The Living Wage

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A Report submitted to the National Administrative Council of the Independent Labour Party

1926

Independent Labour Party Publication Department
14 GREAT GEORGE STREET, LONDON, S.W.1

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The Living Wage.

CHAPTER I.

The Place of Wages in a Labour Strategy.

THAT industry should pay to all engaged in it "a living wage" has become in our generation an ethical principle, accepted as one of the foundations of our civilisation. Neither of the capitalist parties ventures to dispute it, and it has stimulated the Labour Movement to some of the most stubborn and passionate efforts in its history. In defence of this principle, indeed, when the coal owners defied it, millions of wage earners faced, on behalf of the miners, the risks and privations of a National Strike. But as if by tacit consent, the Labour Movement has hitherto avoided any precise statement of this far-reaching principle. Yet we appeal to it in every dispute over wages. It inspired the legislation which created Trade Boards in the sweated industries. Occasionally, as in the historic arbitration proceedings, when Mr. Bevin pleaded the case of the dockers before Lord Shaw, an attempt has been made to define in pounds and shillings what are the minimum needs of an average family. A dynamic principle of this kind will often work effectively without precise definition. But as yet, custom, precedent and public opinion have failed to establish any general standard of what a living wage should be. The wages fixed for agricultural labourers may be as low as 30/-. The Samuel Commission, though it made no definite pronouncement, seemed to have in mind some such figure as 45/- as a suitable minimum for miners. These are wide variations, but they conceal still graver anomalies. For when wages are paid by the day, weekly figures may be a mere delusion, unless the principle of the guaranteed week is accepted.

No ethical defence is possible for the wide variations which prevail. This vaguely accepted principle does not in practice result in a weekly income which satisfies even rough work-a-day standards. Public opinion tolerates the most scandalous differences between the rates prevailing in various trades, though no one would argue that the work of an engineer, for example, requires less skill, less effort, or a less exacting training than the work of a builder.

That we tolerate this chaos seems all the more curious, when one takes account of the broad economic consequences of the low wages prevailing in so many of the bigger industries. All of us realise that the low purchasing power of so many millions of wage earners is among the most potent causes of the widespread unemployment which has cursed our country during the last six years. Indeed, the argument that any reduction of wages must limit the home market and aggravate unemployment, is continually used by every body of workers in combating wage cuts. In this negative sense no principle is more generally accepted throughout the Labour Movement. Yet, strangely enough, we make no positive use of it. One would have supposed that in its constant struggles against unemployment, the Labour Movement would have concentrated its efforts on this first objective of raising the purchasing power of the mass of the population.

There are, no doubt, weighty reasons which explain the delay in working out a concerted strategy to win "a living wage" all round. It is usually assumed that wages are the concern of the industrial movement alone, and that political action should be called in, only when the workers in an ill-paid trade are so depressed that they cannot combine. Trade Unionists often express the fear that if a living wage were imposed by Parliament the vitality of their own organisations might be sapped. There is, further, the practical difficulty that any attempt to impose upon such depressed and unsheltered trades as agriculture, a wage which would really satisfy a civilised standard of life, would immediately ruin them. And this fear leads to another which is equally natural. If we were to press for the definition of a general standard, must it not be fixed at a low level, which would be based on what the average concerns in the most backward industries could pay? And, finally, it is argued that this low minimum would tend to set the standard, even for more efficient or fortunate trades.

These are real difficulties. We believe that they can be overcome, but we hold that the dangers which threaten us, if we fail to grapple with this problem of increasing the purchasing power of the masses, are graver still.

THE position of the political Socialist who hesitates to attack this question of wages, is, we take it, somewhat as follows. He would answer that through the extension of social services, especially education, health and housing, through widows' and old age pensions and through a humane administration of the Poor Law, we are lessening the pressure of poverty on the present generation. But for low wages a more fundamental cure is required, which can be found only in the abolition of the private ownership of capital. This problem he hopes to tackle gradually, by nationalising, as occasion offers, the more essential industries, one after the other.

We would reply that to nationalise important industries in conditions which resemble those which prevail to-day, would be a disappointing and even perilous proceeding. For while these vital industries may influence the fortunes of other trades, it is also true that their balance sheets reflect the general conditions of industry. In a time of "slump" the railways will carry fewer goods and fewer passengers. But a Labour administration dare not resort to the usual capitalist expedient in such an emergency: it dare not start nationalisation by reducing wages. On the contrary, it would have to improve the wages and conditions, at least of the worst paid grades. It would then have to face the disagreeable choice between raising railway charges or paying a subsidy, until the benefits of unification and re-organisation began to accrue. The same difficulties, in an even graver form, would recur in the case of the coal mines, and here an additional problem presents itself. The industry of coal mining is overmanned, and is carrying to-day a burden of surplus labour of anything over 100,000 men. A national administration would have to make its choice. It might maintain the uneconomic pits, risk the consequences of over-production, and continue to carry the burden of this surplus labour. In that case, it would either pay low wages, or require a subsidy. The other alternative before it would be to close down the uneconomic pits and turn a big body of men adrift. If it were to do this in a period of low wages and mass-unemployment, these discharged workers could not be absorbed by other trades. If, on the other hand, it were possible by any means to promote an upward movement of wages in industry generally and so to stimulate trade, the problem of nationalisation would be immensely simplified. Given a brisk movement of goods, the budget of the railways would bear the costs of improving the men's conditions. And again if trade were expanding, it would be possible to find work in other industries for the surplus labour of the mines.

The conclusion seems to follow that the political Socialist who aims at nationalising certain industries piecemeal, is mistaken if he supposes that he can isolate this problem. He dare not disregard the general condition of trade, and it would seem to follow that he must either wait for the arrival of a "boom" before he nationalises, or else have some expedient ready which will enable him to create general prosperity before he attempts to carry through the process of nationalisation. One might add the obvious consideration that if a Labour Government were to confine its attention to the mines and the railways, while leaving the problem of low wages and unemployment as it found it, it might provoke widespread disappointment in the mass of the electorate, and risk thereby the reversal of what it had achieved.

A PARALLEL argument may be addressed to the industrial movement. If the rule that wages are the concern of the Trade Unions exclusively, is rigidly followed, it is difficult to feel confident that any general improvement in the level of wages can be secured. It is still more difficult to look forward to the removal of the gross inequalities which obtain at present in the wages of various trades. The trade cycle is a perpetual handicap to any continuous effort to raise wages by combination. What seems to be won in the boom is lost in the slump, and gains and losses alike are often illusory, since the struggle rages round money figures, which have no constant value. Trade Unions can rarely hope for success, if it comes to struggle, save for a brief period in each cycle, and during the years of slump they must expect to see their membership and their funds depleted. But only by political action (for example through the control of credit and the stabilisation of prices) can one hope to lessen or abolish the oscillations of the trade cycle. Again it is obvious that the chances that the workers in any trade can raise their wages by combination, vary with circumstances that are beyond its control. A "sheltered trade" may succeed, where an exposed trade must fail. Labour, when it sells itself as a commodity in the market, must usually accept a price which varies according to its scarcity. So long, then, as trades fight their battles single-handed, there seems to be little prospect that men in exposed and over-manned industries can greatly improve their position. The trades which are in the worst case are those which occupy the least favourable strategical ground in the struggle.

In some of these trades the men are suffering for the inefficiency and the defective organisation for which the employers are responsible. But even if they could by industrial action win a share of control in workshop management, and in the higher politics of single industries, they would discover that these industries in their turn are not sovereign powers. Behind the manufacturer and the farmer stands the mechanism of banking and credit control, which has a chief influence in determining the general price level. In some industries, again, the fluctuations in the price of the raw material are an important factor in deciding their fortunes.

If, on the other hand, a concerted effort were to be made by industrial action to raise the general level of wages, or to impose some minimum standard, a difficulty of another kind would confront us. The immediate effect would be an attempt to raise the prices of many essential goods and services, with a resulting disturbance to trade, and the gain from higher nominal wages would turn out to be largely illusory.

The conclusion from this summary survey is, then, that the political and industrial movements are mutually dependent on one another. A Socialist strategy which ignored the question of wages would encounter grave dangers. On the other hand, the industrial movement can make little progress in solving its own special problems of wages, unless at every turn its strategy is co-ordinated with political action. In attempting to work out a plan, it is obvious that any process is objectionable which might weaken Trade Unionism. In the last resort it is on the organised refusal of men to work for less than a living wage that our hope of securing it lies. Even a strike which fails in its immediate purpose, may in the long run hasten the ultimate victory, for it leaves behind it the costly lesson that a society which refuses elementary justice to its wage-earners cannot hope for a smooth and untroubled life. A Labour Government which sets out to solve this complicated problem, after the two sides of the movement have reached an understanding, will have behind it not merely four or five million voters: it will have behind it the organised will of the Trade Unions. But it is clear already, if only from the bearing of wages upon prices, that any attempt to achieve the ideal of a living wage for industry generally, will lead us far beyond our immediate objective.

CHAPTER II.

Under-Consumption.

TWO lines of thought converge upon this problem of achieving a Living Income for every worker.

One of them is ethical. The gross inequalities of income which prevail to-day forbid a great part of the population to attain, in its mental and even in its physical growth, the full stature of humanity, and condemn it to a life of care and privation, if not of actual want. A society which allows generation after generation of its children to grow up in this condition, violates morality in its very structure.

The other line of reasoning is economic. Low wages mean a limitation of the home market. The benefits of mass production cannot be realised to the full, because the power of the masses to consume fails to keep pace with the power of the machines to produce. The wrong division of the product of industry involves in this way a limitation of its output. We produce less wealth than our technical resources would enable us to create, because the mass of the wage-earners lack "effective demand." The owning class has misused the advantage of its position. Too much, proportionately, of the product of industry, has been accumulated and applied to the creation of fresh instruments of production: too little, proportionately, has gone in wages to make a market for the product of these new machines. The recent experience of America confirms this diagnosis. Great national resources and high technical efficiency are only part of the explanation of the present prosperity of the United States. Much is explained by the fact that the restriction of immigration and the consequent scarcity of labour compelled the employers to resort to a policy of high wages. That gave them a vast home market, and enabled them to develop the full possibilities of mass production.

The practical conclusion from this familiar analysis of the vices of the industrial system, as we know it in this country, is that by one expedient or another we must aim at a general and simultaneous increase in the purchasing power of the masses. The bootmaker will demand high wages with success, if his factory is working economically, at its full capacity, to satisfy an assured and constant demand. But that will happen only if the wages of engineers and agricultural labourers permit them to buy more boots, and to buy them steadily. The agricultural labourer, in his turn, would find himself in this fortunate position, if an increase in the wages of every poorly-paid trade enabled working-class mothers to increase the inadequate quantity of milk which their children at present drink.

In thinking out any constructive policy, we would urge that the Labour Movement must base itself upon this fact of "under-consumption." We are far from disputing the reasoning of thinkers who insist that higher production is necessary in order that the national income may be increased. That is self-evident. But it is equally necessary to insist that higher production is in the long run unattainable, or can at best be only spasmodic and temporary, unless there goes with it a parallel increase in the purchasing power of the mass of the consumers. Every improvement and expansion in production, whether it comes from fresh investment, better organisation or new inventions, must be accompanied by a corresponding expansion of the market. We can, however, ensure the observance of this axiom only within that part of the market which we can control—in other words the home market.

This expansion of the market will be found to have two aspects:—

1. The necessary expansion of credit and currency to keep pace with the growth in the output of goods and services, with which we deal in the next section.
2. The wider distribution of this expanded purchasing power.

It is not sufficient to ensure that the nation's total purchasing power shall be increased. Care must be taken, in distributing it, to ensure that a due proportion shall be observed, in its probable destination, between saving and spending, or in other words between expenditure on reproductive instruments and on consumable goods and services.* This means that a higher proportion than is customary in our society must go to the wage-earning masses, and a lower proportion to the owning and investing class. Failing this readjustment in the distribution of the national income, the inevitable glut will recur periodically as the result of under-consumption, and the process of production will be subject to the jerks, the interruptions and the waste of the trade cycle.

There are two sources from which this fresh stream of mass purchasing power can be provided. The simpler of these two methods is by a re-distribution of the existing national income, through the instrument of direct taxa-

*It is important to note, in comparing these two types of expenditure, that while the purchasing power which goes to wages circulates rapidly, and is immediately spent on consumable goods, an appreciable delay usually occurs before that portion of profits, and of middle-class incomes generally, which is saved, is re-invested, and again circulates actively in the form of the wages paid to workers engaged in making new instruments of production.

tion. This occurs whenever a part of the income of the wealthier tax-payers is diverted from its natural destination of saving, to working-class consumption. Old age pensions and all expenditure on the social services are instances of this transference. We propose in Section 4 the payment, out of direct taxation, to every working-class mother, of children's allowances. This method of increasing the purchasing power of the mass of consumers is, to our thinking, the most socially beneficial way of spending the national income. It is also free from any risk of promoting inflation. It requires no issue of fresh currency or credit. It merely effects a re-distribution of actual annual income, and would have no disturbing influence on the general price level.

The other method of increasing mass purchasing power is by raising wages. While this may be the more powerful of the two methods, it raises complicated problems, which we discuss in the later sections of this report. The obvious danger which has to be combated is that any widespread increase of wages may be wholly or partially neutralised by a rise in prices. We shall suggest several ways in which this may be obviated.

1. By the control of credit and the stabilisation of the general price level.
2. By the economy which would follow from the elimination of dealers and middlemen in the State-organised importation of staple foods and raw materials.
3. From the economies which would follow the stabilisation, both of supply and demand, in standard commodities.

But plainly, the surest way of all is to increase the output of essential goods and services, through the reorganisation of industry for higher production. There must be an increase in the total real income of the nation, while a larger proportion of it must go to mass-consumption, and a smaller proportion to rent, profit, interest and accumulation.*

*On the general argument of this chapter, Mr. J. A. Hobson's books should be consulted, especially *The Evolution of Modern Capitalism* (Walter Scott, 7/6) and *The Economics of Unemployment* (Allen & Unwin, 4/6).

CHAPTER III.

Credit and Banking.

THE successful working out of such a policy as we are discussing, presupposes the adoption by bankers and the Treasury of an enlightened credit policy. Its aim must be to abolish the Trade Cycle, or at least to limit it to harmless and barely perceptible oscillations. This involves the deliberate control of credit for the purpose of keeping the general price level stable. Much scientific work has still to be done, before it can be claimed that all the implications of the Quantity Theory of Money are fully understood, and the practical technique by which it should be applied is still in the experimental stage. But we assume that both theory and practice are so far established, that the outlines of a rational policy of stabilisation can be discerned. It will involve a close study by the national bank of all the available statistics which show changes in the level of prices and employment, and in the output and movement of goods. At the first distant signs of a slump, it must be the duty of the bank slightly to expand the volume of credit, and to lower its price: at the first distant signs of a boom, it will gently apply restrictive measures. Our assumption is that in this way the price level can be kept steady, and the general level of employment constant. But it follows from the Quantity Theory, that as production expands, whether as the consequence of new inventions, better organisation or the normal growth of capital, credit and currency must expand to an equal extent. There is so far some measure of agreement in interpreting the theory.* We have given our reasons for adding the important qualification that a due proportion of any new purchasing power so created must go to mass consumption.

Unfortunately, the benefits of a policy of stabilisation will not be fully enjoyed, if it is adopted for the first time at the wrong point in the Trade Cycle. If one stabilises while prices are still falling, or in the dead period which lies between slump and boom, the normal volume of credit will be fixed at a level which fails to give full employment to the existing and available labour and capital of a country. This was clearly noted in the Memorandum of the International Conference of Experts called by the International Labour Office of the League of Nations in 1924.†

> Crises of unemployment are a direct consequence of the instability of prices. Further, in each country the influence of the home market on industrial activity would seem to be more important than that of foreign markets, whence it follows that the restoration of the purchasing power of the mass of consumers is the most important condition for the recovery of trade. Moreover, it would seem that the regular growth of this purchasing power, in proportion to the growth of production itself, would be capable of preventing sudden changes in production, or at least of markedly attenuating them, without resulting in business stagnation or a setback to economic progress. . . .
>
> When the stabilisation of prices has followed a period of falling prices, the reduction of unemployment has been slow.

* In addition to the well-known books by Mr. Keynes and Mr. Hawtrey, we would refer the reader to *Stabilisation*, by E. M. H. Lloyd (Allen & Unwin, 5/-), which discusses the question of raw materials as well as currency, and to *Unemployment in its National and International Aspects*, the report of a conference organised by the League of Nations Union in March, 1924 (I.L.O. Studies and Reports, Series C. No. 9, 1/-).

† *Enquiry Into Unemployment*, Geneva, 1924.

When the stabilisation of prices has followed a moderate rise, the rapid improvement in the labour market which had accompanied the rise has continued, or the high level of activity reached has been maintained.

Stabilisation, in the sense which we have given to the word, has not yet been adopted as the policy of the Bank of England and the Treasury. Indeed, some of the recommendations of the Cunliffe Memorandum, which is still the accepted official guide to currency policy, go dead against it. None the less, the general level of prices has remained remarkably steady over a long period, and we seem to be suffering from the consequences of a *de facto* stabilisation carried out at a period of extensive unemployment.

Is it legitimate to correct this error? Are we bound, in adopting a policy of stabilisation, to stabilise at the accidental level of the moment? We would contend that when as now, we are in the throes of a depression, some expansion of credit is an essential condition of recovery. It is doubtless true, that every such expansion of credit in advance of production must lead to some rise in the price level. But in our view, when as now, there is extensive unemployment both of labour and capital, the rise in the price level may be negligible, and will only be temporary—a slight evil in comparison with the increase in production and employment which will be brought about.

While we foresee the necessity for some expansion of credit at the starting point of a policy of the Living Wage, *if it should happen to be adopted when trade is passing through a period of depression,* we dissent from any proposals which rely on the habitual or periodic expansion of credit in advance of production. An expedient which may be used while neither labour nor capital is fully employed, would be merely inflationary, if it were pursued, after unemployment (in any serious measure) had come to an end. The habitual use of this expedient would keep prices and employment in a continual oscillation.

It is important to have some idea of the magnitude of the increase in production which one would expect to follow from an immediate expansion of credit. In other words, to what extent are capital and labour unemployed at present? It is easier to measure this unemployment in terms of labour. Assume that about ten per cent. of the workers are wholly unemployed—the position before the General Strike and the mining "Lock-Out." Some of these are inefficient and one must allow for the small residuum of unemployment unavoidable at the best of times. On the other hand, there are men on short time. Balancing these, it is probably the case that the increase in production which we might expect, if our existing capital and labour were fully employed *at the present level of efficiency* (i.e., without any measure of re-organisation), would add, say, £350 millions to the national income. We take this income to be to-day about £3,500 millions, defining it as the remuneration for all goods and services, including profit, rent and interest, but excluding interest on the national debt, which otherwise would be reckoned twice over. This figure gives us some measure of the additional sum available for distribution as wages, though it is important to note that fresh savings and profits have also to come out of it. It will be seen from the analysis of the national income which we quote in a later section (page 31), that if the proportions now obtaining between wages and other forms of income remained unchanged, the addition to wages which would follow from this initial expansion of credit would be about £150 millions.*

While a policy which aims at higher production and a higher standard of life would be more easily carried into effect if this country had never returned to the Gold Standard, or had stabilised the currency at a lower level, we believe that even with the Gold Standard in force, the adoption of a more enlightened policy by the Bank of England (preferably as the result of an international understanding) would suffice for the ends we have in view. It should be sufficient to lower the Bank Rate, and when necessary, export gold freely and purchase securities. But even without these latter steps, the position may be eased by a further expansion of credit and rise of prices in America.

We may expect then, when this more rational banking policy is adopted in Gold Standard countries, that a slight expansion of credit would cause even the unsheltered trades to be employed at their full capacity. The only doubt is whether the result would follow, to the same extent, in the heavy industries, which depend to a greater extent than others on the investment of real savings.

From this point and for the future, if we assume that the credit policy of the Bank keeps prices and employment stable, the whole question of credit and currency becomes almost irrelevant to the further consideration of the problem of the Living Wage.

The raising of the standard of life for the workers when the credit problem is thus settled, will depend :—

(*a*) Upon the greater efficiency of existing capital and labour, i.e., upon the re-organisation of industry.

* The net addition to the purchasing power of the masses would be less, say £100 millions, since the "dole" and poor relief which they now receive, must be deducted.

(*b*) Upon a better distribution of the product of industry i.e., a due proportion of the purchasing power of the community must be available for mass consumption: no undue proportion must go to savings; and an effective demand, which is stable and predictable, must keep employment constant in the trades which meet working-class needs.

FOR the purposes of this rational credit policy it would suffice, theoretically, that the Treasury and the Bank of England should be in full agreement. But the Treasury has no powers which would enable it to dictate to the Bank. The Bank commonly reflects the opinion of the City, and it would be näive to assume that the City would look with favour on the policy of a Labour Government which was taking large steps towards a more equal distribution of the national income. It is indefensible that the tremendous powers over industry and the daily lives of the workers, which the Bank exerts through its control of credit, should be left in the hands of a private corporation. Since it adopted its policy of deflation in the winter of 1920, it has seemed to serve the interests rather of the *rentier* class than of active industry. We assume, therefore, that one of the first steps for the realisation of this policy must be the nationalisation of the Bank of England. We do not propose to discuss this measure in detail, beyond observing that the arrangements for the administration of the national Bank should ensure continuity of policy, and should combine expert direction with some guarantees that the Bank will act as trustee for the interests of the whole population. Some guidance may possibly be found in the constitution of the Federal Reserve Board of the United States. It would be advisable to state in the charter of the nationalised Bank that its duty is to ensure a stable price level.

For the purposes of credit control and price stabilisation it would suffice to nationalise the Bank of England. But it is important that considerations of national policy and social utility should govern the direction of the flow of credit as well as its volume. For this purpose the Joint Stock Banks are the established instruments. When Parliament adopts such a policy of national planning and re-organisation as we are advocating, the co-operation of these banks will be indispensable. It will be necessary, for example, to foster the staple industries and to assist the luxury trades to adapt themselves to the change in demand which must result from a change in the distribution of the national income. It would be helpful that the banks should conform to the spirit of this policy by granting credit readily for certain purposes (subject to the usual safeguards) and less readily for other purposes. The profits of banking are, moreover, so obviously a reflection of the enterprise and industry of the rest of the community, that the case for diverting them to the National Exchequer is a peculiarly strong one. It may not be essential that these banks should be nationalised as early as the Bank of England, and it may be administratively difficult, and might be politically unwise to force the pace. Some intermediate solution might be considered, which would assimilate them to public utility corporations, and give to the Government some representation on their governing bodies.

CHAPTER IV.

Family Allowances.

THE general case for Family Allowances follows so clearly from the Socialist maxim "To each according to his need": that we do not propose to enlarge upon the principle. It may suffice to point out that the anomaly of fixing the worker's income without regard to the number of his children, must result, unless that income can be raised to an improbably high figure, in privation, both for the children and the parents, as the family increases. At present, as Mr. Rowntree's investigations have shown, the average worker starts life as a child below the poverty line, rises above it in early manhood, sinks below it again as his own children begin to arrive, emerges above it as his children cease to be dependent upon him, and falls below it once more in old age.

The reasons which lead up to the proposal of Children's Allowances were very clearly demonstrated in the enquiry which an Australian Federal Commission conducted in 1920, under the chairmanship of Mr. A. A. Pidington. It began by estimating in minute detail what weekly sum the average typical family of five persons required in order to satisfy a reasonable standard of comfort. At the high prices then prevailing, it fixed the Living Wage at £5 16s. But in reply to an enquiry from the Commission, the Federal Statistician answered that the entire proceeds of industry in Australia, even if all profit were eliminated, would fail to provide such a wage for every worker. The Commission then analysed its family budget, and found that £4 would cover the expenditure of a man and his wife, while each of the three "typical" children required 12s. A study of the population statistics revealed that this "typical" family was a myth. Whereas the Commission had begun by assuming that a Living Wage must cover the needs of five persons, it now realised that the average wage-earner is in fact responsible for less than one dependent child.* It accordingly revised its proposals, and suggested :—

1. That a basic wage of not less than £4 should be paid to every wage-earner to meet the needs of himself and his wife.
2. That a supplement of 12s. should be paid for each dependent child of a wage-earner, out of a pool managed by the State, to which each employer should contribute 10s. 9d. for each adult worker whom he employed.

Though this Australian plan has never been enforced in Australia, it teaches a valuable lesson. At the present level of the national income, statistics show that of male wage-earners over twenty years of age in England, 27 per cent. are bachelors or widowers and 24.7 per cent. married couples without children or without children under fourteen—in all 51.7 per cent.

Then come 16.6 with one dependent child, and 13 per cent. with two. Only 8.8 per cent. represent that "typical" family with three children. A slightly larger group, 9.9 per cent., have more than three dependent children.

Average justice is rough justice. If the "living wage" were really enough for a family of five, then more than half the workers should have a surplus. But nearly ten per cent. would go short. That, however, is to under-

* The corresponding British figures will be found in Miss Eleanor Rathbone's valuable study of this question, *The Disinherited Family*.

state the case, for in this last group of the big families, there are 40 per cent. of the nation's children. Six children then in every ten, by average justice, may possibly have enough, but four are doomed to certain privation.

No living wage which would satisfy a civilised standard of life is attainable, if we base it on the false assumption that every wage-earner must provide for the needs of a "typical" family of five persons.

We propose, therefore, to base the Living Wage on the needs of a man and his wife, adding to it a weekly provision for each child. The justification for making no distinction between the wage of a married man and that of a bachelor or widower is, that the latter must pay in some way for the services of a housekeeper and that a young man should be saving to furnish his home.

The children's allowance should be paid direct to the mother, thus recognising the dignity of the service she renders.

We leave for further consideration the question whether an equal flat rate allowance should be paid for children of all ages, or whether the allowance should be graded according to the age of the child.

A flat rate allowance would raise fewer administrative difficulties. But the objection has to be faced, that the payment of these allowances might encourage undesirable multiplication of families. This objection is not in our opinion formidable. For it is well-established that in proportion as families rise in the social scale above the poverty line, the birth-rate tends to fall. Reckless breeding is in fact a phenomenon of abject poverty. Every increase in comfort and self-respect makes for prudence and self-restraint. But we would recommend that to guard against any possible abuse of this system in this way, one of the two following expedients should be adopted :—

(*a*) Either the allowances, while providing for all children born before the appointed date, should thereafter cease after the fourth or fifth child, or else,

(*b*) The allowance should diminish with each additional child.

THREE types of schemes have been proposed by advocates of family allowances.

1. A scheme based on the model of contributory insurance. It would be a heavy burden on the lower paid workers, many of whom would draw no benefit. It would tend, moreover, to increase prices (when it is possible to raise them) and the cost of living. We therefore reject this plan without hesitation.

2. A scheme which throws on the employer the burden of paying a flat rate contribution for every employee into a State pool. This scheme is also open to the latter objection. If the contribution were an addition to present wages, it would tend to raise prices, and if universal to raise their general level. If on the other hand it meant a lowering of wages, it would be difficult to impose it on the older men and the unmarried men.

We recommend for general adoption a State scheme to be financed entirely by direct taxation. This plan puts no direct burden on industry. It has become a habit in political controversy to speak loosely of direct taxes, municipal rates and insurance charges as though they were all in the same sense "burdens on industry." This phrase is correctly applied to rates and insurance charges, which are a part of an employer's expenses which he must meet, exactly as he meets the rent of his premises, before he balances his books, and assigns the surplus as profit or dividend. But his income tax is a personal charge which falls upon the surplus. A tax levied for this purpose on personal incomes would have no tendency to lower wages. It would re-distribute the existing national income and therefore avoid the danger of inflation.

We support it precisely because it tends to the equalisation of incomes. It takes from the superfluities of the rich and uses them to give a better chance of mental and physical development to the children of the poor.

We propose that the children's allowance be paid weekly, by the Post Office to the mother. It should run from birth to the end of the period of compulsory schooling, i.e., at present to the fifteenth birthday.

It should be paid for the children of all insured persons,* whether employed or unemployed, and would continue during strikes.

While a weekly figure of 7/- or at least 6/- is desirable, we have to remember the other claims on the first labour budget, e.g., for an increase of old age pensions and for a non-contributory scheme of widows' pensions. We propose therefore at the start a flat rate allowance of 5/-.

The annual cost of this scheme, following the careful statistics in Mr. J. L. Cohen's booklet (*Family Income Insurance*, P. S. King & Sons, 1/-), would be £125 millions.

Such a sum could only be found by a determined Chancellor at the head of a party which was firmly resolved to take the first big step in equalising incomes.

It is not, however, an impossible sum to provide. An

* There are some classes of workers excluded from the benefits of the Health Insurance Act, who ought to be included in this scheme. The aim should be to bring in all workers whose income does not exceed the limit fixed in the Act for clerical workers, £250 per annum.

addition of 1/- to the income tax would yield over £60 millions, for Mr. Churchill reckoned that he lost £32 millions by reducing the standard rate by 6d. One could therefore derive practically the whole sum by going back to the war-time figure of 6/-. But it would only be fair to treat earned incomes less severely, to apply a lower rate to the lower levels of income, to raise the level of exemption and increase the allowance for children. One requires only £100 millions from this source.

The super tax could easily yield the remaining £25 millions. By restoring last year's rates to the figures before Mr. Churchill reduced them, one would get £10 millions.

By stiffening the graduation, and by bringing down to lower limit of liability from £2,000 to £1,500 a year, it would not be difficult to get another £15 millions.

But there are some balancing savings to be reckoned. Orphans, already provided for, would come into the scheme. So, to the extent of 2/-, would children of men receiving unemployment benefit. This would bring down the total of new money to be found well below £125 millions. It is evident that this money can be found by fresh taxation, if necessary, but we hope that eventually debt reduction and reduction of armaments will also contribute towards it. It should also be noted that if our other proposals are adopted, there will be a rapid increase of the national income. In proportion as this takes place, the rate of taxation may be lowered.

Some Socialists urge that the payment of family allowances in money would be unnecessary, if social services which meet the needs of children, were fully developed. We do not wish to undervalue these things. Indeed, the extension of every form of social service, whether for the benefit of children or adults, should be regarded as an important and essential part of the policy of the Living

Income. But there are manifest limits to these services. Even if free dinners for school children were to become general, does anyone propose that a child should get all its meals at school? Again it would not be easy to equalise rents, irrespective of the number of rooms which a family requires. The suggestion of free uniforms for children is unattractive. Whatever is done in these ways, children have varying tastes and needs, and some money allowance is necessary to enable the parent to satisfy these. The two methods are not mutually exclusive.

It is important to note that family allowances provide the only hopeful method of realising the ideal of "equal pay for equal work" as between women and men. There would, for example, be no reasonable objection to equal salaries for men and women teachers, if the children of married teachers were provided for in this way.

We assume, where a man and his wife are both wage-earners, that each is entitled to a living wage. The effect of increasing the family income by paying children's allowances, would, however, usually be to draw the women away from industry.

It is worth while to point out that our scheme in its totality—the raising of wages, the practical abolition of unemployment, and the children's allowances—would have a favourable effect on municipal finance. It ought to reduce expenditure under the Poor Law almost to vanishing point. Some of the gain might be used to lower rates, or better still to relieve industry from rates. But there would still remain the possibility of expanding local social services, including new developments in education, as a result of this saving.

CHAPTER V.

The Minimum Wage Standard.

THE root idea governing any Socialist policy of distribution is, we take it, that Labour has a claim upon the total pool of the national income. This pool we regard as the result of the co-operative effort of all the connected activities of the community. It is not possible to isolate the contribution of any industry, firm or individual worker. The cotton cloth which a weaving shed produces, is not the product of the workers in that shed alone; coal miners, engineers, transport workers and many others contributed towards it, and behind them lay the contribution of the whole civilisation around them, through its science, its education, and its social and legal organisation.

It follows from this familiar view, which regards the production of wealth as an indivisible activity of the whole community, that we reject the qualification commonly attached to the accepted doctrine of the Living Wage. "A living wage by all means," is the usual reply to the demands of Labour, "but you cannot take from the industry more than it is producing. The money to meet your demand is not in the industry."

Assuredly, there must be a reference to some divisible total. But the haphazard arrangements of the market give no assurance that the income drawn by an industry, or by the workers in an industry, from the national pool, shall be a fair measure of their share. Some groups are in a fortunate, others in an unfavourable position, and the varying "pulls" which scarcity and strategic accidents enable the several groups to exert upon national income, have no necessary or even usual relation to effort, skill or risk, and even less to need. One group can combine to create a slight artificial scarcity in the product which it brings to the market: another group is exposed to world-wide competition. Miners, for example, must accept a price for coal fixed by competition within an unorganised industry, which is overproducing for a diminishing market. But the wages based on this low competitive price must be exchanged for goods of which the prices, in many cases, have been fixed by rings, monopolies and combinations, and these goods will range from the bed on which the miner sleeps, to the milk which his children drink.

The struggle for a living wage is an effort, then, to compel this anarchical market to honour a higher law than scarcity. Our task is not merely to increase production; we must also discover methods which will enable the less fortunate industries to make good their claim upon the national pool for a higher share of the divisible income. While technical inefficiency, or the exactions of middlemen will sometimes supply explanation enough of the misfortunes of an industry, in other cases it may turn out that the only cure is in the control of prices. For prices are the instrument through which each industry makes its claim upon the pool. The appropriate solution may be, as in the case of the coal industry, a Selling Agency which will undertake the regulation of output and consequently of prices. It is obvious that the community ought to be adequately represented on such bodies, which, in effect, are assessing, whenever they fix prices, the relative share which an industry shall draw from the pool. A price ring which has been enabled, by its sheltered position, to fix its own claim relatively high, ought not to be immune from this control by the community. In some cases (notably coal) the fixing of prices will involve international agreement. We will not attempt to discuss here the detailed steps which the community might have to take, if it were to make a full use of the instrument of price to equalise the claims of various industries. But plainly the first step is to insist that prices must not fall below a level which will enable an efficient industry to pay a living wage. If for any reason the community should think the cheapness of some essential service or class of goods so vital to its industrial life, that it is unwilling to pay a price compatible with a Living Wage, it cannot morally escape its obligations to the workers in this industry. It must in some other way enable them to draw their due share from the pool, and that other way must be the payment in some form of a bounty or subsidy. Objectionable and clumsy as subsidies are, we cannot fairly avoid them, *if we reject the regulation of prices.* A living wage implies what one may call a "living price."

If it should be necessary, in any trade, to resort for a time to the expedient of a subsidy, a fair method could be found for financing it, by reviving the Excess Profits Duty. The proceeds of this Duty should constitute a pool, out of which subsidies might be paid as required. In this way the burden would fall only on the most prosperous industries, which are commonly the industries which have used their favourable position, as sheltered and organised trades, in order to draw, through high prices, an undue share from the national income. The subsidy, so conceived, would not fall as a burden on the community as a whole. It would equalise the share which industries competing under unequal conditions, draw from the total national income. But whenever any form of subsidy is paid, the industry must accept a measure of control which will ensure its efficiency.

LITTLE progress can be made in raising the level of the depressed workers, or in securing some nearer approach to equal justice between trade and trade, until we are prepared to define what we mean by a Living Wage. We would urge that even now, while Labour lacks the power to take political action, the whole Movement acting through the Trade Union Congress and the Labour Party, might take the first step, by setting up a Labour Commission to formulate in precise terms and figures the vague claim which is in all our minds. If this Enquiry, which should be public, resulted in the suggestion of some minimum figure, the task of the General Council would then be to direct and co-ordinate the whole of the industrial struggle, with the purpose of rendering effective support to bodies of workers who sought to raise their wages to this figure. We believe that a struggle conducted for a purpose so manifestly just would give a new sense of unity and direction to the whole Labour Movement. The argument over this claim would soon dominate public life, and focus political and economic discussion. The Living Wage, with all its far-reaching implications, would become the central question before the nation, and might hasten a general election in which it would be the leading issue. A Labour Government, when it took office, would, we assume, conduct an enquiry of its own, by the most expeditious methods, in order to supplement the work of the Labour Commission, by a full use of official data, for the purpose of ratifying or adjusting the figure at which it had estimated the Living Wage.

Any enquiry into the Living Wage, whether official or unofficial, must necessarily follow two distinct lines of investigation.

1. It should endeavour to ascertain from medical men and women, from experts in housing and educa-

tion, and from practical housewives, what scale of expenditure is necessary in order to satisfy the requirements, first of health and efficiency, and then of the cultural life. It would no doubt make use of previous investigations (the Rowntree enquiry and the Australian Commission's work), but no attempt on these lines to define a reasonable standard could be final, until the second survey was completed.

We suggest that the Living Wage, approached from this angle, should include at least, a fortnight's holiday at full pay, and should be based on the guaranteed week.

2. The second survey would involve a careful statistical study of the national income, to ascertain: (*a*) What is the present share of the wage-earning class, and (*b*) what margin exists to which it may advance a claim.

We have had before us the following analysis of the National Income:—

Total *Net* National Income	£3,500 millions, i.e., omitting £300 millions War Loan Interest.
Total Rent, Profit, Interest and Salaries	£2,000 millions.
Total Wage-Earners' Share	£1,500 millions.

Of the Wage Bill of £1,500 millions, it is roughly estimated that 2 to 2½ million wage-earners receive an average of £200 per annum = £400 millions to £500 millions.

The rest of the wage-earners (10 million) receive an average of £100 per annum = £1,000 millions.

It will be seen that if the higher of these two categories of wage-earners (those receiving £200 per annum) may be said to receive a Living Wage,* the problem is roughly to double the real wages of the remaining ten million.

This result might, theoretically, be attained by halving rents, profits and interest and salaries. That, however, is manifestly impossible: (*a*) because from the income of the middle and upper class a high proportion of the national revenue is already drawn by taxation, (*b*) because the necessary savings for the replacement and expansion of capital come mainly from this source, and (*c*) because a change so drastic would dislocate the present economic system and result in a catastrophic upheaval.

A rough calculation of this kind supplies some measure of the problem before us. The instrument of taxation can and should be used to effect some transfer of the income from class to class, but there are manifest limits to this operation. We propose recourse to it for the purpose of family allowances, and from time to time Labour policy will use it to extend the social services, to increase old age pensions and widows' allowances. There ought also to be a further limitation of inherited wealth, through the Death Duties. But to this source we cannot look for the funds that are to provide the Living Wage. These must be drawn from higher production, that is to say, from an expansion of the total national income.

In fixing the standard of a Living Wage, both of these lines of enquiry must be taken into account—the estimate of the needs of a civilised life, and the estimate of what the national income will yield. We have to

* We would guard against the inference that we are ourselves venturing to suggest this (or any figure) as the Living Wage.

measure both what is attainable in a political sense, or in plain words, what our present level of power will enable us to secure, and also what the capacity of industry to produce authorises us to claim. We should, in fixing it, base our claim not on the product of each industry regarded as an isolated unit, but on the total product of our national industry. We would urge that the figure should be estimated deliberately somewhat higher than our present level of industrial efficiency would warrant. It will be, therefore, a demand, based on human need and addressed to industry, with the avowed purpose of stimulating a better organisation of the total co-operative output. It follows that it will not be possible to impose it instantly upon every trade. It can be attained only by instalments as re-organisation proceeds. Its purpose is to serve as an imperious demand for efficiency and intelligence, alike in the production, and in the distribution of wealth.

We assume for the reasons already given, that the provision for children will be made through a State scheme of allowances. The Living Wage or the basic Minimum Wage which industry should pay, will be adjusted to the needs, not of the whole family, but of a man and his wife.

OUR purpose, then, is not to enforce by legislation a universal statutory minimum. We propose to start with the authoritative declaration of a minimum—a figure which the whole community formally accepts, and intends, within a measurable period, to attain by the re-organisation of industry. When the official enquiry has resulted in the fixing of a figure, the next step might be the passing of a resolution by the House of Commons, declaring that it is the nation's purpose to base its economic life on this figure.

The passing of such a resolution would have some readily predictable consequences. It would pledge the Government, on the appointed day, either in a lump or by instalments, to raise the wages of all adult workers in its employment to the accepted figure; firms working under the Fair Wages Clause would be under the same obligation, nor could Municipalities well avoid it. While it is true that the wages of all these categories of workers are at present relatively high, there would be some levelling up in the lower grades, which over the whole country would cause an appreciable increase in the purchasing power of the working class. Simultaneously, or soon afterwards, the adoption of Family Allowances in the Budget, would bring a much larger increase. And again, we have provided (if trade has remained at the present level of depression), through an expansion of credit, for a further increase of ten per cent. Thus to the present purchasing power of the working class (£1,500 millions) there would be added from Family Allowances £125 millions, from the expansion of credit, perhaps £100 millions, with a further sum which it is impossible to estimate, from the higher wages of the worst paid public employees.

The effect of this new stream of purchasing power, playing on the industries which cater for mass consumption, would be instantaneous, lasting and very considerable. It would absorb the unemployed, and transform the conditions under which every organised body of workers bargains for wages. It would arm them with two new arguments, one moral and one economic. In the first place, they would point to the resolution of the House as a proof that their actual wages were below the requirements of civilisation, and to this they would add the still more effective plea that the new prosperity of industry justified an increase. In one degree or another, either by a single effort or by instalments, it is reasonable to assume that in all the better organised and more prosperous trades a moderate degree of pressure under these conditions would result in a general advance towards the Living Wage. The effect, moreover, would be cumulative; the gains won by each trade would help the rest. Nor would the increase in the general wealth be merely nominal. The stimulus of increased demand would result in a higher volume of production. Whether production would actually keep pace with demand, would then depend, partly on a rational credit policy, and partly on the rapidity with which the technical reorganisation and re-equipment of industry could be effected.

AT every stage of this process, the Trade Unions would retain their freedom to bargain and their traditional functions. The Living Wage would not be imposed by the State, but the State would make the conditions in which Unions could demand it with every prospect of success.

Some critics fear that the naming of a definite figure would have a depressing effect on the wages of the few fortunate crafts which may be earning a wage somewhat above any standard which could be enforced all round. The minimum, it is said, would become the maximum. Mean employers would point to the standard, and tell the craftsman that he was getting too much. But the craftsman under the new conditions would have lost none of his former bargaining power. On the contrary, the general increase in the purchasing power of the mass of wage-earners would mean less unemployment among craftsmen, and a brisker demand for their skill. There are admittedly risks in fixing any figure at all. But how else will you break down the intolerable inequalities between different trades? In some way we must break in, with a new moral and social standard, to abolish the anomalies that result from competitive bargaining in the labour market.

It may be said that the fixing of a definite figure for the Living Wage would stereotype our material civilisation at that level. But this figure is not necessarily fixed for all time. It might be revised at intervals of five or ten years. A nation bent upon progress should deliberately set itself tasks. Having raised itself from the £2 level, in the first period of effort, to a £3 or £4 level, it might thereafter, as production permitted, carry its ambition further, until it reached a point at which an increase of leisure, and a deepening of its cultural life seemed more important than the effort to increase material prosperity.

CHAPTER VI.

The Re-Organisation of Industry.

WHATEVER measure of success might follow from the use of the ordinary methods of bargaining in the more thriving trades, there would remain a number of industries which could not respond adequately or promptly to the demand for the Living Wage—agriculture, engineering, textiles, and many smaller industries. The next problem is to devise measures for their assistance.

It would be folly to suggest nationalisation as the appropriate method for re-organising these weaker trades. Nationalisation must, of course, play a part in any Labour policy, but we should confine it at this stage to "key" industries and services. By a key industry we understand an industry which the community should control, because in some sense it governs the pace and direction of the nation's industrial growth. Credit and the supply of permanent capital have this function. The cheapness and availability of mechanical power are in the same sense vital conditions. Transport may be no less important, as the controversies which turn on the service rendered by the railways to agriculture and coal mining show. The charges for transport and mechanical power enter largely into the costs of every industry, and have a considerable influence upon prices. They also govern the movement of population and underlie all schemes for the development of rural areas. It is essential, then, that banking, coal mining, electrical supply, and the railways should be nationalised.* In propor-

* We need say nothing further about the nationalisation of the mines, railways and electricity because the Labour Party has already outlined its plan in *Coal and Commonsense*, 2d.

tion as they are so developed as to yield cheaper and more efficient service, industry will be in a somewhat better position to pay higher wages, and to do it without raising prices.

Less drastic methods must be sought to enable the weaker industries to satisfy the new demand for higher wages. We would point out that in requiring that an industry which fails to pay a living wage should re-organise itself, we are introducing no new principle. This principle is implicit even in Mr. Baldwin's dealing with the coal industry. He first subjected it to a searching enquiry, and then promised to carry out, when necessary by legislation, measures which would eventually enable it to pay higher wages. One may say that the recommendations of the Samuel Commission were timid, and that Mr. Baldwin then eliminated its relatively bolder proposals and whittled down the rest; but the principle remains. We have a Tory precedent for the compulsory re-organisation of a defaulting industry. What Mr. Baldwin promised to do in one instance, we propose that a Labour Government should do rapidly and energetically in several instances.

The procedure might be to set up an Industrial Commission armed with large powers of re-organisation, which would take under its survey and control every industry which sought its assistance, on the application either of the masters or the men, on the ground that it was unable to pay the minimum wage defined in the resolution of the House of Commons. The Bill conferring powers upon it should be general, so as to avoid the need for special legislation for each industry, though any orders which it issued might be laid on the table of the House. The Industrial Commission should have power to appoint Sub-Commissions working under it, to deal with each trade or with distinct sections of a trade.

What powers (other than general powers for enquiry and the examination of figures) must the Industrial Commission possess? The precedent of Mr. Baldwin's treatment of the coal problem may be invoked. The Commission recommended a process of amalgamation, which (after three years) should be speeded up by compulsion, and this even a Tory Government has in principle accepted. Its electrical scheme involves a somewhat similar interference with private industry. If defined in a broad way, the power to suggest, to promote and ultimately to enforce the amalgamation of businesses would be the chief power, perhaps the only power which the Commission would require for the re-organisation of industry on its productive side. Armed with this power, the first step of the Commission would doubtless be to invite the industry to set up a central council with which it could negotiate. It would, presumably, endeavour, on the model of the most successful wartime controls, to work through this Council, enlisting on its side whatever progressive leadership the industry possessed. The type of unification at which it would aim would vary from industry to industry: the necessary sanction would be the power of the Commission to amalgamate concerns which failed to adapt themselves voluntarily to the plan of unification and reform, with concerns which were willing to do so. The aim of this process of unification would be to promote specialisation in manufacture and the standardisation of the industry's products, and generally to realise the economies of mass production.

An important help in re-organising these industries can be given from the collection and analysis of trade statistics relating to output, costings and the movement of demand. Still more important is it to make secret processes and other technical improvements generally available. Under the war controls (e.g. in the manufacture of margarine) a substitute for competition was found in the periodical analysis of samples and in the comparison of costings from different factories.* Lastly the Industrial Commission should have power to organise scientific research on the most generous scale.

The other power which the Industrial Commission must certainly possess, is the power to create Selling Agencies (for which, again, the Samuel Report furnished a precedent). In cases where commercial disorganisation and excessive competition help to explain an industry's misfortunes, this step is essential to ensure a level of prices on which a living wage can be based. We assume that the consumer, as well as the employer and the worker, would be represented on the governing councils of these agencies.

Throughout the process of re-organisation the Industrial Commission would work closely with the Trade Unions associated with the trade with which it was dealing. There can be no true re-organisation which fails to enlist the activity of the workers, and to confer on them a genuine measure of control. The Commission would from time to time report on the progress of its work, and as each step in re-organisation was completed, the men would make their demand (through their Trade Union, or through the Trade Board or Wages Board, where such exist) for an increase of wages which would by instalments realise the figure of the declared Living Wage.

In certain industries, notably textiles (a subject to which we return on p. 43) the control of the raw material would be an invaluable and even indispensable reinforcement in the process of re-organisation. With agriculture, where progress would inevitably be slow, we do not pro-

* See *Experiments in State Control,* by E. M. H. Lloyd.

pose to deal specially, because the main lines of reform have been laid down in two statements of Labour policy.*

It should be noted that parallel with this re-organisation, the demand for the product of each staple industry is being stimulated by the rise of wages in other industries and the payment of children's allowances. Imagine, for example, the effect on dairy farming of an addition of 5/- a week for each child to the income of every working-class family. The better distribution of the national income is, in short, a means of ensuring higher output.†

* The recent Labour Party Report, *A Labour Policy on Agriculture*, 2d. The I.L.P.'s earlier document, *A Socialist Policy for Agriculture*, 2d.

† Inevitably, there will remain a large body of workers in the unorganised and unorganisable trades and services for whom the Industrial Commission could do little or nothing directly, notably domestic servants, and some categories of clerks, typists and shop assistants. These, however, would gain at once from the children's allowances, while the general rise in the level of wages would enable them to raise their demands.

CHAPTER VII.

Prices and Raw Materials.

ANY scheme of this kind must be prepared to cope with the obvious difficulty that employers will try to counter the demand for higher wages, by raising prices.

We propose, first of all, to diminish this difficulty by obtaining a considerable part of the increased working-class income from Family Allowances drawn from direct taxation. There is no tendency here to price inflation.

As regards the wages bill itself, it can be increased only in two ways: (1) By an actual increase in the production of wealth. This we provide for by the programme of re-organisation. (2) By a better distribution of the product of industry, i.e., by the assignment of a larger share to labour and a smaller share to rent, profits and interest.

The better distribution will be partially obtained in the nationalised industries, and by the nationalisation of the land. Rent and private profits will to this extent be lessened.

The cutting out of dealers' and middlemen's profits in the handling of imported food proposed in Labour's Agricultural Policy is a further item. So also is the cutting out of retailers' profits by the municipal retailing of coal, milk, and bread.

But perhaps the chief instrument in our policy for maintaining the real value of the Living Wage, would lie in the opportunities for stabilisation and standardisation which the national importation of foods and raw materials would afford.

This policy, in so far as the chief imported foodstuffs are concerned, is explained in the reports on agricultural policy of the Labour Party and the I.L.P. The procedure in the case of such raw materials as cotton, wool and hides would be similar. A Buying Agency, appointed by the State, but closely linked with the particular trade concerned, would enjoy a monopoly of these imports. By long term contracts with organised producers overseas, and by building up reserve stocks, it would stabilise prices. The system was worked with notable success during the war in the case of wool, edible oils and other important raw materials. In Switzerland the importation of wheat on this plan, has been continued on permanent lines since the war.

With the importation of cotton, wool and hides placed under National Boards, it becomes possible to carry much further the schemes of standard clothes and boots which were successfully tried on a small scale during the war. The Board might have woven for it many standard patterns of cloth, and also contract for the manufacture of clothing, boots and underwear. There would be some economy from the elimination of the middleman, and most of all, perhaps, from the standardisation and from the regularity of the demand.*

In all these proposals for steadying and supplying the demand for the necessaries of life, the co-operative movement has a great part to play, and we would emphasise the need for working through it, wherever practicable.

In these ways the prices of all the worker's necessaries would be controlled effectively, and the element of private profit in all the things that he must consume, reduced to a minimum. Such profiteering as went on, would be confined to luxuries.

We need not emphasise, again, the part of our banking policy in this strategy of stabilisation. Its duty would be, when once labour and capital were fully employed, to use the instrument of credit to keep the general level of prices stable.

* Further details will be found in *Socialism For To-day* (p. 105) by H. N. Brailsford. I.L.P. Publication Dept., 1/-.

CHAPTER VIII.

The Provision of Capital.

NEW capital will be required on a considerable scale as this scheme develops. The backward industries which are being re-organised will require the most modern machinery. Again the re-distribution of the national income, partial though it will be, will involve some shifting of demand from luxury trades to the staple trades. The former will in some cases be able, if new capital is available, to adapt their plant to cater for mass requirements. One must not forget that higher taxation will prevent. and is intended to prevent, any undue expansion in the investments of the propertied class. Yet fresh savings will be necessary, not merely to finance the expansion of industry in this country, but also to meet the needs of the Dominions, which will be called upon for an increased supply of food and raw material.

With a higher wage standard, the small investor's savings should go far to meet this need. At the same time a policy of stabilisation and centralised marketing will make investment in the industries, and in the branches of agriculture, which supply or manufacture the controlled foods and raw materials, less risky and better suited to the small investor. Further, stabilisation and standardisation will greatly economise the quantity of capital required. Amalgamated plants and businesses demand a relatively smaller capital than a multitude of small concerns. The standardisation of stocks greatly diminishes the need both for industrial and commercial capital. And again the ironing out of the trade cycle further diminishes this need, since it eliminates the waste caused during a slump by the land going out of cultivation, by the reduction of flocks and herds, and by the general waste caused by the unemployment and under-employment of plant and labour throughout the industrial system.

These novel considerations suggest that there is less need for anxiety over the provision of fresh capital than might have been expected. The necessary capital for re-organisation, drawn, as it will be, largely from the savings of small investors, is more likely to be cheap and adequate in amount, if steps are taken to divert new savings into channels which will promote the success of the scheme. Is it possible to guide the flow of investment into socially useful channels, to divert it, for example, from the luxury trades and from some forms of foreign investment, to the staple industries, and to the production of raw materials and foodstuffs? To some extent this may occur spontaneously, since the additional and more stable demand from the wage-earners for the produce of these industries will make them an attractive and safe investment.

But we suggest the consideration of the following methods:—

1. Should the Post Office Savings Bank be authorised to invest more freely, instead of being confined to Consols? It might in this way pay higher interest and attract a much bigger volume of savings.
2. Municipal banks should be encouraged as another possible channel for savings.
3. The Insurance Companies should be nationalised. Their business follows a safe routine. They overlap wastefully, and none the less earn great profits. Their funds are largely invested in industrial securities.
4. To control the investment of funds derived from all these sources, or received directly from private in-

vestors, we propose that the State should set up an institution to act as a National Industrial Bank, or Investment Trust. The stock should rank as a trustee security. It would invest these funds, as German banks do, on a large scale in industry, paying to the depositors or depositing institutions, at their choice, either fixed interest at a relatively low rate, or variable interest based on the average yield of widely-spread investments.

This institution would employ the most expert technical advisers and would intervene actively, as German banks do, in the higher politics of industry, promoting amalgamations and using the power of massed capital to foster efficiency for the general good.* Wherever it invested largely, it would claim, through its nominees, representation on the Boards of Directors of all the Companies or Trusts which it assisted. It should be linked up with the Industrial Commission, and would become one of the most powerful means by which the penetration and control of industry can be promoted. Its prestige as a State Institution and its big sources of supply would soon make it the dominant power in the world of finance.

It would, indeed, in association with the Industrial Commission and the Councils of the nationalised services, tend to become the planning and directive centre of the nation's industrial life. Its opinion would be the chief factor in deciding, on grounds of public utility, what private financiers decide to-day on grounds of gain—whether

* We conceive this Industrial Bank as a single institution, partly in order to spread the risks, and partly to ensure the observance of a broadly-conceived plan of national development. But it ought to be departmentalised and decentralised, with strong centres located in the provinces, maintaining the closest contact with each important industry. Its department in Manchester, for example, would be in effect a Cotton Bank.

this industry or the other shall expand, whether the needs of home agriculture shall have precedence over some foreign or colonial call for capital, whether a source of raw material should be expanded, or a new invention rapidly utilised.

This institution would make and retain permanent investments. It would supersede the present unsatisfactory arrangement under the Trade Facilities Act. Short term credit would continue to be the usual sphere of the ordinary banks. To link up the banks with the Investment Trust, there should be a co-ordinating council.

While this organisation would, in growing measure, direct the flow of investment and credit, there should be built up to co-operate with it a department of the General Council of the Trade Union Congress which, in association with the Ministry of Labour and the Labour Exchange, should facilitate the transfer of labour from over-manned to expanding trades, and direct the recruiting of labour.

CHAPTER IX.

The Export Trades.

THE feasibility of this policy will hardly be disputed where the so-called sheltered trades are concerned. But what of the export trades, and those exposed to foreign competition?

We would give, first of all, the general answer that higher wages will increase the efficiency of labour, and that they compel the management to save itself by better organisation. This is now a commonplace in the American business world.

Few export trades, if any, cater solely for foreign markets. All of them would gain by the expansion of the home market due to the higher purchasing power of the masses. A large turnover, especially if there is more standardisation, means a reduction of overhead charges. The export trades would also gain by the cheapening of power and transport, by the stabilisation of the price of their raw material, and from a rational credit policy. It might still be possible, therefore, to manufacture for the foreign market, at the former prices, or even at lower prices, in spite of the rise of the wages bill.

These theoretical considerations may in general terms command assent. But how far, quantitatively, may we trust them? That they have a force, hardly suspected in this country, is proved by American figures. Mr. Hoover, in the annual Report of his Department for 1925, has published an official analysis of American prices and wages. Taking 100 as the index of the year 1913, he shows that wholesale prices had risen in 1924 to 150, while wages had risen to 228. Clearly then it is possible, on a very great scale, with better organisation, to achieve a large increase of wages, without an equivalent rise in prices. The history of American exports in the same period is even more instructive. The follow'ng gross figures (to which we have added the corresponding percentages) will be found in the *Report on Finance, Industry and Commerce of the United States of America.* (*Department of Overseas Trade,* 1926):—

Value of American Exports in millions of Dollars.	1910-14 (average)	1924	Percentage. Increase.
Crude materials, foodstuffs and food animals ...	832	1,178	+107
Manufactured foodstuffs ...	295	574	+95
Semi-manufactures ...	342	611	+79
Finished manufactures ...	654	1,588	+143
Miscellaneous	8	7	−12
Total	2,131	4,498	115

This remarkable expansion of American exports may be due in part to a shrewd policy of foreign investment. But its most significant feature is that the expansion is greatest precisely in those classes of goods in which high wages might be supposed to be an impediment. American manufactured goods are clearly winning their way in neutral markets in competition with the products of low-wage countries. Here, then, is an experiment in the policy of high wages which should give us confidence to apply our theory even to the export trades.

We would, however, urge by every means, the pursuit of a policy of international agreement. The future of the coal industry, and perhaps of the heavy industries, generally, will depend, above all, on the delimination by international negotiation, of the export market. Movements on these lines are now in progress in the heavy industries of the Continent, and it is probable that they will have regulated the export markets of coal, iron, steel, and certain steel products in the near future. British industries must ultimately share in these arrangements.

We will not attempt to discuss the international regulation of labour through the League of Nations, the International Labour Office and such agreements as the Washington Convention. Only as these develop can the menace from the competition of sweated labour in other countries be wholly removed. One safeguard is contained in the Labour Party's proposal for an international official boycott, after due warning, of goods produced under conditions which violate the Eight Hours' Convention.

It is not less true that the policy of monetary stabilisation on which we rely, can be carried out with complete success, only when banking is organised on some such lines of international co-operation as were recommended by the experts at the Genoa Conference (1922). The League of Nations may one day play a great part in organising the distribution of the world's raw materials, with steady prices as its aim.

But even where no formal action for the international raising of standards is possible, the spectacle of the success in one country of the Living Wage policy would stimulate Socialist parties and Trade Unions on the Continent to work on parallel lines.

Again, we may point out that a Labour Government. following a friendly and pacific policy towards Russia and China would remove one of the handicaps from which our export trade suffers, and might do much to open new and recover old markets.

Finally, the doctrine of under-consumption on which this policy is based, operates beyond our own island. It operates, for example, in India and in Kenya. When the Labour Party can make its influence felt in these regions, it will presumably aim at raising the purchasing power of their peasants, factory workers and plantation labourers. In proportion as it does this, it will expand the market for British exports.

But we do not base our policy on the prospect of an expanding foreign market. On the contrary it is possible that in several regions it may contract. The world's demand for coal is slowly dwindling. The East is gradually preparing to supply itself with textiles. The Dominions are developing their own industries. A great part of Europe, fettered by reparations and inter-allied debts, is obliged to limit imports and expand exports. It would be only prudent on our part, therefore, to lessen, wherever it can be done on economic lines, our own dependence on foreign trade.* The development of arable dairy farming and the cultivation of sugar-beet is one obvious resource. The distillation of fuel oil from coal may prove to be another. But only by expanding the home market by a sound wages and credit policy, will it be possible to transfer labour easily from the depressed to the more promising trades.

* It is doubtful, however, whether any net decrease of imports can be brought about. For while there would be some decrease in the importation of the luxuries consumed by the propertied class, there would also be an increase in the working-class consumption of wool, cotton, tea, and the like.

CHAPTER X.

Conclusion.

THE reader has doubtless perceived that in sketching out the measures which will ensure a Living Income to every worker, and make an end of gross poverty and mass-unemployment, we have been carried far beyond these immediate aims. We do not claim to have found a complete solution. Some inevitable inequalities would remain. Nor is there any certainty that every worker in the less easily-organised trades would attain the declared figure of the Living Wage. It would be a mistake to under-estimate the difficulties which will be encountered when the more backward industries are tackled. It would be fatal to promise more than can be performed, or to give the impression that a genuine living wage can be won all round without a long and difficult period of re-organisation. But in the process of raising the general standard of life we should attain much more than we set out to win. The measures necessary to attain our object would go far to transform society itself. Wealth would be more equally distributed. The community would have under its control the regulative services which govern its development. It would at last be ordering its own life: it would have escaped from the anarchy and waste of *laissez faire*. It would govern the flow of credit and permanent investment. It would own and direct the mechanical power which turns the wheels of industry. It would dispose of the raw materials on which the manufacturer depends.

Conclusion.

By all these conquests the transition to the further socialisation of industry would be immensely eased. Stabilisation would diminish the risks of enterprise: there would be less need for the private *entrepreneur* who will "take a risk." And again the co-operative provision of new capital through the National Investment Trust would make it easier to dispense with the financier. The road, in short, is open to Socialist construction.

We have dealt rather with the economic plan than with the politics of this transition. But it is evident that this policy has the merit of making a simple and concrete appeal to the average worker and his wife. Family Allowances and a Living Wage touch them in their daily experience of life. Once their attention is concentrated on these things, the rest of the scheme will enlist their defensive instincts. They can be led to understand that their Living Income would soon be dissipated, unless means were taken to deal with the predatory legions which lie in wait to lower the purchasing power of wages and raise the prices of food and clothing.

It is for the Party in the House to decide on questions of Parliamentary opportunity, and prescribe the order of advance. We realise that we have packed into a single programme a formidable list of measures which even singly, and still more in their totality, must arouse strong opposition. Yet they form a single complex, a logical whole. We have argued (page 3) that it would be perilous to begin the nationalisation of certain industries without attending to the question of wages. It is manifestly useless to raise wages, unless we can, by the control of credit and of staple foods and raw materials, check a dangerous rise in the prices of necessary commodities. Again, can one hope to raise wages, unless one lowers other costs of production, notably power and transport, and assists industry towards a higher technical organisation? Thus, by a simple chain of reasoning, our first purpose of remedying the inadequacy and gross inequality of wages leads to the socialisation of banking, coal mining, electricity, railways, and the import of raw materials. Politicians may be able in some cases to suggest easier interim solutions, but we are convinced that the problem must be envisaged as a whole, and solved by rapid and intensive work within a brief period.

While we do not conceal from ourselves that the effort to achieve so much that is fundamental must involve a severe struggle in the political, and also perhaps, in the industrial field, we advance our policy as the alternative and antithesis to a catastrophic strategy. It aims at creating general prosperity, and only in this atmosphere of well-being would a party which embraced it attempt large constructive changes. Taking care before it joined the main battle over the hotly-contested issues of nationalisation, to stimulate the nation's trade, it would then approach its more contentious work with the public in a mood of optimism and good temper. If it proposed to re-distribute wealth, it would do this, not only because humanity and justice demand it, but also because sober economic doctrine insists that the health of industry requires it. Prepared for struggle against obstructive and predatory forces, it would appeal to all that is sane and constructive in society to accept its proposals as a contribution towards the wealth of nations.

Conclusion.

We have several friends to thank for valuable assistance in our work. Mrs. Barbara Wootton helped us in dealing with the problem of banking and credit. Mr. Hugh Dalton, M.P., contributed some most useful suggestions to the section on Family Allowances. To the writer who uses the pseudonym "Realist" in the *New Leader* we owe a heavy debt. To Mrs. Beatrice Webb (though she dissents from some of our proposals) we are grateful for many valuable criticisms.

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September, 1926.