	7,440	8,482	15,922	40,361	44,944	85,305	4,940	6,305	11,245
1924	7,307	8,201	15,508	31,406	37,932	69,338	7,832	9,835	17,667
1925	6,262	7,385	13,647	36,701	45,393	82,094	10,089	12,194	22,283
1926	2,458	3,596	6,054	39,373	48,294	87,667	9,643	12,342	21,985
1927	7,293	9,097	16,390	36,566	44,935	81,501	13,102	16,311	29,413
1928	6,610	8,520	15,130	38,156	51,544	89,700	11,804	14,517	26,321
1929	7,589	9,636	17,225	42,614	56,433	99,047	13,401	16,246	29,647
1930	6,192	7,326	13,518	31,752	40,699	72,451	9,694	11,539	21,233
1931	3,772	5,203	8,975	18,426	25,945	44,371	6,063	8,292	14,355
1932	3,573	5,261	8,834	8,781	13,681	22,462	3,932	5,751	9,683
1933	4,124	7,003	11,127	13,346	23,232	36,578	5,267	7,586	12,853
Figures represent, for all countries, 1000 gross tons, of 2,240 lbs.									
1934	5,978	8,850	14,828	16,138	26,055	42,193	8,604	11,740	20,344
1935	6,426	9,859	16,285	21,373	34,093	55,466	12,342	15,842	28,184
1936	7,686	11,698	19,384	31,029	47,768	78,797	15,062	18,856	33,918

war, faced markets which had learned to depend on British cotton goods much less than before. India had turned to making her own cotton goods and what she could not make was gladly supplied by Japan. Japan also began at that time to establish mills in China and to cater to this market, which before the war had given very large orders to British mills. The United States had begun to supply the South American markets, and American and Italian capital had founded new factories in the South American markets. The Italian cotton industry had made a strong effort to take over the cotton goods business of the Near East and of Africa. It was not the fault of the British cotton industry that, due to the redistribution of the international cotton goods business, Great Britain gradually lost one third of its pre-war business. It was caused by high prices due to government interference with industry.

The second evil which resulted from the activities of the labour unions, can be found in the enforcement of further

increases in wages and costs, which in turn made British cotton goods at the end of the war and for some years afterwards entirely too dear for foreign buyers, whose governments did not attempt to interfere with economics as the British Labour government did.

The third trouble of vital importance which befell the British cotton industry was also caused by government interference. Great Britain, which for four years had helped to make the world safe for democracy, did not see fit to grant the Indians sufficient political rights to suit them, and Mahatma Gandhi started on September 8, 1920, a passive resistance program of non-cooperation which included a boycott of British cotton goods. Gradually the political troubles were smoothed out, but the loss in trade continued. The following figures will visualize its dimensions and the development of the export situation during the post-war period:

BRITISH EXPORTS IN COTTON PIECE GOODS
TO ALL COUNTRIES

Year	Linear Yards	Per Cent of 1913	Value (£)	Per Cent of 1913	Value per Yard Pence
1913	7,075,252,000	100.00	97,775,855	100.00	3.317
1929	3,764,852,400	53.21	99,264,000	101.52	6.325
1930	2,490,549,400	35.20	61,305,421	62.70	5.908
1931	1,790,157,000	25.30	37,327,672	38.18	5.004
1932	2,302,678,300	32.55	43,614,893	44.61	4.546
1933	2,031,231,200	28.71	40,234,252	41.16	4.754

BRITISH EXPORTS IN COTTON PIECE GOODS
TO INDIA ONLY

Year	Linear Yards	Per Cent of 1913	Value (£)	Per Cent of 1913	Value per Yard Pence
1913	3,057,805,600	100.00	34,977,946	100.00	3.073
1929	1,280,049,800	41.87	25,909,000	74.07	4.858
1930	728,367,200	23.82	13,739,763	39.28	4.527
1931	355,621,100	11.63	5,458,539	15.61	3.684
1932	555,429,100	18.17	8,472,599	24.22	3.661
1933	485,736,100	15.90	6,677,568	19.09	3.298

(Great Britain, Statistics Dept., *The Trade of the U. K. 1935*,
P. 435, P. 525, P. 535.)

In view of these facts, which were known to the Labour government, one might expect that it would have concentrated all its efforts to remedy the evils at their roots, since it was pledged to advance the national welfare by promoting such measures as would increase the national wealth, employment and economic security for the workers.

Instead we find that in the industry, which was most in need of low prices, the government sponsored wage raises which together with raw material increases kept the prices of cotton goods higher than those asked by other countries and therefore it is not surprising that hundred thousands of cotton industry workers remained permanently unemployed.

The data shown thus far clearly prove that Labour did not succeed in improving conditions in the main British industries, and this conclusion is confirmed when one studies closely the composite picture of all British industries.

LABOUR'S FAILURE IN PROMOTING INDUSTRIAL PROSPERITY

Complete industrial statistics for Great Britain are compiled infrequently and those which are available are fragmentary and difficult to interpret. Thus far, official industrial censuses have been taken only in 1907, 1924 and 1930. Therefore, insufficient data are available to permit proper comment on the industrial activities combined.

However, there is one study available, published by the Ministry of Labour in its 21st Abstract of Labour Statistics, which reports on employment and, therefore, can be used in fairness to investigate to what extent Labour succeeded in promoting industrial prosperity for the masses, its objective in interfering with industry. This is the study on "Changes in the Industrial Distribution of Insured Persons" shown in the table on pages 360 and 361.

The Ministry of Labour Gazette of November 1933 (p. 398) comments on this table as follows:

"The Table indicates by means of index numbers, the degree of expansion or contraction which has occurred during the period of ten years, 1923-33, in the number of persons belonging to various industries, so far as indicated by the statistics of insured persons... The insured industries have been classified under nine groups... Within each of these groups the component industries in which the numbers of insured persons have shown a net increase during the ten years have been distin-

CHANGES IN THE INDUSTRIAL DISTRIBUTION OF INSURED PERSONS, AGED 16-64, IN EMPLOYMENT IN GREAT BRITAIN AND NORTHERN IRELAND, 1923-33 (a).

[NOTE.—The figures used are obtained by deducting from the estimated numbers of persons, aged 16-64, insured under the Unemployment Insurance Acts at July of each year, the numbers recorded as unemployed at the end of June. No account has been taken of absences from work through sickness, holidays, trade disputes, etc. A detailed explanation of these statistics was published in the Ministry of Labour Gazette for December, 1933.]

Industry	Index Numbers for end of June of each year. (June, 1923 = 100.)								
	1924	1925	1927	1928	1929	1930	1931	1932	1933
Fishing	105.6	108.1	113.2	115.4	117.4	116.3	120.9	112.0	118.3
Mining and Quarrying :—									
(i) <i>Expanded Industries</i> —									
Stone Quarrying and Mining	113.3	120.1	132.8	129.4	134.2	131.3	136.1	122.2	121.7
Slate Quarrying and Mining	131.0	134.8	142.0	135.1	125.2	106.8	113.9	96.2	118.6
Clay, Sand, Gravel and Chalk Pits ..	109.4	118.2	124.5	123.9	132.9	138.4	122.1	105.8	116.7
<i>Total of expanded industries</i>	115.1	121.9	132.3	128.9	132.4	129.1	139.3	114.3	120.1
(ii) <i>Contracted Industries</i> —									
Coal Mining	99.0	75.8	79.7	60.4	74.0	69.2	56.8	52.7	54.3
Mining and Quarrying not separately specified	85.2	79.0	69.4	65.1	66.1	63.6	55.7	47.5	45.4
Iron Ore and Ironstone Mining, etc. ..	80.6	73.8	85.7	83.6	92.5	84.2	47.9	45.8	39.3
Lead, Tin and Copper Mining	107.7	118.0	135.3	126.9	118.4	98.4	45.3	38.8	37.3
<i>Total of contracted industries</i>	98.5	76.0	79.7	69.6	74.2	69.3	56.6	52.4	53.9
<i>Total, Mining and Quarrying</i>	99.2	77.8	81.8	72.0	76.5	71.7	59.5	54.9	56.5
Manufacturing Industries :—									
(i) <i>Expanded Industries</i> :—									
Electrical Wiring and Contracting ..	118.8	117.6	139.5	149.5	160.8	173.3	199.6	210.6	236.2
Artificial Stone and Concrete	114.1	133.2	167.7	163.5	174.4	167.0	174.6	187.5	193.8
Silk and Artificial Silk	114.2	125.0	148.5	197.0	199.6	179.4	151.2	167.1	173.3
Electric Cable, Apparatus, Lamps, etc. ..	107.3	116.4	120.0	126.6	139.3	146.6	144.4	158.5	168.0
Scientific and Photographic Instruments and Apparatus	114.1	120.1	142.2	146.0	159.2	152.7	142.3	139.4	161.2
Heating and Ventilating Apparatus ..	103.1	135.4	136.2	149.1	165.1	166.1	152.0	149.3	160.2
Paint, Varnish, Red and White Leads ..	121.6	121.4	139.0	142.9	144.8	143.7	147.4	144.0	155.2
Stationery and Typewriting Requisites (not paper)	96.9	101.4	123.4	139.6	136.5	134.0	128.1	130.7	152.4
Brick, Tile, Pipe, etc., Making	118.3	131.4	147.3	136.7	140.7	139.9	138.4	129.6	143.0
Brushes and Brooms	114.9	113.6	123.3	127.5	116.7	122.6	113.1	120.4	142.2
Shirts, Collars, Underclothing, etc. ..	111.5	111.7	118.0	117.0	126.1	124.4	125.9	126.8	138.2
Electrical Engineering	119.4	126.3	132.8	135.8	144.4	148.8	141.8	141.4	137.5
Industries and Services not separately specified	104.3	113.6	127.2	126.6	130.4	126.8	124.4	125.8	134.4
Furniture Making, Upholstering, etc. ..	104.9	110.5	125.3	130.4	135.2	134.2	130.8	126.9	130.6
Wall Paper Making	122.1	105.7	115.6	127.7	138.9	132.0	129.8	122.0	130.3
Food Industries not separately specified ..	112.8	108.0	119.7	118.7	122.0	120.7	119.8	120.0	130.2
Motor Vehicles, Cycles and Aircraft ..	109.4	116.4	128.8	126.3	134.4	125.2	115.5	114.4	127.9
Glass Bottles	123.5	126.7	128.7	119.7	122.8	118.5	117.8	120.0	126.6
Metal Industries not separately specified ..	107.9	110.1	117.3	116.1	123.2	118.6	111.4	112.6	123.2
Printing, Publishing and Bookbinding ..	106.4	107.9	114.0	116.4	119.7	122.2	120.1	122.1	123.0
Hosiery	106.9	106.0	113.2	117.9	121.2	121.7	109.1	116.9	121.3
Toys, Games and Sports Requisites	83.4	94.5	104.0	107.6	115.4	123.0	115.5	113.6	121.0
Grain Milling	108.4	107.5	106.7	104.2	107.0	101.4	97.5	105.6	117.0
Rubber	103.7	108.2	110.4	118.8	122.8	118.1	109.4	106.9	116.1
Olecloth, Linoleum, etc.	114.4	114.2	118.9	118.1	118.8	111.8	96.6	97.0	114.8
Cardboard Boxes, Paper Bags and Stationery	101.2	100.7	105.8	105.6	110.2	105.9	107.1	109.5	113.9
Textiles not separately specified	105.5	107.0	109.7	112.4	115.1	104.9	101.7	104.2	113.1
Paper and Paper Board	99.0	98.4	99.5	103.5	106.7	102.7	98.4	105.0	112.4
Tailoring	103.6	106.0	110.8	109.9	109.9	107.9	109.5	107.5	110.9
Stove, Grate, Pipe, etc., and General Iron Founding	103.1	108.8	116.2	117.5	120.8	114.9	104.4	99.2	108.2
Tanning, Currying and Leather Dressing ..	105.4	102.2	108.0	108.1	103.2	98.7	93.2	96.1	107.0
Drink Industries	109.1	113.4	113.0	110.6	111.7	109.3	107.7	101.7	106.8
Oil, Glue, Soap, Ink, Matches, etc.	104.5	103.7	104.4	105.1	102.2	101.3	100.2	103.9	105.7
Tobacco, Cigars, Cigarettes and Snuff ..	97.7	97.9	99.5	103.2	108.2	107.8	102.5	106.3	104.8
Bread, Biscuits, Cakes, etc.	92.1	90.9	96.6	95.9	96.2	97.5	97.4	100.1	104.5
Carpets	104.0	94.8	94.5	94.1	98.9	92.9	86.8	102.2	104.3
Glass (excluding Bottles and Scientific Glass)	102.6	100.0	99.4	97.9	111.3	107.2	91.8	92.5	102.1
Musical Instruments	95.8	110.6	123.0	137.0	147.6	121.9	105.8	106.2	101.3
Hats and Caps (including Straw Plait) ..	99.3	101.1	101.8	102.6	107.8	106.6	96.7	100.2	101.0
<i>Total of expanded industries</i>	106.1	109.0	116.0	117.6	121.8	118.8	115.0	116.4	123.9

(a) Excluding 1928, when the figures were affected by a general stoppage of work in the coal mining industry.

Manufacturing Industries continued—

(i) Contracted Industries—

	1924	1925	1927	1928	1929	1930	1931	1932	1933
Cocoa, Chocolate and Sugar Confectionery ..	105.9	108.0	109.6	108.6	104.6	102.0	92.7	95.4	99.5
Sawmilling and Machined Woodwork ..	103.8	101.8	109.0	108.6	110.7	104.5	97.4	98.4	99.0
Boots, Shoes, Slippers and Clogs ..	102.5	100.6	102.5	91.6	93.1	89.6	87.7	85.6	98.1
Hand Tools, Cutlery, Saws, Files ..	108.2	118.7	115.8	111.1	118.3	104.0	94.4	88.3	96.0
Chemicals ..	96.7	93.7	97.3	106.0	111.5	102.5	90.0	92.9	97.5
Constructional Engineering ..	103.5	112.1	124.3	123.2	127.5	117.5	111.7	96.0	96.4
Brass, Copper, Zinc, Tin, Lead, etc. ..	101.2	105.7	104.3	100.7	110.2	100.5	90.7	81.9	93.7
Iron and Steel Tubes ..	115.1	108.2	117.9	119.6	130.0	116.8	84.7	90.2	93.4
Explosives ..	106.0	104.3	106.1	121.3	111.9	108.8	86.6	89.7	91.0
Dress Industries not separately specified ..	93.6	89.2	90.4	89.9	91.6	89.3	84.1	88.8	90.4
Wood Boxes and Packing Cases ..	103.3	112.5	112.7	109.6	111.2	103.4	93.7	92.0	90.1
Textile Bleaching, Finishing, Dyeing, etc. ..	103.6	111.2	106.3	105.9	102.8	85.2	76.0	84.5	87.9
Leather Goods ..	77.7	92.8	95.8	97.7	96.0	86.5	78.1	83.9	87.6
Hamp, Rope, Cord, Twine, etc. ..	104.6	94.3	108.5	100.3	102.8	88.8	85.1	83.3	87.2
Pottery, Earthenware, etc. ..	102.5	93.2	97.1	95.6	102.9	93.8	89.7	77.8	86.9
Lace ..	101.7	96.9	102.9	102.2	96.4	90.9	84.9	86.6	86.9
Cement, Linoleums and Whiting ..	99.6	116.4	121.1	124.0	128.3	117.7	101.8	87.5	86.6
Watches, Clocks, Plate, Jewellery ..	99.8	93.9	95.5	94.7	92.6	88.9	77.9	77.0	85.4
Cotton ..	109.9	117.7	115.9	109.7	109.0	75.1	74.4	79.8	85.2
Linen ..	101.8	87.8	1.3.5	88.9	102.1	87.3	81.3	76.8	85.0
Wine, Wire Netting, Wire Ropes ..	86.9	96.8	88.6	97.9	97.2	86.3	78.5	77.8	84.5
Dress Making and Millinery ..	92.6	92.0	93.0	92.0	91.7	89.0	88.5	87.7	84.3
Woodworking not separately specified ..	100.6	95.5	94.1	91.4	92.1	86.6	83.0	80.2	83.9
Brass and Alnico Metal Wares ..	95.0	103.7	103.4	100.2	103.4	94.8	82.6	84.2	83.7
Bolts, Nuts, Screws, Rivets, Nails, etc. ..	98.1	96.5	95.2	95.2	93.8	85.0	75.7	75.8	83.5
Woolen and Worsted ..	98.0	81.7	89.8	88.7	85.2	75.3	66.4	70.7	82.2
Tin Plates ..	98.9	78.5	83.8	107.7	87.6	82.6	67.8	67.8	79.2
General Engineering: Engineers' Iron and Steel Foundry ..	101.8	103.9	102.3	104.2	105.8	98.7	81.8	77.3	78.4
Railway Carriages, Wagons and Trancars ..	102.3	107.4	108.8	108.5	108.5	104.3	83.3	78.0	74.9
Jute ..	102.8	95.4	99.4	103.3	98.2	74.2	56.8	56.3	68.3
Coke Ovens and By-Product Works ..	89.9	69.9	76.4	65.9	79.9	71.6	58.1	56.3	64.4
Steel Melting and Iron Puddling, Iron and Steel Rolling and Forging ..	99.0	88.1	97.1	87.0	99.6	78.8	54.5	54.0	62.7
Carriages, Carts, etc. ..	91.5	92.3	79.4	76.1	74.0	72.3	64.2	61.3	60.4
Marine Engineering, etc. ..	103.7	94.0	84.3	84.7	103.9	101.1	87.4	42.2	46.2
Shipbuilding and Ship Repairing ..	119.5	103.6	109.1	101.1	108.9	97.5	68.3	46.4	45.3
Pig Iron (Blast Furnace) ..	100.0	75.2	83.5	75.9	80.7	72.6	49.3	42.6	39.2
Total of contracted industries ..	103.1	100.5	103.4	100.1	101.8	89.0	76.3	75.6	80.4
Total, Manufacturing Industries ..	104.4	104.2	108.9	107.8	110.4	102.1	93.3	93.6	99.1

Building and Public Works Contracting:—

Public Works Contracting, etc. ..	110.0	125.1	140.8	132.8	136.0	146.7	213.5	188.0	159.8
Building ..	106.5	112.6	128.5	123.5	126.8	121.8	117.9	106.2	118.8
Total, Building and Contracting ..	107.0	114.3	128.5	124.7	128.0	125.3	131.5	117.8	124.6

Transport and Distribution:—

(i) Expanded Industries:—									
Tramway and Omnibus Service ..	109.8	110.2	124.5	134.7	147.5	153.8	162.2	167.0	160.2
Distributive Trades ..	108.2	116.9	127.9	132.2	136.9	140.0	144.3	149.0	152.5
Road Transport not separately specified ..	105.8	113.2	126.6	131.9	136.0	135.3	141.7	138.5	139.7
Total of expanded industries ..	108.1	116.0	127.5	132.4	137.6	140.0	145.4	149.4	152.6

(ii) Contracted Industries:—

Shipping Service ..	100.5	107.2	115.6	112.8	114.3	108.0	108.3	104.2	99.1
Tramway, Communication and Storage not separately specified ..	92.6	95.6	81.0	80.7	83.0	73.5	78.1	82.3	86.3
Dock, Harbour, River and Canal Service ..	103.5	92.5	95.7	87.8	87.9	83.7	79.1	83.8	82.5
Railway Service (non-permanent workers) ..	91.2	88.3	79.4	76.8	76.1	74.5	72.0	65.6	60.4
Total of contracted industries ..	97.4	94.5	93.2	89.0	89.2	85.3	83.4	81.5	77.7
Total, Transport and Distribution ..	105.5	110.8	119.2	121.9	125.9	127.2	130.4	133.0	134.6

Gas, Water and Electricity Supply ..

Gas, Water and Electricity Supply ..	100.8	104.7	101.8	100.8	100.3	101.1	104.4	101.8	107.6
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Miscellaneous Services:—

Entertainments and Sports ..	112.1	113.7	120.2	122.5	130.7	129.1	145.0	155.5	171.1
Hotel, Public House, Restaurant, Boarding House, Club, etc. Service ..	109.3	117.6	128.4	129.4	136.3	136.0	142.2	141.8	149.8
Laundries, Dyeing and Dry Cleaning ..	106.0	110.3	121.0	126.2	131.1	132.7	136.1	136.5	141.0
Professional Services ..	101.8	105.9	109.3	111.6	115.6	119.3	123.3	126.2	131.9
Total, Miscellaneous Services ..	107.3	113.2	121.0	124.2	130.2	131.0	137.2	138.4	146.4

Commerce, Banking, Insurance and Finance ..

Commerce, Banking, Insurance and Finance ..	100.2	98.6	100.5	100.6	103.4	104.2	103.6	106.6	108.5
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National and Local Government Services:—

Local Government Service ..	100.1	104.7	108.8	112.1	120.1	132.2	138.2	133.0	138.2
National Government Service ..	90.6	91.7	80.3	77.3	72.5	67.2	74.6	69.9	64.8
Total, National and Local Government Services ..	95.1	99.3	96.6	97.7	100.3	105.1	110.6	107.2	107.6

Total of expanded industries ..	106.3	111.3	119.8	121.6	126.0	125.9	127.2	126.9	132.4
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Total of contracted industries ..	100.9	93.0	95.3	90.1	92.0	82.6	71.3	69.7	72.8
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All Industries and Services ..	103.8	102.9	108.6	107.2	110.6	106.1	101.7	100.7	105.0
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guished separately from those which have shown a net decrease (contracted industries)...

"The following table shows for each of the nine groups taken as a whole the estimated numbers insured aged 16-64 at July, 1933...

<i>Group</i>	<i>Estim. Number insured at July 1933</i>
1. Fishing	32,190
2. Mining & Quarrying	1,126,090
3. <i>Manufacturing</i>	<i>6,016,030</i>
4. Building and Contracting	1,161,360
5. Gas, Water and Electricity Supply	182,780
6. Trans., Commun., Storage, Distrib.	2,850,840
7. Commerce, Banking, Insur., Finance	245,530
8. Misc. Services; Hotels, Laundries, etc.	801,670
9. National and Local Government	466,510
ALL INDUSTRIES AND SERVICES	12,883,000

"The Table brings out the striking fact that while the insured population as a whole has increased by 15.4 per cent in the ten year period, the numbers in building, contracting, transportation and distribution have increased by over 40 per cent, and those in the miscellaneous services by over 50 per cent. These groups together now include over 37 per cent of all insured workers. *The numbers in manufacturing industries, however, have declined by 5.3 per cent, while the numbers in mining and quarrying have declined by 42.7 per cent.*

"It is worthy to note that, taken as a whole, the industries which have expanded since 1923 now include nearly two and a half times as many insured work people as the contracted industries...

"The cotton and woollen and worsted textile industries, general engineering, iron and steel manufacture, and shipbuilding and ship repairing are included in the group that has declined in numbers."

Unfortunately, the indexes are established with 1933 employment as a basis and do not allow for any comparisons with 1913 conditions, which would have been still more interesting. But even so the group of "contracted industries" reveals clearly the detrimental effects on employment of governmental interference and labour's desire for higher wages because these were the very industries in which government interference was most pronounced.

On the other hand, the group headed "expanded indus-

tries" contains mostly those where government interference and labour activities were applied least. The great advancement in the electrical industries, for instance, was due to the development of the radio industries to which the Labour Government contributed just as little as it did to the development of the photographic industries, stationery and typewriting requisites, the motor vehicle industry, etc.

However, the most interesting fact which is to be learned from the table is that an enormous change has occurred during the Labour regime in Great Britain's industrial economics: the old British industries have been left to decline and modern industrial activities have been developed instead by newcomers and new investment seeking capital.

Any shift in industrial activities of such magnitude and importance should bring up many questions.

Is the new industrial structure sound; can it last, and will it benefit the country in the long run; or is it merely a sign that capital, tired of union troubles in the old industries, is giving up and is now invested in a manner to take advantage of new and less troublesome business possibilities?

Close scrutiny reveals that most of the industries which show expansion can be termed as light industries. It takes relatively little capital to make radios, lamps, glass bottles, paints, artificial stone and concrete, photographic instruments, brushes and brooms, shirts, food products, etc. Furthermore, the mechanical equipment used in these industries is perfected so that any quantity desired can be turned out by little skilled labor. The industries do not need any costly buildings and can be just as easily expanded as they can be contracted.

The obvious conclusion is that British industrial capital was invested on principles entirely different from the traditional ones, that it became timid of taking long term risks, and instead began operating on large volume-small profit principles because there were no longer any high profit lines. With the exception of the armament industries, the prosperous industrial branches today in England are those making goods in the "popular" price brackets or in the "baby" models.

In principle the turn in these directions is sound, but how long the expansion and prosperity will last and benefit those who are engaged now in these industries is another question. As the industries can be developed easily every-

where, British manufacture will be benefited only so long as it succeeds in protecting the home and Empire markets for these industries and in selling in the export markets at prices below those of other nations selling the same products.

In these few conclusions are evident not only the reasons for many phenomena which are characteristic of contemporary British industrial economics—for instance, her anxiety about the “Lifeline” of the Empire—but also the most vital and costly mistakes of British post-war industrial policy: the establishment of high prices for industrial goods and commodities. It is this mistake, along with others, which made the most important British industries contract.

LABOUR'S MOST IMPORTANT MISTAKE: HIGH PRICES

Any industry and any individual factory can exist and prosper only if it can make and sell a certain volume of products at a competitive price. It is a fallacy to believe that special costs can be added by government order or influence without causing disturbances somewhere. It is also wrong to believe that price increases, made necessary by increased costs, will be without effect on volume. For a short while those who are increasing their costs and prices may be able to do this without immediate visible losses in volume. But soon they will suffer and, as the British industries show, the effect can be very great and enormously costly.

It may take any government or any party of influence only a short time to decide that wages should be increased and to enforce its decision, but it takes years of effort to establish permanent cost-price-volume relationships in actuality, which will carry an industry so successfully that it can offer economic security to those engaged in it.

In establishing their prices manufacturers are by no means at liberty to do as they please. They have to consider the size of the market, the purchasing power of those who possibly may buy and also the prices quoted by competitors offering the same product. Any price, in order to produce additional sales volume, which in turn gives additional employment or relieves unemployment, must be in line with or lower than the price level which has already proved its economic usefulness by producing volume sales and fairly steady employment. This is the level at which the *masses* can buy, at which the *masses* can be employed and which indus-

try should try to maintain and a government should try to bring about.

In Great Britain Labour constantly promoted higher prices, obviously unconcerned about the consequences of such a policy. The high-price policy is the logical complement to the high-wage policy, and its most dangerous sequel. In industrial enterprise, the policy of price-setting has become almost a science in itself, but in political economics this phase is being grossly neglected and wilfully abused. The advocates of higher wages (and prices) apparently see or want to see only the immediate effect upon some one group which they want to benefit; they do not—or do not want to—think the problem through in all its complexity and to its bitter end. They all hope for the best, merely to be unpleasantly disappointed by “unexpected developments which nobody could foresee.” Still less do the political muddlers take the time to figure out at which price level they really could hope to create more employment for those who are unemployed, in spite of the fact that this is a rather simple matter.

At which price level then should Great Britain and the Labour Party have aimed in order to stimulate business, sales volume, employment, industrial prosperity and progress?

A glance at the following series of Index Numbers reveals most interesting facts. The data are taken from the *Index Numbers of Wholesale Prices “1871-1920”* and “1920-1933,” compiled by the Board of Trade. The figures for 1871-1920 are adjusted from 1900 = 100.0 to 1913 = 100.0 in order to make an approximate long-trend survey possible. It is known that the basic method used by the Board in compiling the data has been changed, but the change is not so fundamental as to prevent the use of the data in continuation.

ENGLAND'S GOLDEN PRICE LEVEL

INDEX NUMBERS OF WHOLESALE PRICES, 1870-1931

Compiled by the Board of Trade

Prices in 1913 = 100

<i>Year</i>	<i>Index Number</i>	<i>Comments</i> <i>Period of Speculation</i>
1871	116.4	Prices appear to have been driven high, reaching a climax in 1873, considered as disastrous at that time. The raise in prices caused reduction in sales, bankruptcies, business failures and the beginning of unemployment.
1872	124.6	
1873	130.4	

Index
Year Number

Period of Readjustment

1874	126.1	This period of eleven years is one of necessary industrial readjustment and reflects clearly the attempt to obtain business by lowering prices. In part this has been achieved by technical improvements, and as the lower prices reattracted and at the same time expanded the business volume, employment became fairly steady and general conditions were good towards the end of the period.
1875	120.5	
1876	117.7	
1877	120.5	
1878	112.5	
1879	107.3	
1880	110.7	
1881	108.7	
1882	109.6	
1883	108.1	
1884	97.9	
1885	91.8	Government interfered with industry not at all and the trade unions did not seek direct political influence.

England's Golden Period of Steady Prices and Economic Stability

1886	86.7	For approximately twenty years prices appear stable at about 83.8% of 1913 prices. It is the period which Keynes has described as follows:
1887	84.8	
1888	87.4	
1889	88.8	"The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble the compass of the richest and most powerful monarchs of other ages." (Keynes, <i>The Economic Consequences of the Peace</i> , p. 11).
1890	88.7	
1891	91.7	
1892	86.8	
1893	85.3	
1894	80.3	
1895	77.9	
1896	75.7	
1897	77.3	
1898	80.0	
1899	79.1	
1900	85.8	Industry, in fact, became so complacent that it forgot to provide for technical progress. It began to become stagnant, but most of the workers still were employed, and their lot was bearable. Only from 1894 until 1899 do we find prices so low that only pressure on the wages could have produced them. It was this unfair attempt to press the workers below the normal economic level, which gave the trade unions their real start.
1901	83.0	
1902	82.7	
1903	83.2	
1904	84.3	
1905	83.8	
1906	86.5	

Index
Year Number

Beginning of Trade Union Influence

1907	91.0	
1908	88.4	By means of strikes and organized influence the trade unions began to bring about increases in wages. The price indexes reflect clearly the progress which they made. From other sources we know that unemployment began to be a serious problem.
1909	89.4	
1910	93.4	
1911	93.9	
1912	98.6	
1913	100.0	
1914	100.6	

Trade Union Influence and Scarcity during the War

1915	123.5	The greatest war in history and the greatest scarcity could only slightly more than double the price level of 1913 which by no means was the most ideal for Great Britain.
1916	160.1	
1917	208.0	
1918	230.1	

Labour in Political Power

1919	254.5	The organized drive of the Labour Party, however, boosted the price level to almost insane heights in 1920. The damage which this did to British industry and to the workers has already been shown. Labour could enforce high wages, but it had to provide for permanent unemployment. However, the indexes also prove that industry again succeeded in bringing prices down nearer to the economic price level, at which the country is bound to prosper most, because the greatest number of people can buy, thus providing employment for the greatest number of workers.
1920	307.3	
1921	197.2	
1922	158.8	
1923	158.9	
1924	166.2	
1925	159.1	
1926	148.1	
1927	141.6	
1928	140.3	
1929	136.5	
1930	119.5	
1931	104.2	

THE RETURN TO THE GOLDEN PRICE LEVEL

If the theory that industrial prosperity is a matter of properly chosen prices and not a matter of enforced wages or of government interference and fancy schemes, is correct, then it should be of great interest to determine how far British industry is still removed from its one-time golden price level and how it compares in this respect with other countries.

To show this, a table is offered, which has been taken from the Monthly Report of Lloyd's Bank, May 1935 and August

1938. They use as sources for their indexes: U.K., Financial Times; U.S.A., Irving Fisher; France, Statistique Générale; Germany, Statistisches Reichsamt, and show

INDEX NUMBERS OF WHOLESALE PRICES
Adjusted for 1913 = 100

		U. K. <i>Board of Trade</i>	U. S. A.	France	Germ.
Avgc.	1913..	100.0	100.0	100.0	100.0
"	1925..	153.6	159.1	138.7	141.7
"	1929..	130.3	136.5	127.2	137.2
"	1930..	111.7	119.5	111.9	112.9
"	1931..	98.0	104.2	102.4	94.9
"	1932..	98.4	101.6	88.3	82.8
"	1933..	89.4	100.9	92.7	78.9
"	1934..	91.9	109.9	74.8	98.4
"	1935..	93.4	119.0	70.6	101.7
"	1936..	100.3	120.1	81.5	104.0
"	1937..	116.2	130.1	114.3	105.9
June 30,	1938..	103.8	116.3	132.6	105.4

In reference to the United Kingdom it will be found that wholesale prices are close to the 1913 level, and from all we know, industry in Great Britain is doing well and unemployment is receding. Similar are conditions in Germany.

Only in the United States and France industries do not seem to find it possible to make a proper start towards recovery, which is not surprising as the countries are governed on the theory that high price levels and high wages would bring back prosperity. In view of what we can learn from the bitter experience of England and from the conditions in other countries, the result of such efforts should appear most doubtful.

SUMMARY

Labour in Great Britain had its opportunity to bring better days to the workers and to industry, but its industrial economic program proved a most serious failure. When finally, in 1931, Labour could not balance the government budget, when it was obliged to increase taxes and surtaxes, and the excises on beer, tobacco, gasoline and entertainments,

to reduce the unemployment benefit and increase the contributions, to cut the salaries of all government officials, reduce the salaries and wages of civil servants and teachers, police, army and navy, reduce expenditures for defense, health, education, agriculture, road funds and colonial development, and reduce payment into the sinking fund provided for debt payments, the British people finally refused to tolerate Labour as a political power and many withheld their votes or gave them to the Conservative Party.

Labour succeeded in retaining wages at levels 60 per cent above 1913 for those six million workers who were still employed in industry in 1931. In sum total this meant to the workers hardly £200,000,000 per year, if that much.

On the other side of the ledger, Labour lost for industry at least three times as much in annual exports; it raised the general tax burden after 1931 by £170,000,000 per year and indirectly helped in the establishment of vital industries in foreign countries, producing at wages far below the pre-war wages paid in England. Two million workers were considered as unemployable for the next ten years, and retail prices became such that only little was left of the increased wage.

The unemployment insurance which became necessary took away from the workers about £20,000,000; from the employers about the same; and the government had to contribute approximately £72,000,000 per year. For health and other welfare activities the British government budgeted £150,000,000 for 1933-34 and 1934-35. For 1935-36, £160,000,000 were foreseen for this purpose. But these are trifling and highly justified sums in proportion to the permanent economic damage which resulted from the socialist policies.

No one will begrudge Labour any attempt to improve the fate of the workers by organization and, if possible, also by political action. There are, however, very definite economic limits beyond which such attempts become unprofitable to the community as a whole. It is the very well known law of diminishing returns which becomes active in economics in such instances at the point where the enforced rise in prices exceeds the economic price levels which suit the country and overseas markets best.

Sufficient technical knowledge was available to make low-price goods. Also sufficient capital was available to provide the necessary technical equipment, but it was mostly held

back by the political pressure which caused economic uncertainty. Sufficient populace lived in England and abroad to make any producer and farmer prosperous even at low prices for their goods. But the application of wrong policies and the desire to maintain for a certain group of the population not only extraordinary advantages gained during the war, but to gain even better ones, caused unemployment that offset whatever improvement should have come from those measures, which meant genuine help and fair betterment to the industrial masses.

In their defense, however, one should say that the British Labour leaders were merely attempting to apply the principles of socialism, a doctrine which had been conceived by theorists and was in vogue but never had been actually tried so far anywhere. The Labour government had rightly diagnosed and well located the main weaknesses in England's industrial order, but the socialist theories which they borrowed as remedial measures were not suited to bring about improvements. Karl Marx's ideas and even milder forms of socialism could not be artlessly grafted upon England's industrial system. Socialist industrialism, in order to succeed, must be radical in its measures, and must be enforced more strictly than the British Labour party dared or cared to do.

As newcomers in British government they had chances of survival only if they politically compromised even more than they economically reformed. They had to uphold a world empire, English political traditions, English customs and habits at home and had to be considerate of a most watchful attitude in the dominions and in the colonies. All this could not be done in combination with industrial radicalism to which not the Labour leaders, nor the rank and file of the English workers, nor the population were genuinely inclined.

Thus they became and remained economic reformers who adopted and enforced the policies of more pay and less work, strengthened unionism, regulation of basic industries, strikes and class-interests, higher taxes for the rich, insurance benefits and doles for the poor, but failed to coordinate the interests of the workers with those of the whole country. They overlooked the interests of the small farmers, the industrialists, investors, traders, the still very influential landowners and most important of all the widely ramified middle class, who were impeded in their daily lives and in their basic

Anglo-Saxon traits which show a rather pronounced dislike for enforced and one-sided regulation.

Labour's program of industrial economic reforms has been presented in such detail not to discredit labour but to demonstrate the fundamental mistakes that have been made, so that we may learn what to avoid in the future.

CONSERVATIVE INDUSTRIAL ENGLAND

1931—

English conservatism, what it means, and Baldwin's measures which revived industry by balanced budgets, lower taxes, ample capital and by appeals to national and Empire cooperation. Then Chamberlain's decisions which may potentially reform political economy and truly organize the world of industries by means of peace.

CONSERVATISM

When MacDonald and Philip Snowden bolted their party in 1931 and made common cause with Stanley Baldwin's Conservatives, a "national" cabinet was formed which in reality was a camouflage for a "conservative" cabinet, but still gave MacDonald a last chance to do for the country all he possibly could. Stanley Baldwin never has favored abrupt changes and his political tactics have always been as decent as they were shrewd.

Conservatism in every country is mostly national or nationalistic. Besides, it is usually identified with policies which attempt to avoid radical schemes at home and sentimental feelings in international relations, especially of an economic nature. Industry, for conservatives, is an activity of its own, to be fostered rather than to be tampered with. The Treasury is considered as an office to be administered primarily according to rules which have proved their value. Economic experiments are usually lacking in a conservative program, but this does not preclude the occasional adoption of drastic measures provided that they are considered as helpful or necessary.

INDUSTRIAL ECONOMIC POLICIES

As the Conservative Party recruits itself from all classes, Mr. Baldwin's economic principles did not aim to benefit any particular class. They were definitely directed towards a national and economic unity and cooperation of all classes. This is a most important principle, especially in reference to industrial economics.

Baldwin agreed that industrial problems in England required departures from old-fashioned and traditional meth-

ods, but he refused to accept or to imitate industrial new deals or sweeping government programs as they have been attempted in other countries. Since he could measure the merits of any proposal for economic planning by a set of very simple rules, he did not need a "brain trust" to advise him, nor any NRA-like organization to deal with industry. In fact, no regulation of industry was desired nor attempted, and from 1931 until September 1938, not a single important law, directly dealing with industry, was enacted in England, except the armament program of 1937.

Private Financial Initiative was encouraged again in more than one way. Interest rates had been reduced to such low levels that private capital was more than willing to seek employment in industrial activities, instead of in government securities. This should explain the almost unbelievably rapid establishment and expansion of the new industries. Two corporations, both largely owned by the Bank of England, but operating privately—the Bankers Industrial Development Company (B.I.D.) and the Securities Management Trust (S.M.T.)—not only help manufacturers to obtain funds by issuing their securities for the open market, but also by arranging for bank advances. The government is not involved in these transactions. It does not compete with the banks, nor does it tell them what to do. £1,777,900,000 in deposits were available to the five big clearing banks alone in December, 1933, and a number of industrial issues have since been launched most successfully by these and other banks.

Private Industrial Initiative is organized better now than ever before. A National Council of Industry and Commerce has been created under the chairmanship of Sir William Morris, the automobile manufacturer. The council is non-political and has been successful in gradually breaking down one-sided parliamentary control of industry and trade and in restoring the pre-war independent conditions under which British industry achieved its greatest success. The council works in close cooperation with the Federation of British Industries, the most powerful organization of manufacturers in Great Britain.

At the same time, the theories on individualism appear greatly modified. No longer do British manufacturers feel that individually owned enterprises should be operated individually. No longer does the government suppress efforts

towards cartelization, which now is contemplated for entire industries.

The Imperial Chemical Industries became a reality as early as in 1926 with an original capital of £65,000,000. In the trust were grouped the most important British manufacturers of heavy chemicals: Brunner, Mond & Company and the United Alkali Works; the British Dyestuffs Corporation; the Nobel Company, manufacturers of explosives, and approximately twenty-five other companies, making almost all kinds of chemicals.

In 1933 the Import Duties Advisory Committee made a proposal "to build up comprehensive national machinery for the iron and steel industry within which the advantages of both combined action and individual enterprise may be secured." The proposal recommended reorganization of every branch of the iron and steel industries under the control of a central body, the Iron and Steel Corporation of Great Britain. Chamberlain definitely approved the project. The necessary capital was furnished by the Bankers Industrial Development Company and by N. M. Rothschild & Sons.

The coal industry is still in the doldrums, but hydrogenation of coal on the basis of German patents has been started at Billingham-on-Tees, in order to use more coal for the manufacture of gasoline, of which Great Britain consumes more than 12,000,000,000 gallons per year.

Of all the textile industries only the woollen industries show signs of revival; the cotton industries are still very depressed, facing greater competition now than ever before. On the whole, however, British industry is doing better again and unemployment, which had reached close to 3,000,000 workers, has receded.

To all these improvements the government has lent no direct support, but it has helped British industries indirectly by certain very important measures.

Nationalism. "Buy British," "Buy Empire" and "Insist on British Goods" has been made part of the Conservative program. The government, as such, is not really in on this either; but the party is, industry is and the people are, and that is what counts. The appeal to the nationalistic spirit of the buyers, enacted in grand style with modern means of advertising and publicity technique, has been made one of the modern policies of official British industrial economics. It

has not been overstressed, mainly because England is a nation which sells to and must desire to continue trading with many other nations.

However, the very endorsement of such a policy should show how serious the government is in its determination to bring more life into economic activities. Shrewdly, the government does not legislate nationalism but appeals to the people or to special groups for national cooperation, and it is getting excellent results.

It seems strange that an "appeal" should be stronger than a law, yet this is in reality true, not only in England but all over Europe. This represents another of the most vital changes in modern economic statesmanship, and it will be most interesting to observe how this sort of psychological "legislating with unwritten laws" will weather the test of actualities. The modern continental countries also appeal to their nationals, but they make assurance doubly sure by writing many of their appeals into laws. This gives to their economic legislation a flavor of enforcement which England carefully tries to avoid. Only time will tell if humanity is yet ripe for such an advanced form of economic guidance. Thus far Great Britain's industry undoubtedly has profited considerably from it.

Empire Preference. The Empire conferences have been mentioned before. They all had temporary importance, but the conference held in 1932 in Ottawa seems to be the most important of all. It was called in the face of economic and political interests which were by no means one and the same throughout the Empire. British manufacturers in 1932 were looking much more eagerly than ever for larger markets and they considered the Dominions as their next best logical outlets. The Dominions, on the other hand, had become accustomed, during the years of British Labour regime, to develop their own industries and at the same time they felt that the United Kingdom by no means was buying as much of their surplus products as she should. Besides, import tariffs had been established by all, which generally aggravated the situation.

To bring the thousands of conflicting interests upon a common denominator of *national cooperation* was certainly no small task. However, Mr. Baldwin, heading the British delegation, produced the formula, and finally Imperial Pref-

erential Duty agreements were reached which allowed the Empire states to develop their industries at home and to protect by tariffs those which each one wanted to develop, but also allowed each to compete in the other states on tariff terms better than those granted to non-Empire nations.

Industrial Empire Relations. On this basic formula detail agreements covering specific economic fields were reached. The essential policies to be observed in industrial matters for the next five years were suggested not by Labour any more, but by the Federation of British Industries. In line with the basic formula it was mutually granted that each self-governing state of the Empire should have unfettered freedom to promote its own domestic development, but that the fostering of uneconomic production should be considered as unsound. It should, therefore, be the policy of each Empire state not to create new industries in its territories which could exist only by virtue of protection. This is what has been recommended by the Federation and also was generally adopted as the industrial policy of "Complementary Industrial Production."

Under the heading of "Industrial Cooperation" the Imperial Economic Committee on Imperial Industrial Cooperation further recommended that:

"the object of cooperation is not, and must not be to arrest change, but wisely to direct and facilitate its course." (Great Britain, Secretary of State for Dominion Affairs, Imperial Economic Conference at Ottawa 1932, Command 4174, H. M. Stat. Office, p. 17 ff.)

It was "further the view of the Conference, that the precise nature and extent of the cooperation to be achieved in any particular industry must largely depend upon effective consultation between those engaged, or proposing to engage in that industry in any two or more parts of the Commonwealth."

"The Conference further recommends, that the Governments concerned facilitate and assist such consultations by all available means."

This clearly allies governments and industries throughout the Empire.

Empire Content.

"With regard to the determination of the percentage of the Empire Content necessary to secure preferential tariff treat-

ment, the Conference draws the attention of the several Governments of the Commonwealth to the importance of this subject, and recommends that each . . . should investigate, as rapidly as possible, the standard of Empire Content which should be required by them for the import under preferential rates of the different classes of goods . . . The standard required should not be such as to defeat or frustrate the intentions of the preferential rate of duty conceded to any class of goods." (Imperial Economic Conference 1932, p. 9.)

Carrying out the suggestion, the Board of Trade ruled for the United Kingdom:

"Goods shall not be deemed to be manufactured in the British Empire unless at least 25 percent, or in the case of goods falling within a class or description of goods set out in Part I or Part II of the Schedule hereto at least 50 percent or 75 percent respectively, of their value is derived from prescribed expenditure which has been incurred in the British Empire or the United Kingdom in respect of materials grown or produced or work done. . ." (Great Britain, Board of Trade Statutory Rules and Orders, 1933, No. 760.)

This ruling has been modified by the various states of the Commonwealth and has helped greatly in speeding recovery by causing difficulties to foreign importers.

Industrial Standardization.

"The Conference recommends that, with a view to assisting the coordination of the work of national standardization, the following principles, as far as practicable, be observed:

"a. That the specifications should be in accordance with the needs of industry and fulfill a generally recognized want;

"b. That the community interest of producer and consumer should be maintained throughout;

"c. That periodical review and revision should be undertaken to prevent crystallization and keep the specifications abreast of progress."

"As an immediate step towards the promotion of intra-commonwealth trade through the adoption of commercial standard specifications, the Conference recommends that, in respect to steel, timber, industrial chemical products and replaceable parts of agricultural implements and machinery, immediate steps be taken by the central standardizing bodies in those parts of the Commonwealth affected to secure a greater degree of uniformity in standard specifications and trade practice." (Imperial Economic Conference 1932, p. 16.)

Wholesale Prices.

"A rise throughout the world in the general levels of wholesale prices is in the highest degree desirable. The evil of falling prices must be attacked by Government and individual action in all its causes, whether political, economic, financial or monetary." (Imperial Economic Conference 1932, p. 11.)

This was stated as another fundamental political economic principle, the same policy was reiterated for the would-be World Economic Conference held in London in 1933, and the willingness to cooperate with other governments was repeated.

Actually, however, the wholesale price index showed for some time a decline, at least for the United Kingdom. This may not have been the fault of any of the Commonwealth governments, as most of them inaugurated marketing schemes and price controls to keep the prices of agricultural products high. But the declining price index remained, and only under the influence of the latest armament programs were prices going up again. There can be no doubt that the people in general were benefited by the actual price developments more than they would have been by the officially advocated price increases, and obviously this was recognized early. The manner in which the government influenced prices of industrial products, for instance, after the devaluation of the pound, gives strong support to this statement. British industry at that time was encouraged not only to maintain prices at nominal values in spite of a reduction in the gold content of the pound, but even to make reductions, which lowered them still further and caused a sound recovery.

MONETARY POLICIES

The British Conservatives follow, as they have always done, the policy of balancing the budget. They have deviated from it only in most serious circumstances and under pressure, and have always regretted it. Chamberlain's successes in obtaining surpluses from 1932 to 1936 were remarkable indeed, even if he obtained high tax revenues only because they were inaugurated by the Labourites.

However, he also inherited from the Labourites a financial policy which originally was not exactly in line with Conservative principles. It is the "devaluation of the pound." Lord Snowden, who devalued the pound in September, 1931, con-

fesses frankly in his book *An Autobiography* (published by Ivor Nicholson & Watson, London 1934, pp. 929 ff. and 976), that the financial position (of the Labour government) was daily getting worse. A collapse of credit was imminent and it was known that this would have a disastrous effect. In order to fight the financial crises, the Bank of England was endeavoring to raise a credit fund of £80,000,000, half of which was raised in New York and the other half in Paris.

In both monetary centers the Labour government had borrowed before and new credit was almost promised. But as no satisfactory security could be offered for £20,000,000 the negotiations were broken off, at least with America. The Labour government split and the Conservatives formed the "National Government." By the middle of September the situation had become so serious that there was no other course open but to suspend the gold standard.

"The Prime Minister and I (Mr. Snowden) spent that weekend in London in consultation with the Bank of England and other financial bodies. We came to the conclusion that we must at once ask the Parliament to suspend the gold convertibility of the currency. If the Bank of England in these circumstances remained under a legal obligation to pay out gold on demand, the securities of the currency might have disappeared. The next day (Monday, the 21st September), amid great excitement, I introduced into the House of Commons a Bill to suspend the Gold Standard. We were well aware that the initial effect on the exchange value of sterling might be serious, but we believed that this effect would be temporary and that those who had confidence in sterling would not find that confidence misplaced."

This was all there was to it: the Labour government was in financial trouble and devalued the pound, not to help the country or the people but to cover a deficit which they had caused by overspending.

Only gradually did it dawn on the Conservative government that out of this step, which in itself was highly undesirable, a very useful method of attracting new trade and exports could be developed, if it were controlled and coupled with another method—the setting of prices for gold.

The idea grew out of the desire to see wholesale prices go up in the mistaken belief that this would help the country. The idea was clearly formulated at the Ottawa Conference in 1932.

"His Majesty's Government desire to see wholesale sterling prices rise. The best condition for this would be a rise in gold prices, and the absence of a rise in gold prices inevitably imposes limitations on what can be done for sterling." (Economic Conference 1932, p. 12.)

Once the idea was conceived, it was very easy for the government to "peg the price of gold" at higher and higher prices. As the Bank of England owned substantial stocks of bullion, it made nice profits by carrying out relatively small daily transactions and, at the same time, the sterling currency came, by lowering its value, again within the reach of those many countries which had depreciated their currencies before and had stopped buying British goods.

As no new currency (paper money) had to be issued in this method, no inflation was caused and prices could be expected to remain the same, or even to go down, as greater demand brought on a reduction of costs. Actually, employment was soon improved and industry began to hum again. Foreign borrowing was made difficult for Britishers by the devaluation method, but the government wisely applied the proper interest rate policy which provided an ample supply of British money for British trade and industry at low rates. As the low rates produced the desired results, the government also saw the possibility of converting its high rate loans to lower interest rates. Thereby, it saved expenditures in the Exchequer and could lower taxes, restore pay cuts at least in part, renounce partly the excises on beer, etc., and make the people feel better again and still more patriotic and conscious of the achievements of the Conservative Party at the same time.

By aiming at an economic mistake, namely, higher commodity prices, the British, in considering gold as a commodity, had hit upon a financial method which was not exactly new but never before had brought the currency of the country so easily, cheaply and reliably under control. The government made the most of it until the United States, losing their foreign trade most rapidly, adopted a similar financial method. The main difference in the methods was that the British raised the price of gold but kept the commodity prices down, while in the United States an orthodox and all-embracing price raising was attempted and, besides, industry was "regulated" by the National Recovery Act.

The results are strikingly different. While Great Britain

became able to reduce her payments for unemployment, the United States had to spend and borrow larger sums each year to take approximately 11,000,000 people under the wing of the government. While Britain has achieved budget surpluses, the United States had billion dollar deficits. While in the United Kingdom the government, industry and labour now really *cooperate* in economic matters for the good of their country, in the United States the three bodies have no common aim.

OUTLOOK

This clearly shows once more the importance of choosing the proper policies. Industrial political economic conditions in England are sounder and more advanced in some ways than those in the United States; in other respects British industry appears to have suffered worse than any of her main competitors.

Fundamentally British industry is at present in a state of reconstruction and modification, which became and still are necessary to correct the damage brought about by the era of unrestrained competition applied in the economic and political fields. Also, beyond doubt, British industry is suffering greatly from the complete lack of coordination of efforts and from the absence of organization which prevailed for more than 150 years. Furthermore, British industry has not yet recovered from the attempts at reorganization which were inflicted upon her after the war.

In brief, even the most lenient observer must recognize that the political economic doctrine upon which England once achieved predominant industrial economic leadership has failed her in the end. The superiority which England once possessed lasted only so long as others did not use her own means. As soon as machines, combined with the principles of unrestrained competition, were adopted in other countries, England's industrial position began to wither, then to decline at an accelerated rate, and finally, since the war, one serious loss after another had to be added to the previous ones.

Decidedly, Britain's industrial political economic position today is precarious, fraught with serious difficulties and by no means secure as yet—not even in the much smaller scale which nowadays possibly would be considered satisfactory and sufficient. In more than one way England again faces a situa-

tion similar to that of 1870, when other nations began to compete with her by her own means and methods.

But the present conditions are much more difficult. England's industrial and political competitors compete against her no longer through the private and rudimentary facilities of their industrialists and bankers, but by means of industrial resources which are not only equal to but stronger than those of Great Britain. These competitor nations, after economic debacles similar to those experienced in Great Britain, have abandoned completely the principles of the once-heralded *laissez faire* philosophy. They have reverted to the classical concepts of organized and coordinated economy, which they have improved and readjusted to suit the needs of modern times. The industrial, economic, commercial, financial and even social successes of the "isms" are too obvious to be simply overlooked or ignored—even if one may abhor other parts of their programs.

"Organization," against which the unorganized British industrial economic system has lost out a number of times, is bound to do still more harm to the British position, in the form of the political economic organizations which have been adopted by her old and some new competitors, if a new showdown should be decided upon. As yet Fascism, Nazism, Japanism, Mexicanism, and Communism have not much to lose; they can only gain more, while Britain already has lost much and may lose more.

The expenditure of £1,500,000,000 (\$7,500,000,000), which so far has been provided for new armaments, is bound to benefit industrial production and employment for a short while, but economically this amount is effective for a relatively small number of people, while the taxes rest heavily and for a long time upon the whole country. Besides, this will be only a small sum if ever the war goods produced are put to actual use.

The price of 150 shillings which Great Britain now pays for an ounce of gold to uphold her currency is definitely too high in view of the largely increased supply of this metal, and is beginning to exercise undesired effects upon prices for other commodities: coal, steel, minerals, foods, and manufactured products.

The prices for British goods at home, as well as for exports, thus again have come very close to the old point where they begin to be too high to induce mass production and mass

exports and it is very doubtful if further devaluation of the pound will bring about sound and permanent improvement in either foreign or domestic trade.

The agricultural control system, which was adopted to render economic assistance to British farmers and the landed gentry, has been criticized severely by labour leaders and others, and further raising of food prices, which would result from exchange lowering, appears highly undesirable in a country which depends on low food prices and liberal supplies.

In addition, England has lost by now permanently and irrevocably some or part of her most fertile and important markets: in the Far East and India, in Italy's growing orbit, in Central and Eastern Europe, the Balkans, Spain, and South America, which is claimed for the United States, and even in her dominions.

Last but not least, Great Britain has not been fortunate with her political allies. France, during all post-war years her Ally Number One, is in the midst of social, industrial, and economic troubles and her political and financial gyrations have been no comfort to British interests and leaders. The steadily declining franc, to which the pound is tied by exchange operation rules, has turned into a costly nightmare to British banks and traders.

The League of Nations, long and fervently upheld by British statesmen as symbol of united action, is not quite dead yet but very weak and unfit to help England, especially in economic matters. Industrial blockades and economic boycotts are not being carried out by all League members and are impeded fully now by the increased strength of the "isms" and by their special agreements.

Can Russian help be gained, perhaps when England, France, and the United States have spent more billions for armaments, and who should give five times as much to wage a joint battle? And what would England gain, and mankind everywhere?

From these and many other facts, no doubt, have come the recent efforts of Neville Chamberlain to keep the peace and come to terms with his neighbors. He decided not only for Great Britain but for the world, and his efforts were the more admirable as they definitely held the key to a new era of political economy, which one may hope will be not one of more "competitive struggle," but one of agreement and

organized procedure. Clearly, he was trying to find a compromise between the "old" and the "new" industrial political orders, a working agreement between the fading and the rising industrial political philosophies and doctrines.

The review of British industrial political economy, and in particular of the latest phases, shows clearly how manifold, decisive, all-embracing and consequential the science of industrial political economy has become. Machines in combination with the technical and economic and political sciences have created throughout the modern world conditions which are no longer mere problems of individual efforts, or of government might or right, but which need treatment of a new kind, considerations in line with facts and reasons, and methods based on actualities instead of theoretical assumptions.

Machines and industries need not create destruction, nor misery, nor unemployment. They need not master men; men can well master them—if men can only find and furthermore agree on those rules that truly

provide a plentiful revenue not only for some privileged groups but for all people and for all nations.

Well might it be that the solutions do not lie in war, and competition, its only economic counterpart, but in agreements and peace.

REVIEW AND GUIDE FOR SUMMATION

setting forth the differences between economic theory and industrial political economy, and an attempt to circumscribe the fundamental problems and their solutions.

As this book has been dealing only with those political economic systems which can be called the original types, and as the modern forms have not as yet been described, one should be hesitant to offer a final review and conclusions on industrial political economy in its entirety. Nevertheless, it should be possible at this point to set forth those facts that might be considered of basic importance.

In doing this, it will be well to differentiate between fundamentals and details. The details of each industrial political experiment have been described and summarized in each chapter. Therefore, no repetition of such facts is intended nor would it be justified. The following fundamental thoughts, however, seem to be those worthy of special consideration. Also the process of summation is indicated but is not fully carried out. Such procedure has been adopted mainly in order to stimulate original thought and to make it possible for the reader to arrive at his own conclusions.

Living as we do in a world of hearsay, outward signs and superficial efforts, we often do not rely upon our own judgment, accepting rather than forming our thoughts. Thus we do not search for those few simple rules that make the world go round and industry go on. We study theories for years, and still more theories, until we theorize on theorems that have no practical value.

Such a review would seem out of place and is not recommended. Fundamental truths and good basic thoughts are always simple. They can be understood and said in sentences and phrases which everyone can grasp. Their logic can be proved through facts. The difficulty lies in finding them. In order to assist in this direction the following questions and remarks are offered.

GUIDE FOR SUMMATION

What causes industrial economic progress, satisfaction among all parties concerned and welfare for a nation? Obviously the achievement of all these ideals depends not on industry in its abstract sense, nor primarily on technological progress. Fundamentally, all depends on the human beings who cause all events, who create or destroy, build up or tear down, carry on or retard. The very simplicity of this elementary but undeniable truth reveals the most essential point which should be remembered in all considerations.

If then the human element is most important in industry but is split into various groups of differing interests, what are the most important rules for building up and maintaining an industrial economy? Obviously the fundamental solution of this problem lies in the coordination of all interests in such manner that they harmonize. All interested groups must come to aim at the preservation and improvement of the industrial order upon which they and their country depend. This is no Utopian dream. The Romans, the Dutch, the guilds actually achieved industrial peace and progress throughout the world which they knew. Are their methods and policies entirely out of date? Or what can be learned from them?

How can that coordination of interests be achieved? Historical data show that there were long and very successful periods during which coordination was brought about either by voluntary or by government action and that as long as this state was achieved, progress resulted. The record, however, also shows that coordination of their interests was not always the main aim of industrial groups. Egotistic interests in one group provoked defensive and equally egotistic and aggressive actions in other groups (producers against governments; labor against producers, etc.). Therefore egotistic attitudes appear as the great dangers threatening industrial prosperity. Examples of them are stated in almost every chapter. Which are they?

What is political economic egotism? According to theory and in actual practice almost any industrial activity or policy can be used to apply economic egotism. A definite method, then, of determining whether or not a certain action, practice or proposal is egotistic in character is important and

should be found. Political economic egotism can be discerned as readily as any other form of egotism, by comparing the practical results expected from a considered action for one group with the benefits which other groups receive from it. If any action or policy benefits one individual or group only, and does not yield equivalent benefits to others, such action involves egotism which should be avoided. The whole problem of industrial egotism expresses itself in the form of organized class struggle and its solution appears as one of the most serious problems in any society. Quite different attempts in this direction have been described in this text, and their careful review is suggested.

If all industrial individuals or groups are allergic to egotisms, how can they be prevented? The solution of this question is most difficult but not hopeless. Many methods have been mentioned which have been developed and might be further investigated in search for effective means of bringing about a proper balance among the participating groups. Examples can be found in the industrial histories of Rome, France and England. It should be interesting to attempt choosing that policy that seems to have the greatest possibility of effectiveness.

Methods of reason and reasoning always have been found better than solutions by force or violence. Ancient as well as most modern political economic doctrines express the futility of violent measures for fostering industrial economic aims. One of the most useful tasks, therefore, would be to determine those methods that would eliminate uneconomic disputes by methods of reasoning. Choosing those precedents which have aimed in this direction should prove helpful in arriving at a more definite opinion on this point.

But if by brutal force or mere constellation of circumstances producers have overstepped their bounds, or what has happened just as often, if labor has asked for more than could be granted: How can their interests be reconciled, and just demands be upheld at the same time? In spite of the many theories on labor relations, wages and fair compensation, the clash of interests has always been concerned with only a few questions: What are "fair" wages and salaries? What are "fair" working conditions? Which "rights" should either group have? The disputes over the concepts of "fair" or "just" are the disputes that have kept and are still

keeping industry in frequent turmoil. A definite and proved opinion on these points is needed. It seems that where two parties disagree a third party to the deal should be the logical arbiter. There is no doubt that in this field governments can exercise most valuable services to industry by choosing and applying policies which do not aggravate but mitigate the troubles. Numerous trials of this sort have been described and by comparing them, some interesting findings should be obtained.

Which role the government should play in industry has been referred to in many places, and if suggestions are opportune, this is *the* question which no one should omit from his review. Since earliest times governments have claimed the right to deal with industrial matters. Which forms of interference might be well, and which ones should be avoided, should be clear and well defined. Those problems are as acute today as they once were in Rome and France, but ask for better solutions. A government which claims the right to tax and regulate should be responsible to perform distinct and helpful service. A survey of those services that have been found to help, and of those that did not aid, should well round the answer.

Which part the manufacturers should play in industrial political economy has also been covered in detail. They furnish leadership and are responsible for a thousand and one actions. In practical economy, however, their fundamental contributions to progress or decline are mainly made in only a few fields: by right or wrong price policies; by economic egotisms which may serve good and evil ends, and by upholding the interests of all or overstressing their own. In reference to all these fundamentals the strong and weak points of combined action should be compared with those of individual efforts; and the many policies which they applied or which they fought among themselves as well as in their dealings with all the other groups, in shaping industrial systems.

Employer-employee relationships appear to have a most determining and fundamental influence upon the daily progress and final outcome of industrial political action. For a thousand years and more this problem was satisfactorily solved on human principles and by direct relations, until the contacts became sterilized and impersonal on legal and con-

tractual grounds. The influences of third, fourth and still more removed parties appear to be disturbing rather than helping industrial relations and peace. A careful check of all the methods that have been tried during these two main periods should furnish interesting clues and give enlightening hints where the solution lies.

Workers and employees are often considered as different groups and for many purposes the two groups should be studied separately. In industrial political economy, however, both groups are usually treated as one, because their interests are very much alike and many times the same. Their fundamental problems are: employment, unemployment, the proper pay for services, the right to work, working conditions, the rights to combine and to strike, and social welfare for themselves and for their families. The historical data presented throughout show the great progress that was made in improving the lot of workers since they began to appear in numbers and as a special group with social and economic interests of their own. The record, however, also reveals the gigantic efforts and strife that this group had to wage in order to gain its present rights. And yet, should one believe that all these rights, as they are now, are best for them and best for all? Which rights especially should be improved still further?

There is no doubt that more enlightened attitude and modern statesmanship can well find ways and means that solve at first the petty strifes and then the bigger matters. Such transformation should not need dictatorship nor mass rule practice. It needs convincing facts, and on their strength support can be obtained from any group and *all*.

APPENDIX

A. BRITISH LABOR REGULATION, 1562-63.

414

5^o ELIZ. C. 3, 4.

A.D. 1562-3

CHAPTER IV.

AN ACTE touching dyvers Orders for Artificers Laborers Servantes of Husbandrye and Apprentices.

Inefficiency of
existing Laws as
to Hiring and
Wages of Servants,
Artificers,
Apprentices, &c.

ALTHOUGH there remayne and stande in force fully a greate number of Actes and Statutes concerning the retyeing departing wages and orders of Apprentices Servantes and Labourers, aswell in Husbandrye as in divers other Artes Misteries and occupation, yet pely for thimperfectiō and contrariety that ys founde and doo appere in sundrye of the sayd Lawes, and for the varyete and number of them, and chiefly for that the wages and allowances lymitted and rated in many of the sayd Statutes, are in dyvers places to small and not answerable to this tyme respecting the advancement of Pryses of all thinges belonging to the said Servantes and Labourers, the said Lawes cannot conveniently w^out the greate greefe and burden of the poore Labourer and hired man, bee put in good and due execution: And as the sayd severall Actes and Statutes were at the tyme of the making of them thought to be very good and beneficall for the Cōmon wealthe of this Realme as dyvers of them yet are, So yf the substance of so many of the said Lawes as are meet to bee continued shalbe digested and reduced into one sole Lawe and Statute, & in the same an uniforme Order prescrybed and lymitted concerning the Wages and other Orders for Apprentices Servantes and Laborers, there ys good hope that yt will come to passe that the same Lawe, beyng duly executed, should brynke Idleness advance Husbandrye and yerelde unto the hired poon bothe in the tyme of scarcitee and in the tyme of plentye a convenient proporciō of Wages: Bee it therefore enacted by thauthoritee of this present Parliament

¹ The Three following Provisions are annexed to the Original &c in Three separate Schedules.

The statute of the Statutes heretofore made, and every branch of them as touche or concerne the hiring keeping or depending working wages or order of Servants Workmen Artificers Apprentices and Labourers or any of them, and the Penalties and Forfeitures concerning the same, shalbe from and after the last dayes of September next ensuing repealed and utterly voide and of none effect; And that all the said Statutes and every branch thereof for any Matter contained in them and not repealed by this Statute, shall remaine and bee in full force and effecte. Any thing in this Statute to the contrary notwithstanding.

Such Lawe repealed as far as relates to such Hiring, Wages, &c.

And bee yt further enacted by theauctorite aforesaid, That no manner of paye or penne after the foresaid last dayes of September nowe next ensuing, shall retayne hire or take into serv^{ce}, or cease to bee retayned hired or taken into service, nor any poon shalbee retayned ('') hired or taken into service, by any meane or colour, to worcke for any lesse tyme or terme than for one hole yere, in any of the Seyences Craftes Mysteries or Artes of Clothiers Wollen Clothe Wappers Tuckers Fellens Clothewode Shewmen Dyers Hoesyers Taylours Shoemakers Tanners Pwterers Bakers Broom Gloovers Cutlers Smithes Barbers Carriers Joyners Spurriers Turners Coppars Hatmakers or Falshemakers Bowers Flechers Arrowhandmakers Duncions Coblers or Mylers.

II. Servants to certain Employments Trades, &c. shall be hired by the Year.

And bee yt further enacted, That every poon being unmarried, and every other poon being under thage of thirty yere that after the Pass of Easter next shall ensue, and having been brought up in any of the said Artes Craftes or Seyences, or this statute used or exercised any of them by the space of three yeres or more, and not having Landes Tenementes Renttes or Hereditamentes Copyholdes or Freeholdes of an Estate of Inheritance or for terme of any Lief or Lyon of the cleve yerely value of fourtye shillings, nor being worthe of his owne Goodes the cleve value of tenne poundes, and as allowed by two Justices of the Peace of the Countie where he hath most commonly inhabited by the space of one whole yere and under their Handes and Seales, or by the Maior or other Head Officer of the Cite Burgh or Towne Corporate wher suche poon hath most commonly dwelled by the space of one whole yere, and two Aldermen, or two other discrete Burgeses of the same Cite Burgh or Towne Corporate if ther bee no Aldermen, under their Handes and Seales, not being retayned with any poon in Husbandrye or in any of theaforesaid Artes and Seyences according to this Statute, nor lawfully retayned in any other Arte or Science, nor being lawfully employed in Householde or in any Office w^{ch} any Nobleman Gentleman or other, according to the Lawes of this Realme, nor having a convenient Ferme or other holding in Tillage whereupon he maye employ his Labour, shall, during the time that he or they shall so be unmarried or under the said Age of xxxij^o yeres, upon request made by any poon using the Arte or Mystery wherein the said poon so required hath been exercised as ys aforesaid, be retayned and shall not refuse to serve according to the tenour of this Statute, upon the paine and penaltie hereafter mentioned.

III. Persons educated, &c. not having 40s. per Annum, &c. nor being otherwise employed, shall be acceptable to serve as yearly Servants in the several Arts in which they were brought up.

And bee it further enacted, That no poon w^{ch} shall retayne any Servant shall put away his or her said Servant, and that no poon retayned according to this Statute shall departe from his M^r M^r or Dame before thende of his w^{ch}er terme, upon the payne hereafter mentioned, unless yt be for some reasonable and sufficient cause or matter w^{ch} be allowed before two Justices of Peace or one at the least w^{ch} in the said Countie, or before the [Maior] or other Chief Officer of the Cite Burgh or Towne Corporate wherein the said M^r M^r or Dame inhabiteth to whom any of the paine greved shall complaine; w^{ch} said Justices or Justice Maior or Chief Officer shall have and take upon them w^{ch} in the hearing and ordering of the matter [betwene] the said M^r M^r or Dame and Servant, according to the qualite of the cause: And that no suche M^r M^r or Dame shall put away any suche Servant at thende of his terme or that any suche Servant shall departe from his said M^r M^r or Dame at thende of his terme without one quarter warning givn before thende of his said terme, cyther by the said Master Mastris or Dame or Serv^{nt} the one to the other, upon the payne hereafter ensuing.

IV. Such yearly Servants shall not be dismissed, nor depart during the Year, unless on Cause allowed by Two Justices, or at the End of the Year, without a Quarter's Warning.

And bee it further enacted by theauctorite aforesaid, That every poon between thage of Twelve yeres and the age of Threcore yeres, not being lawfully retayned, nor Apprentice w^{ch} any Fisherman or Maryner haunting the Sea, nor being in Service w^{ch} any Kyddyer or Carryo of any Come Grayne or Meale for Provision of the Cite of London, nor with any Husbandman in Husbandrye, nor in any Cite Towne Corporate or Market Towne, in any of the Seyences lymited or appointed by this Estatute to have or take Apprentices, nor being retayned by the yere or half the yere at the least, for the digging saking finding geming melting fining working trying making of any Iron Tyne Lende Iron Copper Stone Sea Cole Stone Cole Moore Cole or Check Cole, nor being occupied in or about the making of any Glasses, nor being a Gentleman borne, nor being a Student or Scolar in any of the Universities, or in any Schoole, nor having Landes Telle Renttes or Hereditamentes ('') of the cleve yerely value of fourtye shillings, nor for terme of Lief or of one Estate of Inheritance, nor being worthe in Goodes and Chattelles to the value of Tenne poundes, nor having a Father or Mother then living, or other Ancestour whose Heirs Apparent he ys, then being Landes Telle or Hereditamentes of the yerely value of Tenne poundes or above, or Goodes or Chattelles of the value of Fourtye poundes, nor being a necessarye or convenient Officer or Servant lawfully retayned as ys aforesaid, nor having a convenient Ferme or Holding whereupon he may or shall employe his Labour, nor being otherwise lawfully retayned according to the true meaning of this Statute, shall after the foresaid last dayes of September now next ensuing, by virtue of this Statute be compelled to be retayned to serve in Husbandry by the yere, with such poon that keepeth Husbandrye, and will require any suche poon so to serve within the same Shire wher he dwelleth as required.

V. All Persons between the Ages of 12 and 50, not being otherwise employed, &c. declared acceptable to be yearly Servants in Husbandry.

Y^o G.

• Mayne G.

• betwene G.

• for terme of lufe or of one Estate of Inheritance G.

VI.
w^hichly on Masters
unduly distraining
servants within the
Year, &c. 400.

Servants unduly
departing from
Service, or refusing
to serve, shall be
imprisoned until
they undertake to
complete their
Service.

AND bee it further enacted by thauthorite of this late Parliament, That yf any poon after he hath retyened any Servant shall put away the same Servant before thende of his Terme, unless yt bee for some reasonable and sufficient Cause to be allowed as ys aforesaid, or yf any such M^r M^r or Dame shall put away any suche Servant at thende of his terme, w^out one quarters warning gyven before the sayd ende as ys above remembred, that then every suche M^r M^r or Dame so offending, unless he or they be habile to prove by twoo sufficient Witnesses suche reasonable and sufficient Cause of putting away of their Servant or Servautes during their Terme, or a Quarters warning gyven afore thende of the said Terme as ys aforesaid, before the Justices of Oyer and Terminer Justices of Assise Justices of the Peace in the Quarter Sessions, or before the Mayo^r or other Head Officer of any Cite Burgh or Towne Corporate and twoo Aldermen, or twoo other discrete Burgeses of the same Cite Burgh or Towne Corporate yf there be no Aldermen, or before the Lorde President and Councell established in the Marches of Wales, or before the Lorde President and Councell for the tyme being established in the Northeparties, shall forfeite the S^ome of Fourty Shilling^s; And yf any Servant retyened according to the fourme of this Estatute depte from his M^r M^r or Dames Service before thende of his terme, unless yt bee for some reasonable and sufficient Cause to be allowed as ys aforesaid, Or yf any Servant at thende of his terme depte from his said M^r M^r or Dames Service w^out one Quarters warning gyven before thende of his sayd terme in forme aforesaid, and before twoo lawfull Witnesses, Or yf any poon or pones compellable and bounden to be retyened and to serve in Husbandrye, or in any other the Artes Sciences or Misteries above remembred, by the yere or otherwise, doo upon request made refuse to serve for the Wages that shalbe limited rated and appointed according to the fourme of this Statute, or Promise or Covenant to serve, and doo not serve according to the teno^r of the same, that then every Servant so departing away, and every poon so refusing to serve for suche Wages, upon Complaynt thereof ma^de by the M^r M^r or Dame of the said Servant, or by the Ple to or w^hom the sayd Refusall ys made or Promise not kept, to twoo Justices of the Peace of the County, or to the Mayo^r or other Head Officer of the Cite Burgh Towne Corporate and twoo Aldermen, or twoo other discrete Burgeses of the same Cite Burgh or Towne Corporate yf ther bee no Aldermen, wher the said M^r M^r or Dame of the said pte to or w^hom the said Refusall ys made and Promise not kept dwelleth, or to either of the said Lorde Presidentes and Councell of Wales and the Northe, The said Justices Lorde Presidentes and Councelles, and also the sayd Mayors or other Head Officers and other poons of Cities Burghes or Townes Corporate or any of them as ys aforesaid, shall have Powre by force of this Statute to heare and examine the Matter, and finding the said Servant or the said Ple so refusing faultie in the Premises, upon suche Proves and good Matter as to their discretions shalbe thought sufficient, to c^omit him or them to Ward, wher to remayne w^hat Baile or Mainprise untill the said Servant or Ple so offending shalbe bounde to the Partie to whom thoffence shalbe made, to serve and continue w^h him for the Wages that then shalbe lymited and appointed, according to the teno^r and fourme of this Estatute, and to be discharged upon his Delyverye w^out payeng any Fee to the Gaylo^r wher he or they shalbe so imprisoned.

VII.
Servants shall not
leave the City,
Parish, &c. of their
Service, without
Testimoniall of
Licence so to do:

AND bee yt likewise enacted by thauthorite aforesaid, That none of the said retyened poons in Husbandrye or in any the Artes or Sciences above remembred, after the tyme of his Reteyno^s expired, shall departe foorth of one Cytte Towne or Pish to another, nor out of the Lathe Rape Wapentake or Hundred, nor out of the Countie or Shire wher hee last served, to serve in any other Cite Towne Corporate Lathe Rape Wapentake Hundred Shiere or Countie, unless he have a Testimoniall under the Seale of the said Cite or Towne Corporate, or of the Constable or Constables or other Head Officer or Officers and of twoo other honest Housholders of the Cite Towne or Pish wher hee last served, declaring his lawfull departure, and the Name of the Shiere and Place wher he dwelled last before his depart, according to the Forme hereafter expressed in this Acte; Whiche Certificate or Testimoniall shalbe written & delivered unto the said servaunte and also registred by the Pion Vicar or Curste of the Pish wher such M^r M^r or Dame dothe or shall dwell, taking for the doing therof twoo pens and not above, and the Forme therof shalbee as followeth: Memorand, That A. B. late servaunte to C. D. of E. Husbandman, or Taylo^r, &c. in the Countie, &c. ys lycensed to depte from his sayd M^r, and is at his lybertie to serve elsewhere, according to the Statute in that case made and provided: In witness wherof, &c. Dated the daye monethe yere and place, &c. of the making therof.

VIII.
Penalty on Servant
not producing such
Testimoniall, &c.
on Master
retaining him, &c.

AND bee yt further enacted by thauthorite aforesaid, That no poon or poons that shall departe out of Service shalbe retyened or accepted into any other Service, w^out shewing before his Reteyno^s suche Testimoniall as is above remembred, to the Chief Officer of the Towne Corporate, and in every other Towne and Place to the Custable Curste Churchwarden or other Head Officer of the same wher hee shalbee retyened to serve; upon the payne that every suche servaunte so departing w^out such Certificate or Testimoniall shalbee imprisoned untill he procure a Testimoniall or Certificate, the whiche yf hee cannot doo w^hin the space of xxj dayes next after the first daye of his imprisonment, then the sayd poon to be whipped and used as a Vagabonde according to the Lawes in suche Cases provided; and that every poon retyenyng any suche servaunte w^out shewing suche Testimonyall or Certificate as ys aforesaid, shall forfeite for every suche Offence fyve poundes: And yf any suche poon shalbe taken w^hite any countrefaite or forged Testimoniall, then to bee whipped.

Counterfeit
Testimoniall.

IX.
Hours of working
of Artificers and
Labourers, hired
by Day or Week.

AND bee yt further enacted by thauthorite aforesaid, That all Artificers and Labourers being hired for Wages by the Daye or Week shall betwixt the myddest of the Monethes of Marche and September, bee and continue at theyr Woork at or before fyve of the Clock in the Morning, and continue at Woork and not departe untill betwixt seven and eight of the Clocks at Night, Except yt bee in the tyme of Breakfast Dynner or Drincking, the w^h tyme in the moost shall not exceede above two howres and a half in the daye, That ys to saye, at every Drincking one half house, for his Dynner one house, and for his Sleppe when bee is allowed to sleape, the w^h is from the mydd of they

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in the mydte of August, half an houre at the most, and at every Breakfast one halfe houre; And all the said Artificers and Labourers, between the mydte of September and the mydte of Marche, shalbe ad continue at their woork from the Spring of the Day in the Morning untill the Night of the same Days, except yt be in tyme afore appointed for Breakfast and Dwyne, upon paine to lose and forfayte one peny for everye houre absence, to be deducted and [defaulted¹] out of his Wages that shall so offende.

And also yt also enacted by thautherite aforesayd, That every Artificer and Labourer, that shalbee lawfullye employed in or for the building or repayring of any Churchs House Shippe Mylne or every other peece of Woork shalbe in greate in take or in gresse, or that shall hereafter take upon him to make or finishe any suche Thing or woork, shall continue and not departe from the same, unless yt be for not paying of his Wages or Hyre agreed on, or otherwise lawfully taken or appointed to serve the Quenes Ma^{tie} her Heires or Successours, or for other lawfull cause, or w^out Licence of the Justices of the Peace of the Citie or of him that hathe the Charge therof, before the finishing of the said woork, upon payne of Imprysonment by one monethe w^out Baile or Mayneprise, and the forfeiture of the same of fyve pence to the use for which he shall so departe; for the w^{ch} the sayd pnye may be had by Action of Debt against him, that shall so departe, in any of the Quenes Ma^{tie} Courtes of Records, over and besides such ordinarie Costs and Damages as may or ought to be recovered by the Cōmon Lawes for or concerning any suche Offence, in w^{ch}che Action no Protection Wager of Lawe or Essoigne shalbe admitted: And that [none²] other Artificer or Labourer employed in any service to woork wth the Quenes Ma^{tie} or any other pson, dep^t (¹) from her said Ma^{tie} or from the said other pson, untill suche tyme as the woork^{ch} be finished, yf the pson so retreating the Artificer or Labourer to long will have him and paye him his Wages or other Duties, upon payne of Imprysonment of every pson so dep^ting by the space of one monethe.

X.
Penalty on Artificers and Labourers leaving their Work unfinished. One Month's Imprisonment and 4^s Fine.

And for the declaracion and limitacon what Wages Servantes Laborers and Artificers either by the yere or daye shewelic shall have and receive; Bee it enacted by thautherite of this late Parliament, That the Justices of Peace of every Shire Riding and Lyberrie w^{ch} in the lymites of their severall Comissions or the more pte of them, being in resident w^{ch} in the same, and the Shiref of that Countie yf he conveniently maye, and every Mayor Bailif or other Head Officer w^{ch} in any Citie or Towne Corporate wherin ys any Justice of Peace w^{ch} in the lymites of the said Citie or Towne Corporate and of the said Corporacon, shall before the tenth day of June next comyng, and afterwards full yerely at every Generall Sessions first to be holden and kept after Easter, or at some tyme convenient w^{ch} in syxe weekes next following every of the said Festes of Easter, assemble themselves together, and they so assembled calling on them suche discrete and grave psons of the said Countie or of the said Citie or Towne Corporate as they shall think meete, and conferring together respecting the Plentie or Scarcite of the tyme, and other circumstances wherunto to be considered, shall have auctoritee by vertue herof, w^{ch} in the Limites and Precinctes of their severall Comissions to limit rate and appointe the Wages aswell of suche and so many of the said Artificers Handycraftsmen Workmen or any other Labourer Servante or Woorkmen whos Wages in tyme past hathe been by any Lawe or Statute rated and appointed, as also the Wages of all other Labourers Artificers Woorkmen or Apprentices of Labandrye w^{ch} have not bene rated, as they the same Justices Maiors or Head Officers w^{ch} in their severall Comissions or Liberties shall think meete by their discretions to bee rated lymitted or appointed by the Yere or by the Days Week Monethe or otherwise, with Meate and Drinck or w^out Meate and Drinck; and what Wages every Woorkman or Labourer shall take by the greate for mowing reaping or threshing of Corne and Grayne, and for mowing or taking of Heye, or for ditching paling railing or hedging by the Rodd Perche Lugg Yard Pole Rope or Foote, and for any other kynde of reasonable Laboures or Service; and shall yerely before the twelfth daye of Julye next after the said Assessment and Rates so appointed and made, certifie the same ingroed in Pchement, w^{ch} the Consideracions and Causes therof, under their Handes and Seales into the Quenes most Honorable Courte of Chancerie, wherupon it shalbe lawfull to the Lorde Chancellour of Englande [of³] Lorde Keeper of the Greate Seale for the tyme being, upon declaracion therof to the Quenes Ma^{tie} her Heires or Successours, or to the Lords and others of the Privie Council for the tyme being attendant upon their psons, to cause to be printed and sent downe before the first daye of September next after the said Certificate into every Countie to the Sheryf and Justices of Peace there, and to the said Maior Bailiffes and Head Officers, Tenne or Twelve Proclamacons or more, conteyning in every of them the severall Rates appointed by the said Justices and other Head Officers as ys aforesaid, w^{ch} consoundment by the said Proclamacons to all psons, in the name of the Quenes Ma^{tie} her Heires or Successours, straightly to observe the same, and to all Justices Shierifes and other Officers to see the same dulye and severly observed, upon the danger of the Punishment and Forfeitures lymitted and appointed by this Estatute: Upon receipts wherof the said Shierifes Justices of Peace and the Maior and Head Officer in every Citie or Towne Corporate, shall cause the same Proclamacon to be recorded of Records by the Clarke of the Peace or by the Clarke of the Citie or Towne Corporate, and the said Shierifes Justices and other the said Maior and Head Officers shall forthewithe in open Markettes upon the Market Dayes before Michelmas then ensuyng, cause the same Proclamacon to be proclaimed in every Citie or Market Towne w^{ch} in the Lymites of their Commission, and the same Proclamacon to be fixed in some convenient Place of the said Citie and Towne, or in suche of the most occupied Market Townes as to the said Shierifes Justices of Peace, and to the said Maior and Head Officers shalbe thought meete: And yf the said Shierifes Justices of Peace or the Maior and Head Officers shall at their said generall Sessions, or at any tyme after, w^{ch} in syxe Weekes then following, upon their

XI.
Rates of Wages of Artificers, Husbandmen, Labourers and Workmen, shall be ascertained yearly by Justices &c. in Sessions, and certified into Chancery, and approved by the Privy Council, and be proclaimed by the Shierif, &c.

Such Rates may be continued or altered as requisite.

¹ defaulted. O. ² no O. ³ not O. ⁴ or O.

Assembly and Conference together, thinck yt convenient to retayne and kepe for the Yere then to come the Rates and Proportion of Wages that they certified the Yere before, or to change or reforme them, or some parte of them, then they shall before the said twelf day of July yerely, certifie into the sayd Courte of Chaucerye their Resolutions and Determinations therein, to the intent that Proclamacons may accordingly be renewed and sent downe; And if yt shall happen that they bee no neede of any Reformacon or Alteracon of the Rates of the said Wages, but that the former shalbe thought meete to be continued, then the Proclamacons for the Yere past shall remaine in force, until newe Proclamacons upon newe Rates concerning the said Wages shalbee sent downe, according to the forme of this Estatute.

XII.
Penalty on Justices, &c. absent from Sessions for rating Wages, &c.

AND bee it further enacted by auctorite of this present Parliament, That yf all the said Justices of Peace remaine wⁱⁿ the Countie where they are or shalbe Justices of Peace Mayors and Head Officers, doo not before the tenth daye of June next coming, and afterwards yerely, appeare and assemble at the sayd generall Sessions, or wⁱⁿ Syxe Weekes next after the said generall Sessions, and lycmit and rate the Wages of the said Servantes and Labourers, or shall not consider whether the former Rates made be meete to be continued or to be altered and reformed in maner & forme aforesaid, or bee negligent or remisse in the Certificat therof in forme above writton, that then every Justice of Peace of the Countie, and every Mayo^r and Heade Officer of the Citie or Towne Corporate in whom any suche Default or Negligence shalbe founde, being wⁱⁿ the said Countie Citie or Towne Corporate at the tyme of the said next Assembly, or at the tyme of the said Sessions, or at the tymes of the said Rates of Wages to bee set wⁱⁿ Syxe Weekes next after every suche Sessions, and not visited w^{ith} any suche Sicknes as he coulde not travelye thither w^out pill and charge of his Lyef, or not having any other lawfull and good excuse, to bee allowed by the Justices then assembled for the rating and taxing of Wages as ys aforesaid or by the more parte of them, upon a corporall Othe and Affidave to bee taken and made openly before the said Justices upon the Hoij Evangelistes, by some credible pson named and taxed in the Booke of Subsidie of that Countie to the cleere value of Fyve Poundes at the least, or by suche other pson as the most part of suche Justices shall allow and cleere to take suche Othe, shall for suche Default or Negligence forfeite unto the Quenes Ma^{ty}, her Heires and Successours, Tenne Pound^s of lawfull Moneye of England.

XIII.
Penalty on giving or receiving higher Wages than so rated;
On the Giver, Ten Days' Imprisonment and 4^s.
On the Receiver, Twenty-one Day's Imprisonment.

AND bee it further enacted by thauthorite aforesaid, That yf any pson after the sayd Proclamacon shalbe so sent downe and published, shall by any secret Wayes or Meanes directly^r or indirectly retayne or keepe any Servante Workman or Laborer, or shall give any more or greater Wages or other Commoditie contrary to the true Intent and Purpote of this Estatute, or contrary to the Rates and Wages that shalbee assessed or appointed in the said Proclamacon, that then every pson that shall so offend and be therof lawfully convicted before any the Justices or other Head Officers above remembered, or either of the sayd Presidents and Councils, shall suffer Imprisonment by the space of Tenne Dayes, w^out Bayle or Mayprisie, and shall lose and forfeite Fyve Poundes of lawfull Moneye of England; And that every pson that shalbe so retayned and take Wages, contrary to this Estatute or any Branche therof or of the sayd Proclamacon, and shalbe therof convicted before the Justices aforesaid or any twoe of them, or before the Mayo^r or other Head Officers aforesaid, shall suffer Imprisonment by the Space of xxj Days, w^out Baile or Mainprisie; And that every Reteyner Promise Gifte or Payment of Wages or other Thing whatsoever, contrary to the meaning of this Estatute, and every Writing and Bonde to bee made for that Purpose shalbe utterly void and of none effecte.

All such Contracts declared void.

XIV.
Penalty on Servants or Workmen assaulting their Master, &c.
One Year's Imprisonment, &c.

AND be yt enacted by thauthorite aforesaid, That yf any Servante Workman or Laborer shall wilfully & maliciously make any Assaulte or Affray upon his M^r M^r or Dame, or upon any other that shall at the time of such Assaulte or Fraye have the charge or oversight of any suche Servante Workman or Laborer, or of the Work wherein the said Servante Workman or Laborer ys appointed or hired to woork, and being therof convicted before any twoe of the Justices Mayo^r or Head Officer aforesaid where the said Offence ys comitted, or before eyther of the said Lordes Presidents & Council before remfired, by confession of the said Servante Workman or Laborer, or by the Testimonye Witness & Othe of two honest men, That then everye suche Offendo^r shall suffer Imprisonment by the space of one whole yere or les, by the discretion of twoo Justices of Peace if it bee wⁱⁿ a Towne Corporate, and yf it be wⁱⁿ a Towne Corporate then by the discretion of the Mayo^r or Head Officer of the same Towne Corporate wth two others of the discretet psons of the same Corporacon at the least: And if thoffense shall require further Punishment, then to receive suche other open Punishment, so as yt extende not to his owne lyffe, as the Justices of Peace in Open Sessions or the more pte of them, or the said Mayo^r or Head Officer and eyer or foure at the leas of the discretet psons of the same Corporacon, before whom thoffense shalbee examyned, shall thinck convenient for the qualitie of the said Offence so done and comitted.

XV.
Artificers, &c. compellible to work in Harvest, or to be put in the Stocks.

PROVIDED always and be yt enacted by thauthorite aforesaid, That in the time of Hey or Corne Harvest, the Justices of Peace and every of them, and also the Custable or other Head Officer of every Towneshipe, upon request and for thavyding of the los of any Corne Grayne or Heys, shall and may cause all suche Artificers and psons as be meete to labour, by the discretions of the said Justices or Custables or other Head Officers or by any of them, to serve by the days for the mowing reaping shearing getting or jning of Corne Grayne and Heys, according to the skill and qualite of the pson; and that none of the said psons shall refuse so to doo, upon payne to suffer Imprisonment in the Stocks by the space of twoo dayes and one night: And the Custable of the Towne or other Head Officer of the same wher the said refusall shalbe made, upon Complaint to him made, shall have auctorite by vertue hereof, to set the said Offender in the Stocks for the time aforesaid, and shall punish him accordingly, upon payne to lose and forfeite for not doing therof, the s^{ome} of fourey shillinges.

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PROVIDED also, That all persons of the Counties wher they have accustomed to goe into other Shires for Harvest work, and having at that tyme no Harvest worck sufficient in the same Towne nor Countie wher he or they dwelt in the Winter then laste paste, bringing wth him or them a testimoniall under the Hande and Seale of one Justice of the Peace of the Shire, or other Heade Officer of the Towne or Place that hee or they come from, testifying the same, for the w^{ch} he shall paye not above one peny, (other then suche persons as shall be retayne in service according to the forme of this Statute,) may repaire and recorte in Harvest of Hay or Corne, from the Countie wherein their dwelling Place are into any other Place or Countie, for the orderly movinge, carryinge and getting of Heye Corne and Grayne, and for thonly workinge of Harvest worckes, as they might have doone before the makinge of this Statute; Any thinge herein conteneyd to the contrary notwithstandinge.

XVI.
Proves for
Persons going to
Harvesting into
other Counties.

AND bee it further enacted by the Justices aforesaid, That two Justices of Peace the Maior or other Head Officer of any Cite Burgh or Towne Corporate and two Aldermen, or two other discrete Burghesses of the same Cite Burgh or Towne Corporate if there be no Aldermen, shall and may by vertue hereof appoint any suche Woman as is of thage of twelwe yeres and under thage of ff. lxxx. yeres and under thage of foorthe of service, as they shall thinke meete to see, to be retayne or serve by the yere or by the weeke or days, for suche Wages and in suche reasonable sort and maner as they shall thinke meete; And if any suche Woman shall refuse so to serve, then yt shalbe lawfull for the said Justices of Peace Maior or Head Officers to comitt suche Woman to wardie until she shalbe bounden to serve as aforesaid.

XVII.
Women contracted
between 12 and 40,
compellable to
serve by the Year,
Week, or Day.

AND for the better advancement of Husbandrye and Tillage, and to thintent that suche as are fit to be made Apprentis to Husbandry may be bounden thereunto, Bee it enacted by thauthourite of this Present Parliament, That every person, beyng an Husbandholder and having and using half a Plough Lande at the least in Tillage, may have and receive as an Apprentis any person above thage of tenne yeres and under thage of eightene yeres to serve in Husbandrye untill his Age of thre and twenty yeres at the least, or until thage of foure and twenty yeres at the most can agree, and the said retynour and taking of an Apprentis to be made and done by Indenture.

XVIII.
Apprentices in
Husbandry.

AND bee it further enacted, That every person being an Housholder and foure and twenty yeres olds at the least, dwelling or inhabiting or whiche shall dwell and inhabit in any Cite or Towne Corporate, and using and exercising any Arte Misterye or Manuell Occupa^on there, shall and may after the Feast of S^t John Baptist next coming, during the tyme that he shall so dwell or inhabit in any suche Cite or Towne Corporate and use and exercise any suche Misterye Arte or Manuell Occupa^on, have and retayne the sonne of any Freeman not occupying Husbandrye nor being a labourer, and inhabiting in the same or in any other Cite or Towne that now is or hereafter shalbe and maynteyne incorporate, to serve and bee bounde as an Apprentis after the Custome and Order of the Cite of London for seven yeres at the least, so as the terme and yeares of suche Apprentis doo not expyre or deteryne afore such Apprentis shalbee thage of foure and twenty yeres at the least.

XIX.
Housholders in
Cites may take
Apprentices
in Trades, &c.
for seven Yeres.

PROVIDED alwaies and bee yt enacted, That yt shall not be lawfull to any person dwelling in any Cite or Towne Corporate using or exercising any of the Misteries or Craftes of a Marchant trafficking by Traffique or Trade into any port beyonde the Sea, Mercer Draper Goldsmith Ironmonger Inbroderer or Clothier that dothe or shall put Clothe to making and sale, to take any Apprentis or Servante to be instructed or taught in any of the Artes Occupa^ons Craftes or Misteries w^{ch} they or any of them doo use or exercise, Except suche Servante or Apprentis bee his Sonne, or els that the Father or Mother of suche Apprentis or Servante shall have, at the tyme of taking of suche Apprentis or Servant, Landes Tenementes or other Hereditamentes of the clere yerely value of foure shillings of one Estate of Inheritance or Freeholde at the least, to bee certified under Thandes and Seales of three Justices of the Peace of the Shire or Shire wher the said Landes Tenementes or other Hereditamentes doo or shall lye, to the Maior Bailiff or other Head Officers of suche Cite or Towne Corporate, and to be enrolled among the Records there.

XX.
Merchants, &c.
may not take any
Apprentices,
except their Sons,
unless their Parents
have 40s. of
Freehold per Anus.

AND bee it further enacted, That from and after the said Feast of S^t John the Baptist nexte, yt shalbe lawfull to every person being an Housholder and xxiiij yeres olds at the least, and not occupying Husbandrye, nor being a laborer dwelling or inhabiting or that shall hereafter dwell or inhabit in any Towne not being incorporate, that now is or hereafter shalbe a Market Towne, so long as the same shalbee weekly used and kepte as a Market Towne, and using or exercising any Arte Misterye or Manuell Occupa^on, during the tyme of his abode there and so using and exercising suche Arte Misterye or Manuell Occupa^on as aforesaid, to have in like maner to Apprentis or Apprentices, the Child or Children of any other Artificer or Artificers not occupying Husbandrye nor being a laborer, whiche now doo or hereafter shall inhabit or dwell in the same or in any other suche Market Towne within the same Shire, to serve as Apprentis or Apprentices as ys aforesaid, to any suche Arte Misterye or Manuell Occupa^on as hath been usually exercised in any suche Market Towne wher suche Apprentis shalbee bounde in maner and forme abovesayd.

XXI.
Persons in Market
Towne may take
Two Apprentices,
Children of
Artificers, &c.

PROVIDED alwaies and bee yt enacted, That it shall not bee lawfull to any person dwelling or inhabiting in anye suche Market Towne, using or exercising the Feast Misterye or Arte of a Marchant trafficking or trading into the parts beyonde the Seas, Mercer Draper Goldsmith Ironmonger Inbroderer or Clothier that dothe or shall put Clothe to making and sale, to take any Apprentis or in any wise to teache or instructe any person in the Artes Scyences or Misteries last before recited, after the Feast of S^t John Baptist aforesayd, Except suche Servante or Apprentis shalbee his Sonne, or els that the Father or Mother of suche Apprentis shall have Landes Tenementes or other Hereditamentes at the tyme of taking of suche Apprentis of the clere yerely value of three poundes of one Estate of Inheritance or Freeholde at the least, to bee certified under Thandes and Seales of three Justices of the Peace of the Shire or

XXII.
Merchants, &c.
in Market Towne
shall not take any
Apprentices, other
than Children of
Persons having
40^s per Annum
Freehold.

Shires where the said Landes Tenementes and other Hereditamentes doo or shall lye, to the Head Officers or Head Officer of suche Market Townes where suche Apprentice or Servant shalbe taken, there to bee enrolled by such Head Officer, always to remaine of Records.

XXIII.
Certain Tradesmen may take Apprentices, Children whose Parents have no Lands.

AND bee yt further enacted, That from and after the said Feast yt shalbe lauffull to any pson using or exercising Tharte or Occupation of a Smiths Whelwright Plowwright Myllwright Carpenter Rought Mason Plasterer Scourer Lymeburner Brickmaker Bricklayer Tyler Slater Hesler Tilemaker Lynnen weaver Turner Cooper Millner Earthen potters Wollen weaver weaving Houswifes or Housholde Clothe onely and none other, Clothe Fuller otherwise called Tucker or Walker Burner of Oore and Woodc Ashes Thatcher or Shingler, wheresoever he or they shall dwell or inhabit, to have or receive the Sonne of any pson as Apprentice, in manner and forme aforesaid to be taught and instructed in these Occupations onely and in none other, albeit the Father or Mother of anyne suche Apprentice have not any Landes Tenementes nor Hereditamentes.

XXIV.
None shall use any Art, Mystery, or Manual Occupation now in Use, unless he hath been Apprentice thereto for Seven Year:

AND bee it further enacted by thauthoritee aforesaid, That after the first daye of Maie next cōming, it shall not be lauffull to any pson or persons, other then suche as nowe doo lauffully use or exercise any Arte Mystery or Manual Occupacion, to set uppe occupie use or exercise anye Crafte Mystery or Occupacion, nowe used or occupied within the Realme of Englande or Wales, Excepte he shall have been brought upp therein Seven years at the least as Apprentice, in manner and forme aforesaid, nor to set anye person on woork in suche Mystery Arte or Occupacion, being not a Workman at this Day, excepte he shall have bene Apprentice as ys aforesaid, or els having served as an Apprentice as ys aforesaid, shall or will become a Journeyman, or be hyred by the yere; upon payne that every pson willfully offending or doing the contrary, shall forfeite and lose for every Defaulte fourtye shillings for every moneth.

Penalty 40s. per Month.

XXV.
Woollen Cloath Weavers, except in Cities, &c. shall not take any Apprentices, other than Children of Persons having Freehold of 2s per Annum.

PROVIDED always and bee yt further enacted by thauthoritee aforesaid, That no pson or persons using or exercising Tharte or Mystery of a Wollen Cloath Weaver, other then suche as bee inhabiting within the Countiees of Cumberland Westmerland Lancaster and Wales, weaving Fryzes Cottons or Huswyyves Clothe onely, making and weaving Wollen Clothe commonly solde or to bee solde by any Clotheman or Clothyer, shall take and have any Apprentices, or shall take or in any wise instructe any pson or persons in the Science Arte or Occupacion of Weaving aforesaid in any Village Towne or Place, (Cities Townes Corporate and Market Townes onely except,) unless suche pson bee his Sonne, or child the Father or Mother of suche Apprentice or Servant shall, at the tyme of the taking of suche pson or persons to be an Apprentice or Servaunte or to bee so instructed, have Landes and Tenementes or other Hereditamentes to the cleere yearly value of Three poundes at the least of an Estate of Inheritance or Freehold, to bee certified under the Handes and Seales of Three Justices of the Peace of the Shier or Shires where the said Landes Tenementes and other Hereditamentes doo or shall lye; Theffect of Thindenture to be registred wⁱⁿ Three Monethes in the Place where such ys shall dwell, and to pay for suche registring foure pence: upon payne of forfeiture of Twentye Shillings for every Moneth that any pson shall otherwise take any Apprentice, or set any suche pson on woocke contrary to the meaning of this Article.

XXVI.
One Journeyman shall be kept for Three Apprentices, &c. in certain Trades.

AND bee yt further enacted by thauthoritee aforesaid, That all and every pson or persons that shall have Ten Apprentices, in any of the sayd Crafte Mysteries or Occupacions of a Clothemaker Fuller Shermans Weaver Tylor a Shoemaker, shall retaine and kepe one Journeyman, and for every other Apprentice above the number of the said Three Apprentices one other Journeyman, upon payne for every Defaulte therein Tenne poundes.

XXVII.
Privileg for Worsted Makers, &c. in Norwich.

PROVIDED always, That this Acte nor any Thing therein conteyned, shall not extende to prejudice or hinder any Libertyes heretofore granted by any Act of Pliam^t to or for the Companye and Occupacion of Worstedmakers and Worstedweavers wⁱⁿ the Cite of Norwiche and elswhere wⁱⁿ the Countye of Norff, w^{ch} Libertyes bee in force still the beginning of this 3rd P^{ar}t Pliam^t; Any thing herein conteyned to the contrarye in any wise notwithstanding.

XXVIII.
Persons refusing to become Apprentices may be imprisoned until they comply.

AND bee it further enacted, That yf any pson shalbe required by any Housholder having and using half a Ploughlande at the least in Tillage, to bee an Apprentice and to serve in Husbandrye or in any other kind of Arte Mysery or Science before expressed, and shall refuse so to doo; that then upon the Complaint of suche Houskeeper made to the Justice of (') Peace of the Countye wherein the said Refusall ys or shalbe made, or of suche Housholder inhabiting in any Cite Towne Corporate or Market Towne to the Mayo^r Bailiifes or Head Officer of the said Cite Towne Corporate or Market Towne, yf any suche Refusall shall there bee, they shall have full power and auctoritee by vertue hereof to sende for the same pson so refusing: And yf the said [Justice'] or the said Mayo^r or Head Officer shall thinck the said pson meete and convenient to serve as an Apprentice in that Arte Labour Science or Myserye wherein he shall be, then required to serve, That then the said Justice or the said Mayo^r or Head Officer shall have power and auctoritee by vertue hereof, yf the said pson refuse to bee bounde as an Apprentice, to comit him unto Wardes, there to remaine until he be contented and will bee bounden to serve as an Apprentice shoulde serve, according to the true intent and meaning of this 3rd Acte: And yf any suche M^{an} shall misuse or evill increase his Apprentice, or that the said Apprentice shall have any just cause to complayne, or Thappentice doo not his dutie to his M^{an}, then the sayd M^{an} or Prentice being grieved and having cause to complayne shall repaire unto one Justice of Peace within the said Countye, or to the Mayo^r or other Head Officer of the Cite Towne Corporate Market Towne or other Place where the said M^{an} dwelleth, who shall by his wisdom and discretyn take suche order and direction betwix the said M^{an} and

Justices of Peace, &c. may settle Disputes between Masters and Apprentices, as to Misusage or Neglect of Duty.

his Apprentices, as the quite of the cause shall require; And yf for want of good conformie in the said M^r, the said Justice of the Peace or the said Maio^r or other Heade Officer cannot compounde and agre the matter between him and his Apprentices, then the said Justice or the said Maio^r or other Head Officer shall take bande of the said M^r to appeare at the next Sessions then to bee holden in the said Countie, or w^{thin} in the said Citie Towne Corporate or Market Towne, to bee before the Justices of the said Countie, or the Maio^r or Head Officer of the said Towne Corporate or Market Towne yf the said M^r dwell w^{thin} in any suche, and upon his Apparanc and hearing of the Matter before the said Justices or the said Maio^r or other Head Officer, yf yt be thought meete unto them to discharge the said Apprentices of his Apprenticeshood, that then the said Justices or foure of them at the least, wherof one to be of the Quorum, or the said Maio^r or other Head Officer, with the Consent of three other of his Brethren or Men of best Reputac^on w^{thin} in the said Citie Towne Corporate or Market Towne shall have Power by Authorte hereof in Writing under their Handes and Seales to pronounce and declare that they have discharged the said Apprentices of his Apprenticeshood, and the Cause thereof, and the said Writing, so being made and enrolled by the Clerck of the Peace or Towne Clerck amonges the Records that he keepeth, shalbee a sufficient discharge for the said Apprentices against his M^r his Executors and Administrators, Thindenture of the said Apprenticeshood, or any Lawe or Custome to the contrary notwithstanding; And yf the Defaulte shalbee founde to bee in the Apprentice, then the said Justices or the said Maio^r or other Head Officer with the Assistentes aforesaid, shall cause suche due Correc^on and Punishment to be ministredd unto him, as by their Wisdome and Discretions shalbee thought meete.

and may discharge Apprentices from their Apprenticeship, or punish them for Misbehaviour.

Provided always and be it enacted by authorite of this present Parliament, That no person shall by force or color of this Statute bee bounden to enter into any Apprenticeshippe other then suche as bee under thage of one and twenty yeres.

XXXIX. Minors only compellible to be Apprentices.

And to thende that this Statute maye from tyme to tyme bee carefully and dyligently put in good Execuc^on according to the Tenour and true meaning thereof: Bee it enacted by authorite of this present Parliament, that the Justices of Peace of every Countie dividing themselves into severall lycrites, and lykwisew every Mayo^r and Head Officer of any Citie or Towne Corporate, shall yerely between the feast of S^t Mighell Tharchangell and the Nativitee of our Lorde, and between the Feast of Thannuncia^on of o^r Ladye, and the Feast of S^t John (the) Baptist, by all suche Wayes and Meanes as to their Wisdome shalbee thought most meete, make a speciall and diligent Inquire of the Branches and Articles of this Statute, and of the good Execuc^on of the same, and wher they shall finde any Defaultes, to see the same severely corrected and punished without Favour Affec^on Malice or Displeasure.

XXX. Justices shall make Periodical Inquiries as to Execution of this Act.

And in considera^on of the paynes and travayle that the said Justices of Peace and the said Mayo^r and Head Officer shall take and sustayne in and aboute the execu^on of this Statute, It ys further ordeyned and enacted by authorite of this present Parliament, That every Justice of Peace Mayo^r or Head Officer, for every Day that he shall sit in and aboute the execu^on of this Statute shall have allowed unto him fyve Shillings, to bee allowed and payde unto him or unto the said Mayo^r or Head Officer of the Fines and Forfeitures of the Paynes and Penalties that shalbe forfeited and due unto the Quenes Ma^{tie}, her Heires or Successoures, by force of this Statute, in suche manner and forme as the said Justices have been heretofore commonly payde for their coming and charges at the Quarter Sessions, so that the sitting of the said Justices or Mayo^r or Head Officer bee not at anye one tyme above three dayes and for the Matters conteyned in this Statute.

XXXI. Allowance to the Justices for such their Trouble.

And bee it enacted by authorite aforesaid, That thome half of all Forfeitures and Penalties expressed and mencioned in this Statute, other then suche as are expresly otherwise appoynted, shalbee to our Sovereigne Lady the Quene Ma^{tie} her Heires and Successoures, and thother Moieties to him or them that shall sue for the same in any of the Quenes Ma^{tie} Courtes of Recorde, or before any of the Justices of Oyer and Terminer, or before any other Justice or President and Councell before remembred, by Act^on of Det Informac^on Bill of Complaynte or otherwise, in which Act^ons or Sutes no Protec^on Wager of Lawe or Essoine shalbee allowed; And that the said Justices or two of them wherof one to bee of the Quorum, and the said Presidentes and Councell as ys aforesaid, and the said Maio^r or other Head Officers of Cities or Townes Corporate, shall have full Power and Authortie to heare and determine all and every Offences and Offence that shalbee comitted or done against this Statute or aginaste any Branch thereof, aswell upon Indictment to bee taken before them in the Sessions of the Peace, as upon Informac^on Act^on of Det or Bill of Complaynt to bee sued or exhibited by any person; And shall and maye by vertue hereof make Process agynste the Defendant, and awarde Execuc^on as in any other Case they lawfully maye by any the Lawes and Statutes of this Realme, and shall yerely in Mighelmas Terme certefie by Enstat the Fynes & Forfeitures of every Offences contained in this Statute that shalbee founde before them, into the Courte of the Treschequer, in like sorte & forme as they bee bounde to certefie the Restrettes for other Offences and Forfeitures to be lost before them; Any thing to this Statute conteyned to the contrary notwithstanding.

XXXII. Appoyntion and Recovery of Penalties.

Provided always, That this Acte or any Thing therein conteyned or mencioned shall not be prejudiciall or hurtfull to the Citie of London and Norwich, or to the lawful Libertyes Usages Customes or Privilegies of the same Citie, or of any concerning thaving or taking of any Apprentice or Apprentices, but that the Citizens and Freemen of the same Citie, shall if they maye take have and retaine Apprentices ther, in suche manner and fourme as they might lawfully have done before the making of this Statute; This Acte or any Thing therein conteyned to the contrary in any wise notwithstanding.

XXXIII. Privileg for London and Norwich, as to Apprentices.

the O.

B. BRITISH LABOR REGULATION, 1802.

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C. 72, 73.

42^d GEORGE III.

A.D. 1802.

C A P. LXXIII.

An Act for the Preservation of the Health and Morals of Apprentices and others, employed in Cotton and other Mills, and Cotton and other Factories. [22^d June 1802.]

WHEREAS it hath of late become a Practice in Cotton and Woollen Mills, and in Cotton and Woollen Factories, to employ a great Number of Male and Female Apprentices, and other Persons, in the same Building; in consequence of which certain Regulations are become necessary to preserve the Health and Morals of such Apprentices and other Persons; it be it therefore enacted by the King's most Excellent Majesty, by and with the Advice and Consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the Authority of the same, That from and after the second Day of December One thousand eight hundred and two, all such Mills and Factories within Great Britain and Ireland, wherein three or more Apprentices, or twenty or more other Persons, shall at any Time be employed, shall be subject to the several Rules and Regulations contained in this Act; and the Master or Mistress of every such Mill or Factory is hereby strictly enjoined and required to pay due Attention to and act in strict Conformity to the said Rules and Regulations.

From Dec. 1,
1802, Mills and
Factories
employing a
certain Num-
ber of Persons
subjected to the
Regulations of
this Act.

White-washing
and airing
Rooms.

Clothing of
Apprentices.

Time of working
not to exceed 12
Hours.

Night Work.

Exceptions as to
Night Work for
certain Periods.

Apprentices shall
be instructed in
Reading,
Writing, and
Arithmetic,
&c.

Apprentices and
Sons of Male
and Female Ap-
prentices.

Instruction and
Catechism of
Apprentices
on Sundays.

II. And be it enacted, That all and every the Rooms and Apartments in or belonging to any such Mill or Factory shall, twice at least in every Year, be well and sufficiently washed with Quick Lime and Water over every Part of the Walls and Ceiling thereof; and that due Care and Attention shall be paid by the Master or Mistress of such Mills or Factories, to provide a sufficient Number of Windows and Openings in such Rooms or Apartments, to insure a proper Supply of fresh Air in and through the same.

III. And be it further enacted, That every such Master or Mistress shall constantly supply every Apprentice, during the Term of his or her Apprenticeship, with two whole and complete Suits of Cloathing, with suitable Linen, Stockings, Hats, and Shoes; one new complete Suit being delivered to such Apprentice once at least in every Year.

IV. And be it further enacted, That no Apprentice that now is or hereafter shall be bound to any such Master or Mistress, shall be employed or compelled to work for more than twelve Hours in any one Day, (reckoning from six of the Clock in the Morning to nine of the Clock at Night), exclusive of the Time that may be occupied by such Apprentice in eating the necessary Meals: Provided always, that, from and after the first Day of June One thousand eight hundred and three, no Apprentice shall be employed or compelled to work upon any Occasion whatever, between the Hours of nine of the Clock at Night and six of the Clock in the Morning.

V. And be it further enacted, That in any Mill or Factory, wherein not less than one thousand nor more than fifteen hundred Spindles are constantly used in the carrying on of the Manufacture, it shall and may be lawful for the Owner or Owners of such Mill to employ his Apprentices in the Night until the twenty-fifth Day of December One thousand eight hundred and three; and in any Mill or Factory wherein more than fifteen hundred Spindles shall be employed, it shall and may be lawful for the Owner of such Mill to employ his Apprentices in the Night until the twenty-fifth Day of June One thousand eight hundred and four; any Thing herein contained to the contrary notwithstanding.

VI. And be it further enacted, That every such Apprentice shall be instructed, in some Part of every working Day, for the first four Years at least of his or her Apprenticeship, which shall next ensue from and after the second Day of December One thousand eight hundred and two, if he or she is an Apprentice on the said second Day of December One thousand eight hundred and two, and for the first four Years at least of his or her Apprenticeship, if his or her Apprenticeship commences at any Time after the said second Day of December One thousand eight hundred and two, in the usual Hours of Work, in Reading, Writing, and Arithmetic, or either of them, according to the Age and Abilities of such Apprentice, by some discreet and proper Person, to be provided and paid by the Master or Mistress of such Apprentice, in some Room or Place in such Mill or Factory to be set apart for that Purpose; and that the Time hereby directed to be allotted for such Instruction as aforesaid, shall be deemed and taken on all Occasions as Part of the respective Periods limited by this Act during which any such Apprentice shall be employed or compelled to work.

VII. And be it further enacted, That the Room or Apartment in which any Male Apprentice shall sleep shall be entirely separate and distinct from the Room or Apartment in which any Female Apprentice shall sleep; and that not more than two Apprentices shall in any Case sleep in the same Bed.

VIII. And be it further enacted, That every Apprentice, or (in case the Apprentices shall attend in Classes) every such Class shall, for the Space of one Hour at least every Sunday, be instructed and examined in the Principles of the Christian Religion, by some proper Person to be provided and paid by the Master or Mistress of such Apprentice; and in England and Wales, in case the Parents of such Apprentice shall be Members of the Church of England, then such Apprentice shall be taken, once at least in every Year during the Term of his or her Apprenticeship, to be examined by the Rector, Vicar, or Curate of the Parish in which such Mill or Factory shall be situate; and shall also after such Apprenticeship shall have attained the Age of fourteen Years, and before

attaining the Age of eighteen Years, be duly instructed and prepared for Confirmation, and be brought or sent to the Bishop of the Diocese to be confirmed, in case any Confirmation shall, during such Period, take Place in or for the said Parish; and in Scotland where the Parents of such Apprentice shall be Members of the established Church, such Apprentice shall be taken, once at least in every Year, during the Term of his or her Apprenticeship, to be examined by the Minister of the Parish; and shall after such Apprenticeship shall have attained the Age of fourteen Years, and before attaining the Age of eighteen Years, be carried to the Parish Church to receive the Sacrament of the Lord's Supper, as the same is administered in Churches in Scotland; and such Master or Mistress shall send all his or her Apprentices under the Care of some proper Person, once in a Month at least, to attend during Divine Service in the Church of the Parish or Place in which the Mill or Factory shall be situated, or in some other convenient Church or Chapel where Service shall be performed according to the Rites of the Church of England, or according to the established Religion in Scotland, as the Case may be, or in some licensed Place of Divine Worship; and in case the Apprentices of any such Master or Mistress cannot conveniently attend such Church or Chapel every Sunday, the Master or Mistress, either by themselves or some proper Person, shall cause Divine Service to be performed in some convenient Room or Place in or adjoining to the Mill or Factory, once at least every Sunday that such Apprentices shall not be able to attend Divine Service at such Church or Chapel; and such Master or Mistress is hereby strictly enjoined and required to take due Care that all his or her Apprentices regularly attend Divine Service, according to the Directions of this Act.

IX. And be it further enacted, That the Justices of the Peace for every County, Stewartry, Riding, Division, or Place, in which any such Mill or Factory shall be situated, shall, at the Midsummer Sessions of the Peace to be holden immediately after the passing of this Act for such County, Stewartry, Riding, Division, or Place, and afterwards yearly at their annual Midsummer Sessions of the Peace, appoint two Persons, not interested in, or in any Way connected with any such Mills or Factories, to be Visitors of such Mills or Factories in such County, Stewartry, Riding, Division, or Place; one of whom shall be a Justice of Peace for such County, Stewartry, Riding, Division, or Place, and the other shall be a Clergyman of the established Church of England or Scotland, as the Case may be; and in case it shall be found inconvenient to appoint one such Justice and one such Clergyman as aforesaid, it shall be lawful to and for such Justices, and they are hereby required to appoint two such Justices or two such Clergymen; and the said Visitors, or either of them, shall have full Power and Authority from Time to Time throughout the Year, to enter into and inspect any such Mill or Factory, at any Time of the Day, or during the Hours of Employment, as they shall think fit; and such Visitors shall report from Time to Time in Writing, to the Quarter Sessions of the Peace, the State and Condition of such Mills and Factories, and of the Apprentices therein, and whether the same are or are not conducted and regulated according to the Directions of this Act, and the Laws of the Realm; and such Report shall be entered by the Clerk of the Peace among the Records of the Session in a Book kept for that Purpose: Provided always, that in case there shall be six or more such Mills or Factories within any one such County, Riding, Division, or Place, then it shall be lawful for such Justices to divide such County, Riding, Division, or Place, into two or more Districts or Parts, and to appoint two such Visitors as aforesaid for each of such Districts or Parts.

Justices at their Midsummer Sessions yearly shall appoint two Visitors of such Mills or Factories, who shall visit and report the Condition thereof to the Quarter Sessions, &c.

*Visitors may be appointed for Districts.

X. And be it further enacted, That in case the said Visitors or either of them shall find that any infectious Disorder appears to prevail in any Mill or Factory as aforesaid, it shall be lawful for them or either of them to require the Master or Mistress of any such Mill or Factory to call in forthwith some Physician, or other competent medical Person, for the Purpose of ascertaining the Nature and probable Effects of such Disorder, and for applying such Remedies and recommending such Regulations as the said Physician, or other competent medical Person, shall think most proper for preventing the spreading of the Infection and for restoring the Health of the Sick; and that such Physician, or other competent medical Person, shall report to such Visitors, or either of them, as often as they shall be required so to do, their Opinion in Writing of the Nature, Progress, and present State of the Disorder, together with its probable Effects; and that any Expenses incurred in consequence of the Provisions aforesaid for medical Assistance, shall be discharged by the Master or Mistress of such Mill or Factory.

In case of infectious Disorders, Visitors may require the Master to call in medical Assistance, &c.

XI. And be it further enacted, That if any Person or Persons shall oppose or molest any of the said Visitors in the Execution of the Powers intrusted to them by this Act, every such Person or Persons shall for every such Offence forfeit and pay any Sum not exceeding ten Pounds nor less than five Pounds.

Penalty for obstructing Visitors 10l. 5s.

XII. And be it further enacted, That the Master or Mistress of every such Mill or Factory shall cause printed or written Copies of this Act to be hung up and affixed in two or more conspicuous Places in such Mill or Factory, and shall cause the same to be constantly kept and renewed, so that they may at all Times be legible and accessible to all Persons employed therein.

Two Copies of this Act shall be affixed in all Mills or Factories.

XIII. And be it further enacted, That every Master or Mistress of any such Mill or Factory who shall wilfully act contrary to or offend against any of the Provisions of this Act, shall for such Offence, (except where otherwise directed,) forfeit and pay any Sum not exceeding five Pounds nor less than forty Shillings, at the Discretion of the Justices before whom such Offender shall be convicted as after mentioned; one Half whereof shall be paid to the Informer, and the other Half to the Overseers of the Poor in England and Ireland, and to the Minister and Elders in Scotland, of the Parish or Place where such Offence shall be committed, to be by them applied in Aid of the Poor Rate in England and Ireland, and for the Benefit of the Poor in Scotland, of such Parish or Place: Provided always, that all Informations for Offences against this Act, shall be laid within one Calendar Month after the Offence committed, and not afterwards.

Penalty on Master offending against this Act 5l. to 40s.

XIV. And be it further enacted, That every such Master or Mistress shall, at the Epiphany Sessions in every Year, make, or cause to be made, an Entry in a Book to be kept for that Purpose by the Clerk of the Peace of the County, Riding, or Division in which any Mill or Factory shall be situated, of every such Mill or Factory occupied by him or her wherein three or more Apprentices or twenty or more other Persons, shall be employed;

Limitation one Month.

Mills or Factories subject to this Act shall be entered annually with the Clerk at the Peace.

ployed; and the said Clerk of the Peace shall receive for every such Entry the Sum of two Shillings and no more.

Penalties and Forfeitures so-
everable before
two Justices, &c.

XV. And be it further enacted, That all Offences for which any Penalty is imposed under this Act, shall and may be heard before any two or more Justices of the Peace, acting in or for the Place where the Offence shall be committed; and all Penalties and Forfeitures by this Act imposed, and all Costs and Charges attending the Conviction of any such Offender or Offenders, shall and may be levied by Distress and Sale of the Offenders Goods and Chattels, by Warrant under the Hand and Seal of any two or more Justices of the Peace acting for the County, Stewartry, Riding, Division, or Place where such Offence shall be committed, rendering the Overplus (if any) to the Party or Parties offending; and which Warrant such Justices are hereby empowered and required to grant, upon Conviction of the Offender, either by Confession, or upon the Oath of one or more credible Witnesses or Witnesses (which Oath such Justices are hereby empowered to administer); and in case such Distress cannot be found, and such Penalties, Forfeitures, and Costs shall not be forthwith paid, it shall and may be lawful for such Justices, and they are hereby empowered and required, by Warrant under their Hands and Seals, to commit such Offender or Offenders to the Common Gaol or House of Correction of the County, Stewartry, Riding, Division, or Place where the Offence shall be committed, for any Time not exceeding two Calendar Months, unless the said Penalty, Forfeiture, and Costs, shall respectively be sooner paid and satisfied: Provided always, that no Warrant of Distress shall be issued for levying any such Penalty, Forfeiture, or Costs, until six Days after the Offender shall have been convicted, and an Order made upon him or her for Payment thereof; and no such Conviction shall be removable by *Certiorari* or Bill of Advocation into any Court whatsoever.

No Certiorari.

XVI. And be it further enacted, That every such Conviction before such Justices may be made in the following Form; (to wit,)

Form of
Conviction.

County of _____ } **B**E it remembered, That on the _____ Day of _____ in the Year
_____ } *A. D.* was, upon the Complaint of *C. D.*, convicted before
of the Justices of the Peace for the said County of _____ [or, for _____ of or in the said
County of _____ as the Case shall happen to be], in pursuance of an Act, passed in the forty-second
Year of the Reign of his Majesty King George the Third, for [or, as the Case may be]. Given under our
Hands and Seals the Day and Year above written.

Which Conviction shall be certified to the next General Quarter Sessions, there to be filed amongst the Records of the County, Riding, or Division.

“ Publick Act.” § 17.

COMMENTS

The two laws appearing as *Appendices A and B* have been offered to show the early types of industrial legislation which are entirely different from modern laws, presented in the following *Appendices C, D and E*.

Special attention in *Appendix A* is invited to sections: III) obligation to work in arts and crafts; IV) conditions of departure; V) obligation to work in husbandry; VII) formalities of departure; IX) working hours; XI) rates of wages; XIII) fines for violation of wage rates; XV) field work for artificers; XVII) compulsory work for women; XVIII ff.) apprenticeship. These rulings show clearly the philosophy and strictness which prevailed towards labor in 1562.

The Act for the Preservation of Health and Morals, *Appendix B*, enacted after Adam Smith's condemnation of the old labor laws, is less strict and was intended to protect the apprentices and workers, but hardly changed their working conditions to any great extent, as may be seen especially from a close scrutiny of sections: IV) working hours; V) night work; VIII) conduct of the apprentices.

It took more than 100 years of strenuous efforts to create economic and legal concepts as expressed in the Old Age Pensions Law of 1908, *Appendix C*. Special attention should be given to sections: 1) right to receive old age pensions; 3) disqualification; 5) mode of paying pensions; 8) administration; 10) regulations and expenses.

Appendix D, The National Health Insurance Act of 1911, is recommended for special consideration to those who still object to "socialized" medical treatment. The benefits that can be created for the working population, and their costs can be studied best in sections: 1) insured persons; 3, 4, 5) contributions; 8) benefits.

Appendix E is a typical example of unemployment insurance legislation. Only the most important sections of the Unemployment Insurance Act of 1920 are presented. For further details the complete act should be consulted.

C. THE OLD AGE PENSIONS ACT, 1908.

CHAPTER 40.

An Act to provide for Old Age Pensions.

[1st August 1908.]

BE it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows :

Right to receive old age pension.

1.—(1) Every person in whose case the conditions laid down by this Act for the receipt of an old age pension (in this Act referred to as statutory conditions) are fulfilled, shall be entitled to receive such a pension under this Act so long as those conditions continue to be fulfilled, and so long as he is not disqualified under this Act for the receipt of the pension.

(2) An old age pension under this Act shall be at the rate set forth in the schedule to this Act.

(3) The sums required for the payment of old age pensions under this Act shall be paid out of moneys provided by Parliament.

(4) The receipt of an old age pension under this Act shall not deprive the pensioner of any franchise, right, or privilege, or subject him to any disability.

Statutory conditions for receipt of old age pension.

2. The statutory conditions for the receipt of an old age pension by any person are—

(1) The person must have attained the age of seventy :

(2) The person must satisfy the pension authorities that for at least twenty years up to the date of the receipt of any sum on account of a pension he has been a British subject, and has had his residence, as defined by regulations under this Act, in the United Kingdom :

(3) The person must satisfy the pension authorities that his yearly means as calculated under this Act do not exceed thirty-one pounds ten shillings.

Disqualification for old age pension.

3.—(1) A person shall be disqualified for receiving or continuing to receive an old age pension under this Act, notwithstanding the fulfilment of the statutory conditions—

(a) While he is in receipt of any poor relief (other than relief excepted under this provision), and, until the

1908.

Old Age Pensions Act, 1908.

Ch. 40.

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thirty-first day of December nineteen hundred and ten unless Parliament otherwise determines, if he has at any time since the first day of January nineteen hundred and eight received, or hereafter receives, any such relief: Provided that for the purposes of this provision—

(i) any medical or surgical assistance (including food or comforts) supplied by or on the recommendation of a medical officer; or

(ii) any relief given to any person by means of the maintenance of any dependant of that person in any lunatic asylum, infirmary, or hospital, or the payment of any expenses of the burial of a dependant; or

(iii) any relief (other than medical or surgical assistance, or relief herein-before specifically exempted) which by law is expressly declared not to be a disqualification for registration as a parliamentary elector, or a reason for depriving any person of any franchise, right, or privilege;

shall not be considered as poor relief:

- (b) If, before he becomes entitled to a pension, he has habitually failed to work according to his ability, opportunity, and need, for the maintenance or benefit of himself and those legally dependent upon him:

Provided that a person shall not be disqualified under this paragraph if he has continuously for ten years up to attaining the age of sixty, by means of payments to friendly, provident, or other societies, or trade unions, or other approved steps, made such provision against old age, sickness, infirmity, or want or loss of employment as may be recognised as proper provision for the purpose by regulations under this Act, and any such provision, when made by the husband in the case of a married couple living together, shall as respects any right of the wife to a pension, be treated as provision made by the wife as well as by the husband:

- (c) While he is detained in any asylum within the meaning of the Lunacy Act, 1890, or while he is being maintained in any place as a pauper or criminal lunatic: 53 & 54 Vict. c. 5.
- (d) During the continuance of any period of disqualification arising or imposed in pursuance of this section in consequence of conviction for an offence.

(2) Where a person has been before the passing of this Act, or is after the passing of this Act, convicted of any offence, and ordered to be imprisoned without the option of a fine or to suffer any greater punishment, he shall be disqualified for

receiving or continuing to receive an old age pension under this Act while he is detained in prison in consequence of the order, and for a further period of ten years after the date on which he is released from prison.

41 & 62 Vict.
c. 60.

(3) Where a person of sixty years of age or upwards having been convicted before any court is liable to have a detention order made against him under the Inebriates Act, 1898, and is not necessarily, by virtue of the provisions of this Act, disqualified for receiving or continuing to receive an old age pension under this Act, the court may, if they think fit, order that the person convicted be so disqualified for such period, not exceeding ten years, as the court direct.

Calculation of
means.

4.—(1) In calculating the means of a person for the purpose of this Act account shall be taken of—

- (a) the income which that person may reasonably expect to receive during the succeeding year in cash, excluding any sums receivable on account of an old age pension under this Act, that income, in the absence of other means for ascertaining the income, being taken to be the income actually received during the preceding year ;
- (b) the yearly value of any advantage accruing to that person from the use or enjoyment of any property belonging to him which is personally used or enjoyed by him ;
- (c) the yearly income which might be expected to be derived from any property belonging to that person which, though capable of investment or profitable use, is not so invested or profitably used by him ; and
- (d) the yearly value of any benefit or privilege enjoyed by that person.

(2) In calculating the means of a person being one of a married couple living together in the same house, the means shall not in any case be taken to be a less amount than half the total means of the couple.

(3) If it appears that any person has directly or indirectly deprived himself of any income or property in order to qualify himself for the receipt of an old age pension, or for the receipt of an old age pension at a higher rate than that to which he would otherwise be entitled under this Act, that income or the yearly value of that property shall, for the purposes of this section, be taken to be part of the means of that person.

Mode of paying
pensions.

5.—(1) An old age pension under this Act, subject to any directions of the Treasury in special cases, shall be paid weekly in advance in such manner and subject to such conditions as to identification or otherwise as the Treasury direct.

(2) A pension shall commence to accrue on the first Friday after the claim for the pension has been allowed, or, in the case of a claim provisionally allowed, on the first Friday after

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the day on which the claimant becomes entitled to receive the pension.

6. Every assignment of or charge on and every agreement to assign or charge an old age pension under this Act shall be void, and, on the bankruptcy of a person entitled to an old age pension, the pension shall not pass to any trustee or other person acting on behalf of the creditors.

Old age pension to be inalienable.

7.—(1) All claims for old age pensions under this Act and all questions whether the statutory conditions are fulfilled in the case of any person claiming such a pension, or whether those conditions continue to be fulfilled in the case of a person in receipt of such a pension, or whether a person is disqualified for receiving or continuing to receive a pension, shall be considered and determined as follows :—

Determination of claims and questions.

- (a) Any such claim or question shall stand referred to the local pension committee, and the committee shall (except in the case of a question which has been originated by the pension officer and on which the committee have already received his report), before considering the claim or question, refer it for report and inquiry to the pension officer :
- (b) The pension officer shall inquire into and report upon any claim or question so referred to him, and the local pension committee shall, on the receipt of the report of the pension officer and after obtaining from him or from any other source if necessary any further information as to the claim or question, consider the case and give their decision upon the claim or question :
- (c) The pension officer, and any person aggrieved, may appeal to the central pension authority against a decision of the local pension committee allowing or refusing a claim for pension or determining any question referred to them within the time and in the manner prescribed by regulations under this Act, and any claim or question in respect of which an appeal is so brought shall stand referred to the central pension authority, and shall be considered and determined by them :
- (d) If any person is aggrieved by the refusal or neglect of a local pension committee to consider a claim for a pension, or to determine any question referred to them, that person may apply in the prescribed manner to the central pension authority, and that authority may, if they consider that the local pension committee have refused or neglected to consider and determine the claim or question within a reasonable time, themselves consider and determine the claim or question in the same manner as on an appeal from the decision of the local pension committee :

(2) The decision of the local pension committee on any claim or question which is not referred to the central pension authority, and the decision of the central pension authority on any claim or question which is so referred to them, shall be final and conclusive.

Local pension committee, central pension authority, and pension officers.

8.—(1) The local pension committee shall be a committee appointed for every borough and urban district, having a population according to the last published census for the time being of twenty thousand or over, and for every county (excluding the area of any such borough or district), by the council of the borough, district, or county.

The persons appointed to be members of a local pension committee need not be members of the council by which they are appointed.

(2) A local pension committee may appoint such and so many sub-committees, consisting either wholly or partly of the members of the committee as the committee think fit, and a local pension committee may delegate, either absolutely or under such conditions as they think fit, to any such sub-committee any powers and duties of the local pension committee under this Act.

(3) The central pension authority shall be the Local Government Board, and the Board may act through such committee, persons, or person appointed by them as they think fit.

(4) Pension officers shall be appointed by the Treasury, and the Treasury may appoint such number of those officers as they think fit to act for such areas as they direct.

(5) Any reference in this Act to pension authorities shall be construed as a reference to the pension officer, the local pension committee, and the central pension authority, or to any one of them, as the case requires.

Penalty for false statements, &c., and repayment where pensioner is found not to have been entitled to pension.

9.—(1) If for the purpose of obtaining or continuing an old age pension under this Act, either for himself or for any other person, or for the purpose of obtaining or continuing an old age pension under this Act for himself or for any other person at a higher rate than that appropriate to the case, any person knowingly makes any false statement or false representation, he shall be liable on summary conviction to imprisonment for a term not exceeding six months, with hard labour.

(2) If it is found at any time that a person has been in receipt of an old age pension under this Act while the statutory conditions were not fulfilled in his case or while he was disqualified for receiving the pension, he or, in the case of his death, his personal representative, shall be liable to repay to the Treasury any sums paid to him in respect of the pension while the statutory conditions were not fulfilled or while he was disqualified for receiving the pension, and the amount of those sums may be recovered as a debt due to the Crown.

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10.—(1) The Treasury in conjunction with the Local Government Board and with the Postmaster-General (so far as relates to the Post Office) may make regulations for carrying this Act into effect, and in particular—

Regulations
and expenses.

- (a) for prescribing the evidence to be required as to the fulfilment of statutory conditions and for defining the meaning of residence for the purposes of this Act; and
- (b) for prescribing the manner in which claims to pensions may be made, and the procedure to be followed on the consideration and determination of claims and questions to be considered and determined by pension officers and local pension committees or by the central pension authority, and the mode in which any question may be raised as to the continuance, in the case of a pensioner, of the fulfilment of the statutory conditions, and as to the disqualification of a pensioner; and
- (c) as to the number, quorum, term of office, and proceedings generally of the local pension committee and the use by the committee, with or without payment, of any offices of a local authority, and the provision to be made for the immediate payment of any expenses of the committee which are ultimately to be paid by the Treasury.

(2) The regulations shall provide for enabling claimants for pensions to make their claims and obtain information as respects old age pensions under this Act through the Post Office, and for provisionally allowing claims to pensions before the date on which the claimant will become actually entitled to the pension, and for notice being given by registrars of births and deaths to the pension officers or local pension committees of every death of a person over seventy registered by them, in such manner and subject to such conditions as may be laid down by the regulations, and for making the procedure for considering and determining on any claim for a pension or question with respect to an old age pension under this Act as simple as possible.

(3) Every regulation under this Act shall be laid before each House of Parliament forthwith, and, if an address is presented to His Majesty by either House of Parliament within the next subsequent twenty-one days on which that House has sat next after any such regulation is laid before it, praying that the regulation may be annulled, His Majesty in Council may annul the regulation, and it shall thenceforth be void, but without prejudice to the validity of anything previously done thereunder.

(4) Any expenses incurred by the Treasury in carrying this Act into effect, and the expenses of the Local Government Board and the local pension committees under this Act up to an

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amount approved by the Treasury, shall be defrayed out of moneys provided by Parliament.

Application to Scotland, Ireland, and the Scilly Isles.

11.—(1) In the application of this Act to Scotland, the expression "Local Government Board" means the Local Government Board for Scotland; the expression "borough" means royal or parliamentary burgh; the expression "urban district" means police burgh; the population limit for boroughs and urban districts shall not apply; and the expression "Lunacy Act, 1890," means the Lunacy (Scotland) Acts, 1857 to 1900.

61 & 62 Vict. c. 37.

(2) In the application of this Act to Ireland, the expression "Local Government Board" means the Local Government Board for Ireland; ten thousand shall be substituted for twenty thousand as the population limit for boroughs and urban districts; and the expression "asylum within the meaning of the Lunacy Act, 1890," means a lunatic asylum within the meaning of the Local Government (Ireland) Act, 1898.

(3) In the application of this Act to the Isles of Scilly, those isles shall be deemed to be a county and the council of those isles the council of a county.

Commencement and short title.

12.—(1) A person shall not be entitled to the receipt of an old age pension under this Act until the first day of January nineteen hundred and nine and no such pension shall begin to accrue until that day.

(2) This Act may be cited as the Old Age Pensions Act, 1908.

Section 1.

SCHEDULE.

Means of Pensioner.	Rate of Pension per Week.
Where the yearly means of the pensioner as calculated under this Act—	s. d.
Do not exceed 21 <i>l.</i> - - - - -	5 0
Exceed 21 <i>l.</i> , but do not exceed 23 <i>l.</i> 12 <i>s.</i> 6 <i>d.</i> - -	4 0
Exceed 23 <i>l.</i> 12 <i>s.</i> 6 <i>d.</i> , but do not exceed 26 <i>l.</i> 5 <i>s.</i> -	3 0
Exceed 26 <i>l.</i> 5 <i>s.</i> , but do not exceed 28 <i>l.</i> 17 <i>s.</i> 6 <i>d.</i> - -	2 0
Exceed 28 <i>l.</i> 17 <i>s.</i> 6 <i>d.</i> , but do not exceed 31 <i>l.</i> 10 <i>s.</i> -	1 0
Exceed 31 <i>l.</i> 10 <i>s.</i> - - - - -	No pension.

D. THE NATIONAL HEALTH INSURANCE ACT, 1911.

CHAPTER 55.

An Act to provide for Insurance against Loss of Health and for the Prevention and Cure of Sickness and for Insurance against Unemployment, and for purposes incidental thereto. [16th December 1911.]

BE it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows :

PART I.

NATIONAL HEALTH INSURANCE.

Insured Persons.

1.—(1) Subject to the provisions of this Act, all persons of the age of sixteen and upwards who are employed within the meaning of this Part of this Act shall be, and any such persons who are not so employed but who possess the qualifications herein-after mentioned may be, insured in manner provided in this Part of this Act, and all persons so insured (in this Act called "insured persons") shall be entitled in the manner and subject to the conditions provided in this Act to the benefits in respect of health insurance and prevention of sickness conferred by this Part of this Act. Insured persons.

(2) The persons employed within the meaning of this Part of this Act (in this Act referred to as "employed contributors") shall include all persons of either sex, whether British subjects or not, who are engaged in any of the employments specified in Part I. of the First Schedule to this Act, not being employments specified in Part II. of that schedule :

Provided that the Insurance Commissioners herein-after constituted may, with the approval of the Treasury, by a special order made in manner herein-after provided, provide for including amongst the persons employed within the meaning of this Part of this Act any persons engaged in any of the

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excepted employments specified in Part II. of the said schedule either unconditionally or subject to such conditions as may be specified in the order.

(3) The persons not employed within the meaning of this Part of this Act who are entitled to be insured persons include all persons who either—

- (a) are engaged in some regular occupation and are wholly or mainly dependent for their livelihood on the earnings derived by them from that occupation ; or
- (b) have been insured persons for a period of five years or upwards ;

and the persons possessing such qualifications who become or continue to be insured persons are in this Act referred to as voluntary contributors: Provided always that no person whose total income from all sources exceeds one hundred and sixty pounds a year shall be entitled to be a voluntary contributor unless he has been insured under this Part of this Act for a period of five years or upwards.

(4) Except as herein-after provided, nothing in this section shall require or authorise a person of the age of sixty-five or upwards not previously insured under this Part of this Act to become so insured.

Exemptions.

2.—(1) Where any person employed within the meaning of this Part of this Act proves that he is either—

- (a) in receipt of any pension or income of the annual value of twenty-six pounds or upwards not dependent upon his personal exertions ; or
- (b) ordinarily and mainly dependent for his livelihood upon some other person ;

he shall be entitled to a certificate exempting him from the liability to become or to continue to be insured under this Part of this Act.

(2) All claims for exemption shall be made to, and certificates of exemption granted by, the Insurance Commissioners in the prescribed manner and subject to the prescribed conditions, and may be so made and granted before, as well as after, the commencement of this Act: Provided that the regulations of the Insurance Commissioners may provide for claims under this section being made to and certificates granted by approved societies and Insurance Committees herein-after constituted.

Contributions.

**Contributions
by insured
persons, em-
ployers, and
the Treasury.**

3. Except as otherwise provided by this Act, the funds for providing the benefits conferred by this Part of this Act and defraying the expenses of the administration of those benefits shall be derived as to seven-ninths (or, in the case of women, three-fourths) thereof from contributions made by or in respect of the contributors by themselves or their employers, and as

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to the remaining two-ninths (or, in the case of women, one quarter) thereof from moneys provided by Parliament.

4.—(1) The contributions payable in respect of employed contributors shall be at the rate specified in Part I. of the Second Schedule to this Act (herein-after referred to as the employed rate), and shall comprise contributions by the contributors and contributions by their employers at the rates specified in that Part of that schedule, and shall be payable at weekly or other prescribed intervals:

Rates and rules for contributions by employed contributors and their employers.

Provided that, in the case of an employed contributor of the age of twenty-one or upwards whose remuneration does not include the provision of board and lodging by the employer and the rate of whose remuneration does not exceed two shillings a working day, such part of the contributions payable in respect of him as is specified in the said schedule shall be paid out of moneys provided by Parliament.

(2) The employer shall, in the first instance, pay both the contributions payable by himself (in this Act referred to as the employer's contributions), and also on behalf of the employed contributor the contributions payable by such contributor, and shall be entitled to recover from the contributor by deduction from his wages or otherwise the amount of the contributions so paid by him on behalf of the contributor, in accordance with the rules set out in the Third Schedule to this Act.

(3) Contributions in respect of employed contributors shall cease to be payable on their attaining the age of seventy.

(4) The employer of a person who though employed within the meaning of this Part of this Act is not insured under this Part of this Act by reason either—

- (a) that, not having previously been an insured person, he has become employed within the meaning of this Part of this Act after attaining the age of sixty-five; or
- (b) that he has obtained and still holds a certificate of exemption under this Part of this Act;

shall be liable to pay the like contributions as would have been payable as employer's contributions if such person had been an employed contributor, and such contributions shall be carried to such account and dealt with in such manner as may be prescribed by regulations made by the Insurance Commissioners, and those regulations may provide for applying the sums standing to the credit of the account, or any part thereof, for the benefit of any persons in respect of whom contributions have been so paid, in the event of such persons subsequently becoming employed contributors.

5.—(1) The contributions payable by voluntary contributors shall be at the rate appropriate to their age at the date of their entry into insurance ascertained in accordance with a table to be prepared by the Insurance Commissioners (herein-after referred to as the voluntary rate) and shall be paid by the voluntary contributors at weekly or other prescribed intervals:

Rates and rules for contributions by voluntary contributors.

Provided that—

- (a) In the case of a person who enters into insurance within six months after the commencement of this Act, the voluntary rate shall, if he is below the age of forty-five at the date of entering into insurance be the same as the employed rate, and, if he is of the age of forty-five or upwards, be such rate, ascertained according to a table to be prepared by the Insurance Commissioners, as, having regard to his age at that date, will be sufficient to cover seven-ninths, or, in the case of a woman, three-fourths, of the benefits conferred by this Part of this Act;
- (b) Where a person, having been an employed contributor for five years or upwards, becomes a voluntary contributor, the rate of contribution payable by him shall continue to be the employed rate.

(2) Contributions by voluntary contributors shall cease to be payable on their attaining the age of seventy.

Change from
voluntary rate
to employed
rate and vice
versa.

6.—(1) Where an insured person has become a member of an approved society as a voluntary contributor, the rate of contributions payable in respect of him shall, notwithstanding that he becomes employed within the meaning of this Part of this Act, remain the voluntary rate, unless at any time after becoming so employed he gives notice in the prescribed manner of his wish to be transferred to the employed rate.

(2) Where he gives such notice, the rate payable in respect of him shall be the employed rate, but in such case the rate of sickness benefit payable in respect of him shall be such reduced rate as would have been payable had he not previously been insured, subject to such addition as may, according to tables prepared by the Insurance Commissioners, represent the value at that time of the contributions previously paid by him.

(3) Where he does not give such notice, and until he does so, the contributions payable by his employer in respect of him during any period of employment within the meaning of this Part of this Act shall be the same as if he had been transferred to the employed rate, and the contributions so paid by the employer shall be treated as in part satisfaction of the contributions at the voluntary rate payable by the contributor, and, if the contributor fails to pay the balance, he shall be deemed to be in arrear to that extent.

(4) Where an employed contributor within five years from his entry into insurance ceases to be employed within the meaning of this Part of this Act and becomes a voluntary contributor, he shall be deemed to be in arrear, as from the date when he so became a voluntary contributor, to the amount of the difference between the aggregate contributions paid by or in respect of him since his entry into insurance and the aggregate of the contributions which would have been payable

by him had he throughout been a voluntary contributor, and the difference between any reserve value which is credited to the approved society of which he is a member in respect of him and the reserve value (if any) which would have been credited to that society in respect of him had he originally become a voluntary contributor shall be cancelled.

7. Subject to the provisions of this Act, the Insurance Commissioners may make regulations providing for any matters incidental to the payment and collection of contributions payable under this Part of this Act, and in particular for—

Power to make regulations for the payment of contributions.

- (a) payment of contributions whether by means of adhesive or other stamps affixed to or impressed upon books or cards, or otherwise, and regulating the manner, times, and conditions in, at, and under which such stamps are to be affixed or impressed or payments are otherwise to be made;
- (b) the entry in or upon books or cards of particulars of contributions paid and benefits distributed in the case of the insured persons to whom such books or cards belong;
- (c) the issue, sale, custody, production, and delivery up of books or cards and the replacement of books or cards which have been lost, destroyed, or defaced.

Benefits.

8.—(1) Subject to the provisions of this Act, the benefits conferred by this Part of this Act upon insured persons are—

Benefits.

- (a) Medical treatment and attendance, including the provision of proper and sufficient medicines, and such medical and surgical appliances as may be prescribed by regulations to be made by the Insurance Commissioners (in this Act called "medical benefit");
- (b) Treatment in sanatoria or other institutions or otherwise when suffering from tuberculosis, or such other diseases as the Local Government Board with the approval of the Treasury may appoint (in this Act called "sanatorium benefit");
- (c) Periodical payments whilst rendered incapable of work by some specific disease or by bodily or mental disablement, of which notice has been given, commencing from the fourth day after being so rendered incapable of work, and continuing for a period not exceeding twenty-six weeks (in this Act called "sickness benefit");
- (d) In the case of the disease or disablement continuing after the determination of sickness benefit, periodical payments so long as so rendered incapable of work by the disease or disablement (in this Act called "disablement benefit");

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(c) Payment in the case of the confinement of the wife or, where the child is a posthumous child, of the widow of an insured person, or of any other woman who is an insured person, of a sum of thirty shillings (in this Act called "maternity benefit");

(f) In the case of persons entitled under this Part of this Act to any of the further benefits mentioned in Part II. of the Fourth Schedule to this Act (in this Act called "additional benefits") such of those benefits as they may be entitled to.

(2) Subject to the provisions of this Part of this Act, the rates of sickness benefit and disablement benefit to which insured persons are entitled shall be the rates specified in Part I. of the Fourth Schedule to this Act.

(3) In the case of insured persons who have attained the age of seventy, the right to sickness benefit and disablement benefit shall cease.

(4) No insured person shall be entitled to any benefit during any period when he is resident either temporarily or permanently outside the United Kingdom:

Provided that, if a person is temporarily resident in the Isle of Man or the Channel Islands, he shall not, whilst so resident, be disentitled to benefits other than medical benefit, and that, if with the consent of the society or committee by which the benefit is administered a person is temporarily resident outside the United Kingdom elsewhere than in the Isle of Man or the Channel Islands, the society or committee may allow him, whilst so resident, to continue to receive sickness or disablement benefit, and that a person resident out of the United Kingdom shall not be disentitled to maternity benefit in respect of the confinement of his wife, if his wife at the time of her confinement is resident in the United Kingdom.

(5) Where an insured person, having been in receipt of sickness benefit, recovers from the disease or disablement in respect of which he receives such benefit, any subsequent disease or disablement, or a recurrence of the same disease or disablement, shall be deemed to be a continuation of the previous disease or disablement, unless in the meanwhile a period of at least twelve months has elapsed, and at least fifty weekly contributions have been paid by or in respect of him.

(6) Where a woman confined of a child is herself an insured person, and is a married woman, or, if the child is a posthumous child, a widow, she shall be entitled to sickness benefit or disablement benefit (as the case may be) in respect of her confinement in addition to the maternity benefit to which she or her husband may be entitled, but, save as aforesaid, a woman shall not be entitled to sickness benefit or disablement benefit for a period of four weeks after her confinement, unless suffering from disease or disablement not connected directly or indirectly with her confinement.

FOURTH SCHEDULE.

BENEFITS UNDER PART I. OF THIS ACT RELATING TO
HEALTH INSURANCE.

PART I.

*Rates of Benefits.*TABLE A.—*Ordinary Rates.*

Sickness benefit : for men, the sum of 10s. a week throughout the whole period of twenty-six weeks ; for women, the sum of 7s. 6d. a week throughout the whole period of twenty-six weeks.

Disablement benefit : the sum of 5s. a week for men and women alike.

TABLE B.—*Reduced Rates in the case of Unmarried Minors.*

Sickness Benefit—for males, the sum of 6s. a week during the first thirteen weeks and the sum of 5s. a week during the second thirteen weeks.

for females, the sum of 5s. a week for the first thirteen weeks and the sum of 4s. a week for the second thirteen weeks.

Disablement Benefit—for females, the sum of 4s. a week.

TABLE C.—*Reduced Rates for Persons over Fifty in certain cases.*

Where the insured person is over 50 and under 60 at the time of becoming an employed contributor—

For men, the sum of 7s. a week throughout the whole period of twenty-six weeks.

For women, the sum of 6s. a week throughout the whole period of twenty-six weeks.

Where the insured person is over 60 at the time of becoming an employed contributor—

For both men and women, the sum of 6s. a week for the first thirteen weeks, and 5s. a week during the second thirteen weeks.

TABLE D.—*Rates and Conditions for Married Women.*

Sickness benefit : during the first thirteen weeks, the sum of 5s. a week ; during the second thirteen weeks, 3s. a week.

Disablement benefit : the sum of 3s. a week.

Sickness benefit and disablement benefit shall not be payable during the two weeks before and four weeks after confinement, except in respect of a disease or disablement neither directly nor indirectly connected with childbirth.

E. UNEMPLOYMENT INSURANCE ACT, 1920.

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CHAPTER 30.

An Act to amend the Law in respect of Insurance against Unemployment. [9th August 1920.]

BE it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows :

INSURED PERSONS.

Persons to be insured against unemployment.

1. Subject to the provisions of this Act, all persons of the age of sixteen and upwards who are engaged in any of the employments specified in Part I. of the First Schedule to this Act, not being employments specified in Part II. of that schedule (in this Act referred to as "employed persons"), shall be insured against unemployment in manner provided by this Act.

Right of insured persons to unemployment benefit.

2. Every person who being insured under this Act is unemployed and in whose case the conditions laid down by this Act (in this Act referred to as "statutory conditions") are fulfilled shall be entitled, subject to the provisions of this Act, to receive payments (in this Act referred to as "unemployment benefit"), at weekly or other prescribed intervals, at such rates and for such periods as are authorised by or under the Second Schedule to this Act, so long as the statutory conditions continue to be fulfilled and so long as he is not disqualified under this Act for the receipt of unemployment benefit.

Exemptions.

3.—(1) Where any employed person proves that he is either—

- (a) in receipt of any pension or income of the annual value of twenty-six pounds or upwards, which does not depend on his personal exertions; or
- (b) ordinarily and mainly dependent for his livelihood upon some other person; or
- (c) ordinarily and mainly dependent for his livelihood on the earnings derived by him from an occupation employment in which does not make him an employed person within the meaning of this Act,

he shall be entitled to a certificate exempting him from liability to become or to continue to be insured under this Act.

(2) All claims for exemption shall be made to and certificates of exemption granted by the Minister in the prescribed manner and subject to the prescribed conditions, and may be so made and granted before as well as after the commencement of this Act :

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Provided that regulations under this Act may provide that any certificates of exemption granted under section two of the National Insurance Act, 1911, or any class of such certificates, shall have effect as if they had been granted under this section as well as under that section. 1 & 2 Geo. 5
c. 55.

4.—(1) The Minister may, with the approval of the Treasury, by order provide for including among the persons employed within the meaning of this Act any persons engaged in any of the excepted employments specified in Part II. of the First Schedule to this Act, or any class or description of the persons so engaged, either unconditionally or subject to such conditions as may be specified in the order. Power to
extend Act
to excepted
employments.

(2) Before any such order is made a draft thereof shall be laid before each House of Parliament for a period of not less than twenty days during which the House is sitting, and if either House, before the expiration of that period presents an Address to His Majesty against the draft or any part thereof, no further proceedings shall be taken thereon, but without prejudice to the making of any new draft order.

CONTRIBUTIONS.

5.—(1) The funds required for providing unemployment benefit and for making any other payments which under this Act are to be made out of the unemployment fund established under this Act shall be derived partly from contributions by employed persons, partly from contributions by the employers of those persons, and partly from moneys provided by Parliament. Contributions
by employed
persons, em-
ployers, and
the Treasury.

(2) Subject to the provisions of this Act, every employed person and every employer of any such person shall be liable to pay contributions at the rates specified in Part I. of the Third Schedule to this Act.

(3) There shall, subject to the provisions of this section, be paid out of moneys provided by Parliament in respect of each weekly contribution paid by an employer in respect of a man, woman, boy or girl, a contribution at the ordinary rate specified in Part II. of the Third Schedule to this Act as regards men, women, boys and girls, respectively, and the sums to be contributed in any year shall be paid in such manner and at such times as the Treasury may determine.

THIRD SCHEDULE

PART I

RATES OF CONTRIBUTIONS BY EMPLOYED PERSONS AND EMPLOYERS

Ordinary Rates

From the employed person for each week—

In the case of men - - - - - 4d.

In the case of women - - - - - 3d.

From the employer for each week—

In the case of employed persons being men - 4d.

In the case of employed persons being women - 3½d.

Rates in case of Persons under Eighteen

From the employed person for each week—

In the case of boys - - - - - 2d.

In the case of girls - - - - - 1½d.

From the employer for each week—

In the case of employed persons being boys - 2d.

In the case of employed persons being girls - 2d.

PART II

RATES OF CONTRIBUTIONS OUT OF MONEYS PROVIDED BY PARLIAMENT

Ordinary Rates

For every contribution paid in respect of a man	-	-	2d.
" " woman	-	-	1½d.
" " boy	-	-	1½d.
" " girl	-	-	1d.

Rates in case of Exempt Persons

For every contribution paid in respect of a man	-	-	1d.
" " woman	-	-	½d.
" " boy	-	-	¾d.
" " girl	-	-	¼d.

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