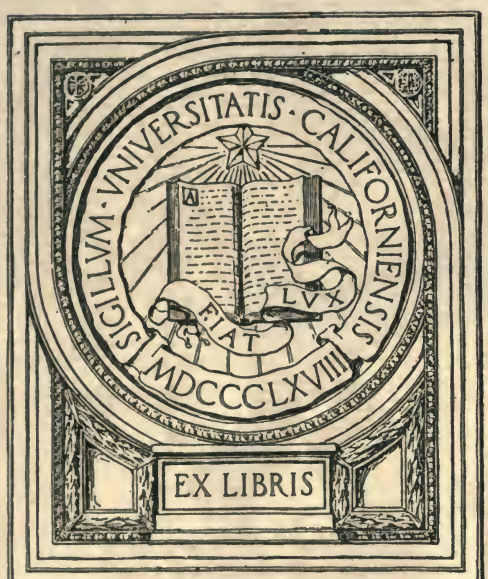
HOW TO PAY FOR THE WAR

FABIAN RESEARCH DEPARTMENT



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HOW TO PAY FOR THE WAR

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HOW TO PAY FOR THE WAR: BEING IDEAS OFFERED TO THE CHANCELLOR OF THE EXCHEQUER BY THE FABIAN RESEARCH DEPARTMENT. EDITED BY SIDNEY WEBB.

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THIS volume is the outcome of a Committee of the Fabian Research Department, and the practice of the Department is to leave its investigators a free hand, not assuming any responsibility for their conclusions. To the large number of friends in different branches of administration who have lent their help on points within their own experience, but whose names cannot conveniently be recorded, our warmest thanks are tendered. No one contributor is responsible for any part of the volume; but among those who have co-operated in its production are:

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INTRODUCTION

To many people the title of this book will suggest a consideration of how to raise money to carry on the war. That immediate problem of the Chancellor of the Exchequer is not the one here dealt with. Hard though it may be at the moment to believe it, this war, like others, will presently come somehow to an end; and the various States will then have the task of "paying the bill." The following pages contain some suggestions—not a complete programme—as to how, in the United Kingdom, the financial burden may be borne.

When the war is concluded our financial difficulties will, in a sense, begin. A National Debt of three or four thousand million pounds will have to be dealt with, in addition to the new charges for war pensions, and, unfortunately, also increased provision for defensive armaments. Even when Peace is concluded, it will be long before the daily Government expenditure can be reduced to the sum to which we must accustom ourselves as the future normal. It is, to say the least, unlikely that we can secure, against the outbreak of another great war, any guarantee on which it would be prudent to rely. Nothing would be more dangerous than for the nation to be caught by such a war whilst still hampered by so large a public debt. For the same reasons that will compel us to maintain in efficiency a powerful navy, an equally effective "air fleet" and at least the framework of a continental army, we must at once arrange to repay to the investors a considerable portion of the millions that we shall have borrowed. The Sinking

Fund of 1 per cent, of which Mr. McKenna has spoken, is quite inadequate. Within the first decade after Peace, it is held by some competent authorities, the Government ought, merely as a measure of national security—as a means of defence if we should unhappily be again involved in war—to repay one-third of the "dead-weight debt."

It is to this problem of how, after the Peace, to arrange for the redemption of the colossal War Debt, and how to raise the necessary revenue to meet a Government expenditure that is never likely to be less than four hundred millions a year, without crippling industry, without lowering the Standard of Life and without hampering individual enterprise, that we have to address ourselves.

We make no suggestions of new or "fancy" taxes. We have no desire to join the crowd, by whom every Chancellor of the Exchequer is besieged, of ingenuous projectors of taxes on cats, on advertisements, on titles or peerages, on changes of name or fancy addresses of residences. The usual answer to all these projectors—who innocently ignore the fact that the same proposals have been made annually for half a century—is that whilst they might yield a few hundred thousands a year, or taken together, even conceivably a few millions a year, no such sum is worth the cost and trouble and annoyance that such taxes inevitably cause. At this juncture there is an even shorter answer to all such "fancy" taxes. They might conceivably be useful to meet a deficit of a million or two. They are practically worthless when what is in question is how to find hundreds of millions.

Much the same answer has to be made to those—whether or not frankly Protectionist in aim—who clamour for increased Customs Duties, either on some specified articles only, or on "manufactured" goods as such, or on all imports. Whatever ulterior purpose may be served by such a Customs Tariff, with its drawbacks of raising prices to the consumers, putting an unnecessary toll of profit into the pockets of some capitalist employers to the detriment of

others and diminishing trade all round, one thing is clear, namely that the amount of revenue that it would yield is quite insufficient for the need. We might, by a so-called "scientific tariff," get 10 millions of additional revenue; we might possibly get 20 millions; at great cost and loss of business we might conceivably get 50 millions. But not even the most ardent advocate of additional Customs Duties can show us how to produce, by a Tariff, some hundreds of millions.

But we have a further objection to all these proposals. We do not believe that the right way to bear the burden is further to tax either the producers in the course of their production or the consumers in respect of what they consume. We need, on the contrary, rather to reduce these charges. There is already too much toll taken on the necessaries of life. Our manufacturers are already too much hampered in their production. We shall not increase our power of bearing the new burdens by taxing either the food of our working people or the materials and incidental components required by our producers.

We suggest, in fact, that the only effective way of meeting the new burdens is, not by increasing imposts but by making the nation as a whole more productive. The nation can no more pay the cost of the war merely by a manipulation of taxes than Mr. Micawber could discharge a debt by writing an IOU. The only real way to pay for the war is to replace, by new construction, the material wealth that has been destroyed. The only way to do this without lessening the amount that we annually consume is actually to increase the amount of commodities and services that we annually produce. What the community has now to consider is not how to tax but how to increase the national production.

It is plain that such an increase of production of commodities and services is within our reach. There is, first, the possibility of augmenting the power of the human factor. In an ultimate analysis, we have no means of

producing except by the physical and mental capacity of our people; and our production is very definitely restricted by the narrow limits of this capacity. If we chose, as a nation, to abolish the toll of preventable disease and premature death, to develop to the utmost the physique and intelligence of all our rising generation, and to provide the best possible instruction and education for the whole nation instead of only for a favoured few, this country could, to put it moderately, easily double its present output of commodities and services, and therefore its aggregate wealth production. At present we throw away half our productive capacity through preventable disease, through death before the normal term, through leaving faculties unawakened and hands untrained, and through sheer ignorance. But it is not our purpose in this volume to insist on the necessity for better care of our infants and children, improved measures of Public Health, or increased physical and mental training of our youth. It will be evident that a large increase in public expenditure along these lines is the truest national thrift, furnishing, perhaps, the most important of all the means of paying for the war.

The second method of increasing national production is by better organisation. We do not pretend to show how each industry might improve its own processes, so as to become more efficient. But there are certain common services upon which all businesses depend. At present, whilst we produce very successfully, we waste enormously in the way we handle what we have produced. It is literally true that it usually costs more to sell and distribute the commodity than to make it. A quarter of a century ago the striking fact was revealed by the then Chancellor of the Exchequer that the profits taken by the directors and capitalists in distribution and transport, and actually returned for Income Tax, were then already *twice as great* as those of the proprietors and managers in all the great manufacturing and productive industries.[1] They have since

[1] Goschen's Budget Speech, 11th April 1892.

been greatly increased. It is on these common services, now so heavily loaded with unnecessary charges, that the success of our production depends. These are the real "key industries," without which the nation's industrial life cannot be maintained. Unless manufacturers can get cheap and speedy and uninterrupted communication and transport, they are as much hampered in their work as if they were taxed. Unless they can rely on a continuous supply of coal at a constant price, their enterprise is checked. *Our main proposition is that, instead of taxing production more than at present, we should meet the burdens of the war by untaxing it.* We propose that the Government should give to our producers all over the kingdom greatly improved services of communication and transport at lower rates than at present; and guarantee them an uninterrupted supply of coal at a definitely fixed price, without risk of increase. What we suggest is that one of the most effective ways of meeting the new burdens is to convert our present profit-seeking railways, our decrepit canals, and our somewhat somnolent Post Office into an efficient Public Service of Communications and Transport. We seek to show that this can be done without confiscation, without expense to the State, and actually with financial advantage to the Chancellor of the Exchequer. In the same way we examine the conditions under which the nation now obtains its coal; and we show that a Government Coal Department could, with actual profit to the Exchequer, furnish every industrial user with coal at not more than pre-war prices, guarantee an uninterrupted supply without risk of increase of price, meet the demands of the export trade, and give every householder in the kingdom the boon of coal at a fixed and uniform National Price of One Shilling per hundredweight delivered to cellar, no more liable to be raised than is the penny postage stamp. We propose that a large part of the burden of the war should be met by the Development of the Post Office, by the creation of a Public Service of Railway and Canal Transport and by the Nationalisation of the Coal

Supply. What is needed, in short, is a more deliberately purposeful and a more systematic organisation of the resources of the community.

But the heaviest part of the burden is the necessity for securing the redemption of the National Debt. All the developments that we propose will, we believe, not only earn easily all the interest charges that they will involve, but also yield some net revenue to the Chancellor of the Exchequer. But at his board there will now sit always the spectre of amortisation—the necessity for redeeming the colossal debt, or at least for making such substantial repayments to the investor as will enable the State once more to borrow freely and rapidly in case of the outbreak of another war. We suggest that, if it is thought necessary, for national defence, to pay off, within a decade, one-third of the "dead-weight debt," a special national effort will be required, in the shape of an exceptional levy of 10 per cent of the capital value of all property, payable by ten yearly instalments, and accompanied by some equivalent levy on the earned incomes of those without property, except such as are earning less than a prescribed National Minimum of Family Subsistence. But beyond this exceptional and transient levy, we do not think that taxes are required for a Sinking Fund. We show that help may be found in this connection, without detriment to any one concerned, in the Nationalisation of Life Assurance—by the merging of all the existing Companies and Societies in a State Insurance Department, which should guarantee all policies, existing and future; replace the present objectionable "Industrial" business (which amounts to a tax on the people of 18 millions a year for "burial money") by the simple addition of Funeral Benefit to the Benefits already provided under the National Insurance Act; and place some hundreds of millions of investments at the disposal of the Chancellor of the Exchequer. What is even more important, this Nationalisation of Life Assurance would bring in annually for investment, as an addition to the Life

Assurance Fund, some 15 or 20 millions a year—a steadily increasing subvention that would, year after year, enable War Loan Stock to the same amount to be taken out of the hands of the private investor. By the end of the present century the State Insurance Department might well come to hold the whole of the then unredeemed public debt, and be the only remaining creditor of the State.

What we offer is, *without asking the taxpayer after the first decade for any contribution whatsoever for this purpose*, nothing less than the redemption of the entire National Debt, colossal though it will be—including the nominal addition involved in the substitution of Government stock for the bonds and shares of the railway, canal, colliery and insurance companies taken over—by the end of the present century. Two hundred years ago, when Sir Robert Walpole was called in to devise means of meeting the indebtedness left by the South Sea Bubble, he found relief for the nation in dividing the burden between the Bank of England, the East India Company and the South Sea Company, each of which was put in a position, not only to pay the interest on its allotted share, but also eventually to redeem the whole liability. Somewhat in the same way we suggest that provision for the repayment of the whole of the Public Debt not otherwise redeemed can be undertaken jointly by the Ministry of Communications, into which the Post Office, along with a State Railway Department, should be developed, the Government Coal Department, and the State Insurance Department. We give reasons for believing that this can be done without any charge on the taxpayer.

Meanwhile we suggest a revolution in the Income Tax which should stop evasions and remedy the present unfairnesses, so as to enable the Chancellor of the Exchequer to obtain—without interfering with either the processes or the channels of trade, without hampering individual enterprise, and without lowering the Standard of Life—a greatly increased revenue with even less personal hardship than is at present involved. We propose to do this mainly by the

substitution, as the basis for assessment, of Family Income for the incomes of the several members of the family—by this device adjusting the burden carefully between those who have only themselves to maintain, the childless couples, and the parents of children. At the same time we propose to equalise and extend the graduation of the rate, so as to ask the father of a family living on a salary of £131 a year only for 1d. in the pound, whilst at the other end of the scale the impost on incomes over £100,000 a year would rise to sixteen shillings in the pound. The raising, for 1916–17, of the nominal rate to five shillings in the pound, without redressing the manifold unfairnesses of the impost, makes this "revolution" in the Income Tax more than ever urgent.

To some people the conception of a reorganisation of Great Britain, on the lines of a systematically developed provision of the best possible means of communication and transport, and a deliberately regulated production and distribution of coal—not to say the formation of a State Insurance Department—will be intensely repellent. They will be apprehensive of such an increase of State and Municipal enterprise; and they will resent the passing out of private hands of such opportunities of profit-making. To them we venture to appeal not to be hasty in the rejection of these ideas. To their adoption we believe that the nation must eventually come. Only by organisation can it stand. What we have to do is to see that we get State and Municipal enterprise without the dominance of Bureaucracy, and the advantages of public—that is to say of disinterested—administration without any loss of popular control. Of popular control we have, indeed, in these departments none to lose. Prior to the war we had no more control over our transport system or over our coal supply—even now we have no more over our Life Assurance—than over the tides: we have in each case the option of using what we find before us, or of doing without! But what it is important for such objectors to remember is that if the Government is not

permitted to adjust the burden of National Indebtedness in the way that we propose—if we do not provide for the redemption of the debt, as is here suggested, by the aid of the railways, the coal-mines and the growing accumulations of the Life Assurance Fund—some alternative way of repaying this huge sum must be discovered. That alternative, we suggest, will almost certainly eventually take the form, unwelcome though this will be, of direct taxation of incomes and property more severe than we have ventured to propose. If the debt *can* be paid off by a better organisation of Coal, Communications and the hoarded Capital of Life Assurance, without any one being a penny the poorer, would it not be better to try this course?

To those willing to consider our ideas, we would add that any value that there may be in these proposals may lie in their detail, and we have accordingly done our best, at the risk of wearying or confusing the reader, to develop each of them so as to indicate how exactly they would work. We have, for this purpose, obtained such technical assistance and expert advice in each case as was within our reach. In such a study it is impossible to avoid errors; and we can only say that we have done our best to check and verify our statements of fact, for which we have in most cases cited the authorities, and to probe and weigh our assumptions and estimates, which are the most consonant with the evidence that we have been able to obtain.

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I. Introduction

The British Post Office is far and away the biggest business undertaking in the British Empire; and it is none the less a business enterprise because it is a Government Department. It began with no capital, and (with the exception of 32 millions exclusively on telegraph and telephone account) it has no debt, although it now possesses many million pounds' worth of land, buildings and plant; and the enterprise, as a whole, which thus represents an extremely valuable national piece of saving, could certainly be sold, any day, on the basis of the annual profits, to an American or other capitalist syndicate for £100,000,000. It began by merely carrying a few letters for the King. It now performs dozens of different services for the use and convenience of the public, which we willingly buy at the price of nearly £32,000,000 annually; and no single purchaser at the Post Office shop ever doubts that he gets good value in return for his expenditure. Thus the £32,000,000 of Post Office receipts represents (unlike the revenue from Income Tax), not a deduction from our private wealth diminishing the amount of commodities and services that the individual can enjoy, but (like our purchases of clothes and books) merely an exchange in which the buyer gets what he considers worth the money. *The Post Office is therefore (unlike the Custom House) a producer of utilities, and (unlike our Public Health*

Departments) *actually of saleable utilities having a price in the market.* The more extensive its business—measured, of course, by the amount of service rendered to the public, not by the price that is exacted for this service—the greater is its productivity. What is here suggested is that the useful work that the Post Office does for the public can, at relatively low cost and with an immediate response in willing demand —representing an addition to the net revenue—be greatly increased. It is in this sense that we advocate the development of the Post Office as a real increase in national productivity.

II. The Post Office as the Common Carrier

The British Post Office began its work as a carrier of communications, and it is open to the criticism that, whilst it performs this service, now widened so as to include everybody's communications, very admirably—perhaps on the whole as well as any other postal administration in the world—it has been unduly slow to utilise the immense and ubiquitous organisation of its carrying service for new developments. With 25,000 post offices in the United Kingdom, and over 250,000 postal employees, there is necessarily a large amount of time and space, at one place or another, which is not fully utilised. Many post offices stand part of the day empty. Many postmen trudge great distances carrying very few letters. Many daily reports have to be filled up for very small sums. An increase in the variety of business, even more than an increase in aggregate revenue, not only means an increase in the amount of service rendered to the public, and thus in the gross productivity of the Department, but also, in so far as new kinds of business fall at different periods or places, almost always a rise in the "load factor," and thus, a diminution in the percentage of working costs to gross receipts. It ought to mean, also, a reduction in the percentage of central administrative and other standing

charges, and thus, in more than one way, an increase in net revenue.

(*a*) *Systematic Revision and Simplification of Postal Rates*

We say nothing here of the obvious advantages to be gained from a revision of postal charges, and especially of postal regulations (including those for the telegraph and telephone), in the direction of simplicity and uniformity. If the Post Office were looked at frankly as a business, which aimed always at attracting customers, we should recognise the commercial value of making its regulations positively alluring in their simplicity ; and of effecting every reduction of charge that would lead to a prompt increase in the trade. We need not repeat the striking arguments of the late Sir J. Henniker Heaton. The penny postage to the British Empire and the United States has quickly led to greatly increased business, and some incidental gains, although the profits have not yet attained to as high a figure as was latterly reached at the old rate. Would not penny postage to the whole world have many public advantages ?

(*b*) *Adoption of the newest and most effective Apparatus and Plant*

Nor is this either the time or the place to dwell upon the importance, in so large a business, of having the best appliances. The British Post Office is strangely slow to adopt underground pneumatic or other underground tubes for town transit (one at last under construction in London), with the result that the vast bulk of the mails are still dragged through the crowded streets of our great cities by the horse vans of three-quarters of a century ago,—even motor traction being still an exception in most places. Because it will not multiply the automatic machines for the delivery of stamps and post-cards, as yet installed in only a few offices, the Post Office has unnecessarily to

employ more desk-room and counter-clerks, and waste the time of the public kept waiting in the more crowded post offices to be served with single stamps.[1] Because it cannot or will not arrange with the railway companies (if that is the reason), it refuses (except in the few cases in which there are travelling post offices) to put letter-boxes on the trains, as nearly all other countries do; and fails to utilise railway stations as post offices, and even as places for the sale, by automatic machines, of stamps and post-cards. Because of Treasury parsimony, it denies the public the opportunities, offered in every other country at every large post office, of writing the letters that it stands waiting to carry; and the Post Office, instead of being as it usually is elsewhere, the largest and most prominent building in each neighbourhood, is often only a shabby office hidden in a back street.[2] Because it is not allowed to stipulate for additional concessions to the public, whenever a railway company comes to ask Parliament for new powers, the British Post Office submits, not only to failure to utilise for its purposes the railway stations and trains, but also to a continuance of such extortionate terms for the railway conveyance of parcels (55 per cent of the gross receipts

[1] In other European countries these automatic machines deliver, for the equivalent of a penny coin, either one penny or two halfpenny stamps, or two halfpenny post-cards. They have the great advantage of selling stamps all night and on Sundays, when post offices are closed. Such machines might be installed on steamships and corridor trains, at railway stations and (to relieve the counter-clerks) inside and outside offices which tend to be crowded. The District and Tube Railways have found such machines for delivering railway tickets very helpful in taking pressure off the booking-office clerks, and diminishing the staff required. They might eventually be combined with pillar-boxes, a line in which some promising experiments have actually been tried.

[2] The Treasury takes the view that, because the Post Office has a monopoly and people must make use of its services, it is unnecessary to incur the expense of prominent buildings in main thoroughfares. This is to ignore the fact that the extent to which people use the Post Office is not by any means fixed and invariable. More telegrams will be sent, and the public telephone will be more frequently used, more deposits will reach the Post Office Savings Bank, and more parcels will be brought to the post, if the offices are more easily accessible, and more ostentatiously brought to our notice. If it pays a Monopolist Railway Company, or a State Railway Department to advertise, it ought also to pay the Post Office.

from all parcels go to the railway companies, under an agreement which has not been revised for 33 years, though the terms of the Act of 1882 were due for revision in 1907) that it finds it is positively cheaper to transmit them hundreds of miles by coach on the road—as if there had been no cheapening of the cost of conveyance during a whole century! Because it will not anywhere run its own fast ships (as it actually once did), it has to put up with whatever charges the capitalist steamship lines think fit to exact.[1] Because, unlike the United States and nearly all other big postal administrations, the British Post Office is not allowed to print its own stamps, post-cards, postal notes, money orders, telegraph forms, and innumerable other printed matter—of which it is one of the very largest consumers in the world, spending a quarter of a million a year, with an assured, continuous and regular demand—it has to pay a large unnecessary tribute to profit to the great printing firms, which know, we may easily believe, how not to destroy their own profits by any lack of consultation before sending in their tenders.

All these obvious improvements, which any business man would suggest, and many others of similar nature, involve a certain amount of capital outlay, which any capitalist undertaking of like magnitude and potentialities would not hesitate to incur for the sake of future increase of profit. The British Post Office appears always to have been hampered in such matters by the practice of the Treasury of insisting that—apart from the telegraph and telephone purchase, and the construction of the new London "tube"—all improvements (not being lands purchased or the erection of buildings) should be paid for out of the Post

[1] The Italian, Belgian, French, German and Swedish Governments run their own lines of steamers in particular places, their post offices thus making themselves independent of the (largely British) shipowners. It is not suggested that the Post Office should, merely for the sake of the mails, run steamships everywhere; but only that it should be prepared to run its own line of steamships whenever it cannot get such terms for carrying the mails as it thinks moderate. The Admiralty might (in peace times) possibly lend fast despatch ships for such postal service.

Office receipts of the year; and then of offering resistance to any project which involves a diminution in the Post Office net revenue for the year! No business would advance if it could not make outlays on capital account, without regard to the immediate effect on net revenue. A wisely adventurous expenditure on Capital Account is indispensable if the British Post Office is to become even as profitable to the Chancellor of the Exchequer, let alone as useful to the public, as it might be.[1]

(*c*) *Development of Special Letter Services*

What the British Post Office rightly keeps mainly in view is the progressive improvement of its popular "general delivery" of letters, which has made it the most profitable Post Office in the world. But there seems no reason why it should not adopt the additional developments—especially those that have been successful in other countries—of special services for those who will gladly pay more than the cost of such extra conveniences. This additional revenue the British Post Office makes very little effort to obtain. For instance, the whole system of Express delivery for a special fee is, in this country, very imperfectly organised, and very inadequately made known to the public. It ought

[1] The adhesive postage stamp was a great invention of this country; but there are signs that we can now improve upon it. It involves no small cost in manufacturing the millions of stamps, and then in cancelling them. It takes one man eight hours merely to cancel the stamps on 5000 newspaper packets—letters are done at a greater rate—and now that "mail matter" has to be handled in millions this becomes a big item. Those having to post large quantities (*e.g.* of newspapers) and complaining that the Post Office fails to catch the mail trains, will be interested to know that the United States Post Office, in order to avoid the labour and delay of cancelling the stamps, sells to such large customers "precancelled stamps," which are overprinted with two horizontal lines between which is the name of the post office at which alone they will be valid, and valid once only. The New Zealand Post Office actually sells to the public self-registering franking machines, which work very satisfactorily.

Mechanical franking systems, accessible to the public (on the plan of the "penny in the slot" machines) will presently enable us to frank our letters at the moment of posting them. The British Post Office gave them a somewhat perfunctory trial in 1912, but abandoned them the same year, without explanation being afforded.

to be possible in every populous place for specially stamped letters—at fees adequate to repay, fully, the cost of the several services—to be (i.) immediately conveyed within a certain radius by special bicycling messenger ; (ii.) or sent on specially by first train, and specially delivered at the other end ; (iii.) delivered by special messenger after hours, or in the night, or on Sundays ; (iv.) or accompanied by a notification that the messenger will wait, if desired, for fifteen minutes to take back an answer, which will be specially transmitted back to the sender ; or (v.) for money sent by money order or telegraphic money order to be brought to the recipient's home (useful for invalids and distant places) ; or (vi.) for a messenger to come to receive a letter or parcel for transmission.[1] Nearly all these services have actually been started in a few places ; but they have neither been made generally available, nor adequately advertised. It is openly alleged, so far as London is concerned, that the slackness of the Post Office has been due to a tender solicitude for the rival interests of the District Messenger Service Company, Limited, the business of which ought to be taken over at a fair valuation. But it may be that the Post Office has hesitated because it, quite rightly, did not want to enlarge its staff of boys beyond the number that it could eventually absorb into its service as adults. Yet if the public is eager to buy these extra conveniences at fees that will cover the cost of the employment of grown men or women, there seems no reason why the public should not be given its conveniences, and the Post Office thereby increase its revenue and its profits.

[1] To name some only of the other conveniences offered elsewhere, (*a*) in Germany, Austria and Hungary, it is possible to get an express letter delivered to the addressee at any hour in the night, if he authorises it and the sender specially marks the letter ; (*b*) New Zealand has started a "Domestic Money Order," in which the cash (up to £5) is brought to the house of the recipient and paid over personally, for a fee of fourpence (invaluable to wives and lonely settlers unable to visit the post office) ; (*c*) the United States issues Money Orders payable at any office instead of merely at one prescribed by the sender. The Dutch Post Office sells foreign postage stamps, greatly to the convenience of those having to remit a few pence.

Sir J. Henniker Heaton used to estimate that a quarter of a million pounds a year could be made by these Special Delivery services alone. When peace comes, and unemployment, it would be a valuable service if the Post Office were able to enlarge its adult staff so as seriously to undertake this work. A suggestion for additional revenue may also be derived from the Italian Post Office, which charges a fee of a halfpenny on every letter addressed to a post office to be called for, this special convenience to the addressee causing extra work to the department.

(*d*) *Newspaper Delivery in Country Places*

Another extension of the carrying service of the Post Office, which has been extraordinarily successful on the Continent, is that of newspaper delivery. We do not mean the mere transmission through the post of a duly addressed and stamped newspaper, although this service is performed to a much greater extent by nearly every other great postal administration in the world than by that of the United Kingdom. What the Post Office undertakes, in many European countries, is to deliver regularly one copy of any periodical, without wrapper, address or stamp, to each of the subscribers, according to the list of names and addresses supplied. The necessary number of copies are sent in bulk to each postal delivery district, and the delivering postman distributes them from house to house, according to the list that accompanies the parcel. For this service, repeated as it is day by day, or week by week, an astonishingly low charge per annum can be made, and yet an appreciable net profit obtained by the Post Office. Most continental administrations cut the charge so fine that they are believed to make no profit out of this work. The advantage in the promotion of circulation of all sorts of periodical literature, in out-of-the-way and sparsely-peopled rural districts—to which, in the first instance, the experiment might be confined (leaving the towns to the multiplicity of private newsagents)

—will be at once obvious. At present the British Post Office sells no "season tickets"—it makes no reduction in charge for any regularly continuous use of its rural postmen. Such men now go great distances to deliver one halfpenny wrapper. It would surely pay to attract a continuous stream, monthly, weekly or daily, bringing twelve, fifty-two or three hundred payments during the year, even if each is of smaller amount than that for delivery of a single paper.

(*e*) *Extension of the Parcel Post*

The Parcel Post, started in 1883, is still limited in the United Kingdom to a maximum weight of 11 lbs. This is much too low. In the United States (where the Government does not own the railways) the Post Office now carries up to 50 lbs.: in Germany, Switzerland and other countries (where Government ownership prevails) up to as much as 1 hundredweight (112 lbs.).

And the British Postmaster-General, always hindered by the Treasury, has been unduly timid about rates. He charges 1s. for a parcel of 11 lbs. which the German Post Office will carry from Emden in North-West Germany to Transylvania, at the extreme end of Austria-Hungary—about twice the extreme distance in the British Isles—for just half that sum. Heavier packages are charged for, on the Continent, on a "zone" system, according to distance, but at rates no less moderate. The British rates to other countries are equally excessive. It was actually cheaper (down to the outbreak of war) to send parcels to the United States, and even to some parts of the British Empire, from Germany than from this country. Why should we thus handicap our own export trade?

It is difficult to exaggerate the advantage which an extension in weight and a cheapening in rates of the British Parcel Post would bring, not only to the private customer, but also to the agriculturist, the manufacturer and the trader, in town as well as country, in large places as well

as small. With an efficient Parcel Post, his remoteness from the railway station ceases to be a drawback; the distance at which his customer lives is no longer a consideration to him. He is relieved from the costly and utterly uneconomical system of each little producer maintaining his own means of conveyance. He is freed from subjection to a railway company; he is no longer hampered by "classification" in rates; he need fear no concession of "preference" to a trade rival. The return of "empties" by rail, and their collection from the distant railway station, is no longer a difficulty or a prohibitive expense.

It is not that there is any widespread desire to forward large consignments by post, or even to send regularly heavy packages where other means of conveyance are available. Even in Germany and Switzerland, it is reported, only a small proportion of the total Parcel Post—under 5 per cent—is in parcels over about 11 lbs. But the convenience, with regard to any ordinary parcel, of not being restricted in weight, of being able to send at all times and seasons, of being able, without question, to consign packages to any place whatsoever, and of being able to rely on security and on punctuality in delivery, are beyond dispute. The small producer or trader, or the dealer not accustomed to export to foreign countries, is relieved from the necessity of discovering how to transmit the occasional parcel ordered from a customer overseas. There is, in fact, an enormous difference in convenience and simplicity between using a State Parcel Post system, accessible at each of the 25,000 post offices, and undertaking without special instructions to deliver anything anywhere, at a few definitely prescribed rates, payable by stamps at the adjacent office; and finding out how to make consignments by railway and steamship, each separate place requiring a different route, different instructions, a different rate or agglomeration of rates, and a payment which it is often as inconvenient to render to a distant office as it is to discover how much it amounts to. It is suggested that no small part of the great development

of German trade has been due to its wisely liberal Parcel Post. *The German Post Office carries annually more parcels than all the rest of the European Post Offices (our own included) put together.* A large part of this service undoubtedly represents business that would not otherwise have been transacted.

It is suggested that the Treasury should no longer refuse leave to the Postmaster-General to decide (*a*) to extend the limit of weight for parcels, perhaps even to 1 cwt.; (*b*) that whilst the rate charged for those up to 14, or perhaps 28 lbs., should remain uniform for all distances within the British Isles, parcels from 14 or 28 lbs. up to 1 cwt. should be charged for on a simple zone system; (*c*) that the rates should be reduced to the German level of 6d. for 11 or perhaps 14 lbs., and the others in proportion; (*d*) that it might be stipulated, to begin with, that parcels over the present limit of 11 lbs. (which might well be extended to 14 lbs.)[1] would not necessarily be delivered on the day of arrival at the distributing office, but would go, any time within the next two days, by the first carrier-tricycle or postal cart that the office has available; and that parcels over 11 lbs. (or 14 lbs.) would not necessarily be collected or transmitted by the rural postman on foot journeys, but should either be handed in to a post office or would be collected by carrier-tricycle or postal cart or motor van on notice being given; (*e*) that all railway, tramway and motor omnibus administrations within the British Isles be put under definite obligation to carry, when required, Post Office parcels at prescribed rates at least as low as the lowest charged for any articles to the most favoured private customer; and (*f*) that the parcel rates to places beyond sea be revised and simplified, so as to be at least as low and convenient as those charged in any other country.

[1] Thus, there need be no risk of increased delay on parcels within the present limits, and therefore no interference with any trade that has grown up in perishable articles. Experience would soon show whether the new service was equally available for produce of particular kinds.

(*f*) *Lower Rates for Local Delivery*

It is often made a ground of reproach to the British Post Office that it does not, like those of France, Switzerland and other countries, charge a lower rate for letters to be delivered within the same city or postal district, which involve nothing beyond sorting and redistribution, without conveyance by rail. In London, at least, such a cheap local service could easily be afforded. But the policy of the British Post Office in sticking to the universal penny rate may be preferable as regards ordinary letters. There is less ground for this uniformity with regard to parcels, especially if the limit of weight is enlarged, and a zone tariff by distance introduced for the larger parcels. The case for a lower rate for parcels merely distributed within the same postal district is very strong. A uniform threepenny charge for parcels up to 14 lbs. posted and delivered within postal London would prove immensely useful, and probably immediately profitable—even if the Post Office "took over" the two or three large carriers who do most of this service.

(*g*) "*Collect on Delivery*"

There is, however, a further reform that would do more than anything else to promote the development of the Parcel Post, and both facilitate trade and add to the convenience of the public. This is the system of collecting, on the delivery of the parcel, the amount marked upon it. At present the British Post Office will deliver a parcel; unlike every other Post Office in the world, it will not bring back the price! The refusal of the Government (at the bidding of a few timid shopkeepers, who fear to lose their present advantages) to adopt the system of "C.O.D." (called sometimes "Trade Charges," or "Cash on Delivery," or in India "V.P.P." or "value payable by post") puts a greater limitation on trade than can easily be believed. In

practically all the other nations of Europe, in the United States, in India and nearly all parts of the British Empire, goods can be ordered from a distant trader, whether in the same country or not (*except that he must not be residing in this country*), without the trouble and cost of sending him in advance the price (the amount of which is often unknown), merely by instructing him to send the parcel "C.O.D." or "V.P.P." The agricultural producer, large or small, can develop, independently of the charges and commissions of the greatly suspected "market," a regular trade in butter and eggs, chickens and ducks, vegetables and fruit, at profitable retail prices; the manufacturer or trader in any part of the nation can advertise his own speciality to the public, and execute orders direct; the publisher or bookseller gets into direct touch with his customers all over the world; the shopkeepers, both in large towns and small, find a profitable new branch of business in the orders that pour in by post. It is said, that throughout the whole world in which post offices exist, it is only the British and the Chinese who are denied these advantages! To every other Post Office than our own the system appears simple enough: it is indeed no more than a combination of carrying a registered letter or parcel, and taking back a money order for the sum named. Whilst being a profitable addition to the British Post Office remittance business, bringing in a new stream of commission on the amounts remitted, at little increase in the cost of service, the system effects a real economy to the person needing to remit small sums. The steady expansion in the Parcel Post business that it would produce ought to be specially profitable, in that, by opening up new channels of trade, it would tend probably to an increase rather off the present main centres and lines of traffic, and thus raise the load factor. *What is even more important is that it would enable innumerable small business transactions to be made that would otherwise, in many instances, not have taken place.* The British Post Office not only refuses to us (except from some of our smaller colonies) the advantage of receiving parcels

"C.O.D." from other countries: with a few exceptions,[1] it will not even allow our traders, by *sending* parcels C.O.D. to their customers abroad, to take advantage of the service in other countries! This is another serious handicap on British exports.

But enough has perhaps been said of the opportunities for business neglected by our Chief Common Carrier. We pass to

III. The Post Office as the Common Banker

The British Postmaster-General is the biggest banker in the world, but he is also the most cramped in his operations, and the most limited in the services that he renders to his customers. In the Post Office Savings Bank—together with the so-called Trustee Savings Banks, which are now equally under Government supervision and constitute virtually an allied department—there are now over £260,000,000 of deposits, repayable on demand, being about one-fifth of all the banking deposits in the whole kingdom.[2] This banking business has become extremely profitable to the Government, which gets the use of the huge sum lent by the poorer classes at little over 2 per cent interest, as compared with 4½ or 5 per cent which it now pays to its capitalist creditors. But owing to the jealousy of the capitalist banks, which do not like this Government competitor, the Postmaster-General is checked at every turn

[1] We are permitted to send parcels C.O.D. to the West Indian Colonies; to Egypt, Cyprus, Gibraltar, Malta, and Morocco; to Hongkong and Sarawak, to Rhodesia and Nyasaland, to Fiji and the Gambia, to the Straits Settlements and the Seychelles—but not to Australia, New Zealand, Canada, the South African Union or India (although these have the system in force within their own areas); *nor yet to any Foreign Country*—as if to discourage our export trade—although Foreign Countries all develop the system to the utmost.

[2] The Trustee Savings Banks now have 72 millions of deposits, held by two million depositors. The Post Office Savings Bank alone has 190 million pounds of deposits, estimated to be held by over nine million separate depositors. The next largest bank in the United Kingdom is the London City and Midland which has 147 million pounds of deposits, which it is estimated are held by fewer than a quarter of a million separate depositors.

in expanding his business in such a way as to increase the services to the public, and at the same time earn a larger profit. In the bank kept by the Postmaster-General no one is allowed to deposit less than an even shilling. No one (other than a Trade Union, Friendly or Charitable Society etc.) is allowed (why?) to deposit more than £50 in any one year. No one (with similar exceptions) is allowed to increase the balance to his credit above £200. The Postmaster-General himself complains that he is steadily losing business to the extent of £100,000 a year by transfers to other Savings Banks not subject to this ridiculous limit. (Imagine any other banker arbitrarily limiting the amount deposited with him!) These absurd restrictions have been temporarily suspended for the duration of the war. They should be forthwith definitely abolished.[1]

(*a*) *The Postal Cheque System*

No one having an account with the Postmaster-General as banker is allowed to draw a cheque upon his account, as he would on a current account with any other banker. Ever since the last century Post Offices elsewhere have given their customers this convenience. In Austria-Hungary, for instance, since 1896, any depositor having a balance of not less than £4 may obtain a cheque-book, by means of which he can draw against his account, and thus pay his bills by cheques for any amount up to £500. Any one wishing to make a payment to him may pay it in

[1] Moreover, all sorts of restrictions—unknown to an ordinary banker—are placed on what may be paid in. A Money Order will only be accepted as a deposit at the particular post office at which it is made payable, though any other banker will accept it anywhere. Scotch cheques are not accepted in England and Wales (though they are in Ireland). Scotch banknotes (being apparently worse than cheques?) are accepted in Scotland only, and Irish banknotes in Ireland only. Cheques on banks in the Channel Islands and the Isle of Man are accepted only in those places. Cheques on foreign banks are refused everywhere. No coupons or dividend warrants are accepted. Bills of Exchange, even if payable on demand or at sight, are refused. Why should not the Postmaster-General accept all these lawful forms of currency for collection, like any other banker?

to his credit at any post office. He is advised by post of every amount debited and credited to his account. An even cheaper way of making payments is by mere transfer from one account to another. This is effected by filling up a treble transfer card (these are supplied in books at a halfpenny each); one part being handed in at any post office; the second part, which the Post Office stamps, serves as a receipt; and the third part is available for sending, free of postage, to the person to whom the payment is to be made, as notification that the sum has been placed to his credit.

But this extended use of the Post Office Savings Bank is even more useful to societies of all kinds, and their members, than it is to individuals. In Austria, Hungary, Bosnia, Herzegovina, Germany, Switzerland, Belgium, Luxemburg and Japan any member of a society allowed by law, such as a Trade Union or Friendly Society, Insurance Office or other association, can pay his subscription, whether large or small, weekly or annually, at any post office in the kingdom, *without charge to either society or member.* The amount is simply credited to the account of the society; and the Central Post Office supplies the society daily with a list of the amounts paid in to its credit on the day before yesterday at all the post offices in the kingdom, with the names and addresses of the payers—thus saving all the buying of postal orders, all the despatch of letters, all the burdensome opening and sorting at the head office of thousands of communications, and all the risk of loss and mistake. Such a system would save literally thousands of pounds a year to many of our large Friendly Societies and similar organisations. The Post Office elsewhere gets the profit of handling this constant stream of deposits. Our Post Office refuses it.

In Austria all societies of every kind, practically all business firms large or small, and many thousands of heads of households, rich or poor, use this Post Office banking system, of which the transactions run into (literally) *thousands*

of millions of pounds annually; because (unlike any other bank) it puts them all in direct financial communication with practically every other depositor in Austria—just as the Government telephone puts us in speaking communication with every other telephone user. The same system has been adopted in Switzerland (1906), Germany (1909) and Belgium (1913); and an international agreement, concluded in 1914, makes all these countries (in times of peace), for postal cheques and transfers, one country only. Thus, from Geneva to Memel, from Ostend to the last village in Transylvania, the poorest as well as the richest person enjoys the utmost facility for safe, cheap and expeditious remittance. Even distant Japan—more up-to-date than our own country—adopted the same system in 1906. In Austria the number of postal cheque accounts open now reaches nearly 150,000, and the numbers in Hungary and Germany are rapidly approaching 100,000 each. The Central European Post Offices in alliance for this service, from Ostend to Serajevo, have now altogether some 300,000 holders of current accounts in financial intercommunication, with a yearly turnover of postal cheques aggregating something like six thousand million pounds sterling! This is a national and international convenience, from which this country is excluded. Even during 1915, a year of war, the German postal cheque business continued to increase, showing an aggregate turnover of 2350 million pounds sterling in the year (47 milliards of marks), being a rise of 26 per cent over 1914.[1]

It may be said that, by the adoption of the postal cheque system, the British Postmaster-General would

[1] Thus, the German Post Office receives on its postal cheque service over a million pounds a year in special revenue, and spends just about half of this in special expenses. It is estimated that the charges for the incidental postal services would have amounted to about a third of the revenue, and that the money order commission that would otherwise have been earned may amount to one-seventh thereof. An additional net gain is reported, over and above the additional business secured for the Post Office, of about 5 per cent of the special revenue, equal to about £50,000 a year.

jeopardise and diminish the profit that he now makes on Money Orders and Postal Notes, and even some of the revenue that is derived from stamps on cheques. But the twenty years' experience of Austria, and that of the other countries for shorter periods, show that the Government revenue gains still more by the charges, however trifling, made on the postal cheques, by the increase of the savings bank deposits and by the diminution in working expenses which its simpler system permits.

(*b*) *Increase in the Rate of Interest*

The Treasury compels the Postmaster-General to take an unfair advantage of the depositor in the Post Office Savings Bank, in refusing to allow any higher interest to be paid than $2\frac{1}{2}$ per cent. (In practice the interest credited amounts on an average only to $2\frac{1}{3}$ per cent, owing to various nibblings.)[1] Such a rate may have been reasonable when Consols paid only $2\frac{1}{2}$ or 3 per cent; but it has become grossly unfair now that the rate at which the Government borrows has nearly doubled.[2] The Postmaster-

[1] No interest is credited on any balance smaller than £1; none is credited in respect of any broken calendar month (meaning, in practice, the loss of between one and thirty-one days' interest at each deposit and each withdrawal); none is credited for any excess over £200; any fraction of a penny is withheld from the depositor. All these nibblings from the skimpy $2\frac{1}{2}$ per cent result in the aggregate amount credited as interest being only $2\frac{1}{3}$ per cent on the average aggregate balance.

[2] It is sometimes objected by financial purists—usually connected with rival interests—that the Post Office Savings Bank is unsound, and would, if expanded, become dangerously unsound, because the Postmaster-General keeps no gold reserve, and could not meet a "run." This objection, as the Post Office experts rightly declare, is demonstrably invalid, alike in theory and practice. The Postmaster-General, far from keeping no reserve, has at his disposal (*a*) the quite extensive "till money" of his 25,000 post offices; (*b*) the Government balance at the Bank of England; (*c*) the daily receipts of Government revenue from Customs, Excise and Taxes, which could instantly be diverted from the Bank of England; and (*d*) in case of need, the unlimited issue of Treasury Notes or Bank of England notes, which are legal tender and have always been willingly accepted even in the worst panics. But there is all the difference in the world between the bank of the British Government and a private capitalist bank. Experience shows, in fact, that the Post Office Savings Bank is little subject to "runs," even in times of panic. Withdrawals in excess of deposits

General ought to be permitted to raise the rate of interest to 3, if not to 4 per cent; to accept deposits of any amount, from a penny upwards; and to remove all restrictions as to maximum deposit.

It may be said that the Post Office Savings Bank allows withdrawals without notice, and (whilst it refuses the convenience of cheques) keeps what are virtually current accounts; and that capitalist banks do not allow interest on current accounts. It is true that the principal London banks do not (except to important customers) allow interest on current accounts; but the practice is quite common in provincial towns. In fact, nearly all the principal London banks allow interest on current accounts of specially powerful customers, and some minor banks in the metropolis, and many others elsewhere, allow it to all customers. Moreover, it would probably be desirable for the Savings Bank to require notice, say of a week, for withdrawals exceeding £50, and of a month for withdrawals exceeding £1000. Such a regulation would convert the account, so far as any but small sums are concerned, into a deposit account; and on deposit accounts even the British banks allow interest to the humblest depositors.[1]

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are due, not to panic, but almost entirely to a temporary need for more currency (as in the week after the outbreak of war and at normal holiday seasons); or for investment (as on the occasion of the Second War Loan). It must be remembered that withdrawals are made without notice only up to £1. For all above that sum, the despatch of the withdrawals form amounts automatically to a couple of days' notice. For sums over £50 a week's notice might, for greater security, be stipulated for—even for sums over £1000, a month's notice—but it would seldom be necessary to enforce it. The introduction of the Postal Cheque and Transfer systems, which would make most withdrawals—in Austria and Switzerland already 60 per cent—mere transfers from one account to another, would still further diminish the need for reserves.

[1] The British Post Office refuses (in its banking and remittance business, though not in its postal and telegraphic business) to deal in halfpennies; and (in all departments) in farthings. It is believed to be the only Post Office in the world that thus cheats its customers out of legally authorised coins of the realm. It would be worth enquiry whether the consequent saving in account-keeping is really worth the discredit in which this invidious practice involves the Postmaster-General. The poor Irishwoman who loses two or three farthings out of the money order for a few shillings remitted by her daughter in America, or the man who presents a postal order made up by stamps to 1s. 10½d., has a right to

The British Government can now find the safest possible investment, at all times, for practically any amount of Savings Bank money, in steadily redeeming its War Loans, at $4\frac{1}{2}$ or 5 per cent interest. It is financially to the advantage of the Exchequer to get the largest possible credit balance in the Savings Banks, even if it pays 4 per cent on it.

(*c*) *Development of the Banking and Remittance Business*

What is wanted, in fact, is to get rid of the notion that there is something special and exceptional in the kind of bank that we choose to call a Savings Bank; or that the Government is doing any favour to "the poorer classes" in running this extremely profitable business. In the United Kingdom the Post Office Savings Bank, like the public elementary school, was originally started, not as a proper and essential function of Government, but as a work of philanthropy. Like the whole development of the Local Education Authority, the Post Office Savings Bank is still often regarded by persons of the "upper class" as in the nature of "charity," akin to Poor Relief. This conception has to be got rid of. In other countries every class, the richest as well as the poorest, uses the Post Office Bank, just as it uses the other branches of the Post Office, because of the public service that it renders. Thus, the whole business of remittances by post need to be rehandled, and to be treated not as a facility specially granted as a favour to those wishing to remit small sums, but merely as a profitable incident of the largest and most widely distributed banking business in the world. The Money Order and the Postal Note have, indeed, already become, to a large extent, merely a form of cheque. *About one-fourth of all the Money Orders issued in the United Kingdom*, together with

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feel aggrieved when he is robbed of the odd money, and told that "the Post Office does not deal in halfpennies," when, at the same moment, it holds out its hand for a halfpenny for the post-card by means of which the recipient acknowledges receipt!

a steadily growing proportion of the Postal Notes, are now paid through banks, like crossed cheques. Instead of the unnecessary complications of the Money Order and the fixed amounts of the Postal Order, there seems no reason why every Post Office transacting Savings Bank business should not issue on demand, in return for cash down, a Post Office Draft for any amount desired, payable at any other such Post Office in the United Kingdom—just as any banker will, at any time, gladly sell such a draft on any of his branches.[1] Seeing that the Postmaster-General enjoys in each case the use of the money between the date of obtaining the draft and the date of payment—this being equivalent to the *permanent* use of an amount equal to the aggregate of such sums in transit on the day of least business—the gain from interest would be certain and considerable; and probably only a small charge for commission would need to be made, even for drafts payable at sight. But the convenience of the public should be studied. If the remitter is willing to take the draft at seven or fourteen days' date—in many cases such a delay would be quite immaterial—the Post Office, enjoying the use of the money for the longer period, ought to be able to supply the draft at an even lower rate of commission than if it were payable on presentation—perhaps even for the mere cost of a revenue stamp.

There seems no reason why any limit whatsoever need be set to the amount or to the term of the drafts thus sold for cash; although it would probably be convenient to limit the offices on which drafts of any considerable amount could be drawn for payment at sight, to those usually having sufficient "till-money" (*e.g.* the chief offices in the large towns). Notice of the issue of any draft at sight for an exceptional amount could easily be officially telegraphed; whilst notification could be made by post of all drafts payable only after so many days.

[1] Such a draft could, it need hardly be said, be adequately protected against forgery, or fraudulent alteration of its amount, by use of up-to-date methods of watermarks, perforation etc.

The present embryonic system of telegraphic remittances, as yet little known to the public, should be developed on similar lines, without limit of amount or distance.

(*d*) *The Traveller's Letter of Credit and Circular Notes*

It would be of great convenience to the mass of humble travellers up and down the country, who have not got banking accounts and are exposed to constant risk of losing their journey money, if the Post Office would issue Letters of Credit, just as capitalist banks do for substantial sums. The need is not sufficiently met by the permission to withdraw up to £1 on demand from a Savings Bank account. The German Post Office issues, for cash on demand, a Letter of Credit in the form of a neat stiff-covered booklet, available for four months, entitling the owner, on proof of identity, to obtain payment at any post office within the Empire, of one or more of the ten coupons (which may be for 5s. each, or for as much as £15 each) which the booklet contains. For this convenience the charge is sixpence, together with a penny or two for each coupon cashed. This is found of great use to hawkers and pedlars, to artisans on their travels, to workmen sent to distant jobs, to agents and commercial travellers, and to tourists and holiday-makers. The Italian Post Office started a similar system as long ago as 1873, but has not developed its use.

IV. The Post Office as Common Debt Collector

But the ubiquitous Post Office organisation can be equally well used for the collection of sums due, as for the transmission of remittances. If a firm or a society has to collect a hundred or a thousand sums from creditors or members situated all over the kingdom, it is as extravagantly wasteful for the firm or society to make separate application to each of them, whether personally or by letter, as it would

be for the sender himself to carry the application to them. Yet this is what has to be done in this country; and, among the great European States, *in this country only*! For over a quarter of a century other Post Offices have, to their own exceeding profit, done the public this debt-collecting service and saved them great expense. In 1897 the service was even made reciprocally international—the United Kingdom, Sweden and Denmark, alone among European countries, standing out!

We may describe the system as it works in France, where it is called *service de récouvrements.* The trader or doctor who wishes to apply to his customers or clients for the amounts they owe, the society wishing to collect the contributions due from its members, the newspaper or journal desiring to obtain renewal subscriptions, hands in at the nearest Post Office a list of the persons to be applied to, their postal addresses, and the several sums due, together with a receipted invoice for each amount. This invoice is enclosed in a sealed envelope (any number of invoices for sums due from the same person being permitted), for which 2½d. must be paid. One account, or any number of accounts, will be thus collected, up to a maximum of 1000 francs (£40), for any one debt. If the debtor is not at home when the postman presents the invoice, it will be presented again. If it is not then paid, the postman deposits it at the local Post Office, where it is held at the disposal of the debtor for forty-eight hours, in case he chooses to call and pay. The sums collected, for which the Government accepts complete responsibility, are remitted back to the Post Office of origin, which transmits the total sum (less the commission) to the trader or doctor, society or newspaper, accompanied by the original form, now marked by the Post Office so as to show which persons have paid, and which have refused (with the receipted invoices returned in the latter cases). The cost is 25 centimes (2½d.) paid in advance for the stamped envelope enclosing the invoice for each person to whom application is to be made, together with a commission

deducted from the amount actually recovered at the rate of 30 centimes per 20 francs, but in no case more than 50 centimes (3d. per 16s., with a maximum of 5d.). Bills of exchange or other accounts payable on a fixed date may be thus presented, if given to the Post Office five days beforehand (a fee of 10 centimes being charged on any bill not honoured on presentation).[1]

We need not dwell on the enormous advantage and economy of such a system to all persons having numerous small debts to collect; of the great saving it would effect to all kinds of organisations; of its utility to scientific and other periodicals that now find circulation so difficult; of the convenience it would be to persons having periodical contributions or subscriptions or premiums to pay; or on its use in preventing the arrears and defaults, and failures to renew, that are now so common.

This valuable service is now available to every person, or firm, or newspaper, or society in Europe, for the collection of sums due from persons residing anywhere between the Arctic Circle and the Mediterranean—with the exception, not very creditable to ourselves, of the United Kingdom, together with Sweden and Denmark only. The Danish Post Office, though not having such a service of its own, gladly enables the Danes to make the fullest possible use of the service of other countries, and thus secures great facilities for them in Germany. We are not even allowed, in this country, to make use through our own Post Office of the *service de récouvrements* of France, or any other country, for the collection of debts due from persons living in such country, although its postal administration is quite willing to enter into the necessary arrangements.

[1] If the service were worked in connection with the Post Office Bank, and with its Remittance business, further economies and facilities could be arranged. The Post Office would save much of the cost of transmitting the sums collected, as they would fit in with its Remittances, and involve only reciprocal credits; whilst the firm or society getting its debts paid would find the sums credited to its Post Office Bank current account.

V. The Post Office as the Common Investing Agency

All the capitalist banking concerns offer their customers facilities and conveniences of various kinds, usually without charge, the bank getting its own profit out of the transaction. The Post Office Bank—the bank of the poor man—blindly refuses him these advantages, and thereby diminishes its own profit.

(*a*) *Safe Custody of Securities*

Thus, any bank will take charge of its customers' securities, keeping them in safety and undertaking to get the coupons, interest or dividends paid at the proper dates, crediting these receipts automatically to the customer's account. There seems no reason, except the inertia of stupidity, and the obsession that a Savings Bank is a charity for the poor, why the Post Office Bank should not do what every other bank does—even if it thought fit to make a special charge for this service—and thus extend to the mass of the people (who have nowhere to keep their bonds or shares or stock certificates safely) the advantages enjoyed by the middle and upper classes.

Under the stress of war, the Postmaster-General has now agreed to take charge of the new $4\frac{1}{2}$ per cent Exchequer Bonds for its Savings Bank customers, but no other securities —not even other securities of the British Government. There seems no reason why this temporary and particular concession should not be made permanent and universal. The French Post Office does it, the Dutch Post Office does it, the Portuguese Post Office does it, even the Indian Post Office does it. The British Post Office not only refuses (except as above) to take care of securities, and credit the dividends as they fall due (a service for which the thrifty Portuguese Post Office charges 1 per cent on the amount

thus collected): it refuses even to let a Savings Bank depositor pay in to his account for collection the coupons which the depositor has himself cut from his own bonds! This is done by the Austrian, and indeed, by many a foreign Post Office.

(*b*) *Investments for the People*

Ordinary banks are glad to undertake to buy or sell all Stock Exchange securities for their customers, who thus get the advantage of complete security, and of never having to carry about the documents, whilst they are charged only the regular brokerage rates. The Post Office Bank flatly refuses to do anything of the sort, although the service is one greatly needed in remote country districts, and by the poorer classes. The British Post Office will not even act as an agent for the purchase and sale of British Government securities, except to a limited extent, under special conditions and severe limitations.[1] At any Portuguese post office, to name only one example, the public can buy or sell Portuguese Government stock at the price of the day on the Lisbon Stock Exchange. In France every post office puts up each morning the prices at which it will buy or sell the well-known *rentes*, corresponding to our Consols; and the transaction is carried through over the counter as a matter of course. From every post office throughout France is telegraphed daily to Paris the amount of *rentes* locally bought or sold; and *the Government broker simply buys or sells on the Paris Stock Exchange the net balance of these innumerable local dealings.* Why cannot this be done in the 25,000 post offices of the United Kingdom, with regard, at least, to the War Loan?

[1] This is done (*a*) only for Savings Bank depositors; (*b*) only in Consols and Annuities, Local Loan and Guaranteed Irish Land Stock and War Loan, not even in other British Government securities such as Local Loans Stock and the Egyptian and Turkish Guaranteed Loans; (*c*) only up to £200 in any one year (why?); (*d*) only up to a total amount of £500 (why?).

(*c*) *Increased Activity in obtaining Deposits*

Any such development of the Post Office banking business would, of course, be combined with a corresponding increase in the number of Post Offices doing Savings Bank business and in the size of their premises and staffs. At present nearly 10,000 of the 25,000 post offices are not allowed to do banking (or even Money Order) business. There are literally tens of thousands of villages and hamlets without any easy access to the Post Office bank—the children cannot go to the adjacent town to bank their little savings, the wives can seldom go, it is not made easy for the men to save any part of the wages they receive. An extension of popular banking facilities, first to the 15,000 post offices at present prevented from undertaking it, and then to the thousands of hamlets and clusters of cottages where there are people but as yet no post office—there are 50,000 letter-boxes, at least 10,000 of which are in places without post offices, outside urban areas. In every village in Egypt without a post office the local tax-collector acts as an agent for the Post Office Savings Bank. In the United Kingdom it would be worth considering whether, where there is no post office, use could not be made (*a*) of the county policeman; (*b*) of the elementary school teacher at specified hours; (*c*) of the Coastguard station; (*d*) of the letter-carrier on his rounds—at any rate to receive deposits which would be promptly acknowledged by post.

But the Post Office Bank ought to do much more than maintain offices to which people can take their savings: it ought to be supple and alert in its organisation; quick to discover and imagine where new deposits can be attracted; eager to open a new (perhaps only temporary) office, or to send an official specially to receive the money, whenever a ship's crew is paid off, at every big factory or works outside the window where the men are actually paid, on every rural market-place at which money changes hands, even late at night in the street markets of London and the great

towns,[1] and on the quay where migratory labourers are embarking; pressing every Government Department and Local Authority in the kingdom to let it open an account for every public employee, on which he could draw the smallest cheques, and to which his salary should be automatically credited month by month; offering the same facilities to capitalist firms, and thus save them all the cost and trouble and risk of payment in cash;[2] receiving in lumps and crediting individually in the same way all public educational scholarships; insisting on every school, and not merely some of them, having its school bank as an auxiliary to the Post Office Bank. Imagine how Selfridge or Harrod would be advertising such a profitable business! With what energy and resourcefulness it would be pushed by Lipton or Lyons!

If the Post Office Bank were run on these lines it may be confidently predicted that the total of deposits would quickly be doubled or trebled in amount; the Government would find annually lent to it in the cheapest way the many millions of pounds that it will need after the war for redemption of the onerous War Loans; the number of depositors would come near to that of the census population; the fact that practically every adult, rich or poor, business man or farmer, wage-earner or landowner, found it easy and

[1] It is one of the difficulties of the costermonger and street trader, as it is of the small shopkeeper in the "late shopping" streets, and of the licensed victualler, that no bank is open to receive their takings after 4 P.M. in London (now 3 P.M.) —Saturdays 1 P.M.—and in country places often a much earlier hour. The Postmaster-General might well try the experiment of offices—perhaps travelling vans—in special localities, whether shopping streets or market-places, factory pay offices or shipping quays, open to receive deposits at the abnormal times that the local business demands.

[2] The London County Council (which wisely uses the Post Office Savings Bank as the medium for the payment of all its scholarships) actually sends round clerks in taxicabs to pay all its 20,000 teachers in the elementary schools their monthly salaries in *cash*—transporting about the streets of London in this way about two millions sterling each year in notes and metallic money—in the twentieth century, in the banking centre of the world, *where there is a branch bank to every two schools*! The Postmaster-General might, at least, press for permission to open current accounts for all these teachers, receive their salaries and give them cheque-books.

convenient to have a current account at this one ubiquitous bank in which he knew that practically every one with whom he dealt had also an account, would allow of a progressive economy of metallic currency; the number and amount of Post Office cheques and transfers, of Post Office remittances and debt collections would grow by leaps and bounds; the business of every shopkeeper and trader would be augmented; the amount and security of the people's savings would be greatly increased; the circulation of periodical literature of all sorts would be assisted—all to the ever-growing profit of the Post Office revenue.

VI. The Post Office as the Common Remittance Market of the World

But the remittance business of the Post Office is destined to an even greater expansion. One of the most important needs revealed by the outbreak of war is the creation of a Government Currency for International Remittances, in place of the present almost universal dependence on the bills of exchange drawn by private traders of varying and uncertain credit, and on the drafts and finance bills of the capitalist bankers, the amount and price of which are under private control. The present system (i.) enables an unnecessary toll to be levied, and a very large profit to be reaped, by a small number of financial establishments; (ii.) puts the world's trade and finance, as well as the family remittances of millions of poor people, at the mercy of a few hundreds of individuals who may occasionally act from political motives, or may combine to manipulate the remittance market for their own greater profit; and, above all (iii.) by the extensive adoption of the plan of "acceptance on foreign account" by a score of British financial houses, puts the British Government in the position of having, in any great emergency, to find an enormous sum (in August 1914 it was about £150,000,000), in order to save the City of

London from bankruptcy, not because its financial houses were not really more than solvent, but merely because of the international remittance obligations undertaken on behalf of foreign firms, which suddenly found themselves, *owing to the lack of any medium of remittance*, literally unable to send money to London to fulfil their obligations. In the first week of August 1914 it was actually impossible, in many parts of the world, to buy a draft or telegraphic transfer on London for any sum exceeding that of a Money Order, even for money down.[1] This will inevitably happen again at any new European convulsion, unless some fresh form of international remittance, independent alike of private commercial credit and of foreign obligations, can be adopted. Just as it is recognised to be an essential function of every Government to provide its people with a Government currency for home use (whether coin or paper), independent of any private capitalist, so, we now suggest, it is an essential function of all the Governments in concert to provide their peoples with an equally independent, and an equally safe and stable currency for international remittances, great or small.

This is already done to a relatively small extent, as regards inconsiderable amounts only, by all the 103 postal administrations of the world, under arrangements concerted in the International Postal Union. The Post Offices in every country sell on demand Money Orders payable in practically any other country, at rates of exchange which do not fluctuate from day to day, but are revised by mutual consent only at intervals of years. These money orders are

[1] The same thing happens, occasionally, when it is desired to remit from London. In 1893, when all the Australian banks were temporarily in difficulties, it was for a short time actually impossible to buy in London any means of remittance to any place in Australia. A similar failure of the private remittance market not infrequently occurs with regard to remittances to remote or disturbed localities. Moreover, these remittance facilities are everywhere limited to places where banks exist—a far more limited field than that of the post offices. There may possibly be as many as 100,000 banking branches in the world; but there are probably over 400,000 post offices in the International Postal Union penetrating into much smaller centres.

literally Government Bills of Exchange, independent of the vagaries either of commercial credit or financial manœuvres.[1]

But the means of international remittance thus created by the Post Offices of the world—though used to the extent of many million pounds a year in the aggregate—are at present hampered and limited. The British Post Office, for instance, refuses to issue any one foreign Money Order for more than £40 (though it seems as if there is no regulation to prevent any person from applying simultaneously for as many as he pleases!). It charges an absurdly high rate of commission on each order—far in excess of the cost of remitting by a banker's draft—and thus penalises the humble folk desiring to send money to relatives over-sea. The Austrian, the Hungarian, the Swiss, the German, the Belgian and the Japanese can remit to each other, by Postal Cheque, such a sum as £40 for about 8d. *The Englishman is charged by his Post Office just about eight times as much!*

Our cumbrous, limited and costly Foreign Money Order system ought to be superseded by a simple arrangement of Government Drafts on the Post Offices of other countries, issued on demand up to any amount, at rates of commission comparable with those which yield a substantial profit to the capitalist banks.

Why should not the British Post Office take the lead, and either include in the Treaty of Peace, or at least lay before the next Congress of the International Postal Union (which has been postponed until after the war), a definite proposal for the creation, by the 103 postal administrations of the world, or by such of them as come into the scheme, of an effective means of unlimited international remittance on the following lines:

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[1] There is even the tiny beginning of an International Government Bank Note, in the coupon of the value of 2½d. now issued in nearly all countries, and redeemable within any other country in local postage stamps of equivalent value. It is characteristic that at present no less than 20 per cent commission is charged for this simple service, 100 such stamps worth only £1 : 0 : 10 not being obtainable under £1 : 5s. (3d. each).

(*a*) Every post office in the world to issue, in return for cash, drafts of any amount, payable in legal tender currency of the paying office at any designated post office in the world. (For practical working, it would doubtless be convenient to restrict the issue of drafts of more than a small amount to post offices of a certain magnitude; and, at first, at any rate, it would probably be necessary to make any drafts of large amount payable only at the Central Post Office in the capital of the country; though nothing need prevent that office from announcing that it will exchange such a draft on presentation, without charge, for another on any other post office within the country.)

(*b*) The International Postal Union, itself guaranteed by the Governments of all its 103 constituent postal administrations, formally to guarantee the payment of all the drafts thus issued.

(*c*) Every postal administration to undertake (relying on the prompt settlement of all balances, and on the above guarantee) to meet in local legal tender currency the drafts thus drawn upon any of its post offices.

(*d*) Current accounts to be kept between all the postal administrations, and balanced quarterly, monthly or even daily by the Bureau of the International Postal Union at Berne,[1] each postal administration undertaking to telegraph at the appointed time, quarterly, monthly or, for that matter, even daily, the figures necessary for the making up of its account current; and to remit immediately, in gold or its equivalent, any net balance due by it on the aggregate of its current accounts.

(*e*) If, in any momentary excess of drawings on a particular country, its Post Office found itself embarrassed by a lack of currency to meet all the drafts, its Government to undertake to make immediately any necessary issue of Government or other legal tender notes, so as to enable

[1] For the purposes of the world remittance business, it would probably be convenient for a sub-office to be located in London; or for the Union's banking account to be kept there.

the Post Office to meet its obligations in legal tender currency.

(*f*) If in any contingency a postal administration, though having received the money locally, found itself unable to make a remittance in gold or its equivalent to the Bureau of the International Postal Union of the amount due on balance by such administration, its Government to undertake, if required, to place it immediately in credit at Berne or London, by floating a loan or otherwise.

It may be desirable at this point to allude to certain obvious difficulties in this project, and to describe how they could be surmounted.

One of the obstacles which has prevented international action in the past is the element of time. Any delay in communication would make such a scheme of international remittances onerous and risky. Between the dates of selling the draft, of being informed of the balance due, of the remittance of the necessary sum by post, and of its receipt—if intervals of months, or even of weeks, elapsed—the whole course of exchange might have seriously altered, and considerable loss might be incurred. But in the twentieth century, with hourly communication all over the world by cable and "wireless," no such delay is necessary, and none should be tolerated. The whole series of transactions can be carried through in a few hours; and as the balances of the several countries would equally be made up from telegraphic advices, they could be adjusted every week—even if desired every day—as easily as all the hundreds of millions of pounds of transactions of the London Bankers' Clearing House are adjusted every evening.

If it is felt that some States are not to be trusted to remit punctually the balances due by them week by week, or day by day—or, indeed, if it is felt that remittances of this sort, which would be required every day by one or other of the participating administrations, would be troublesome and sometimes costly—it would not be difficult or expensive for every State to be required, as a

condition of admission, to put itself, at the outset, in credit in London or Berne, up to an amount well in excess of any probable adverse balance of ordinary character. Such an aggregate deposit, shared in by every participating administration, could be retained by the International Postal Union—not necessarily in the sterile form of an International Gold Reserve, though this might have advantages, but as an investment made in the name of the International Postal Union, on which interest would be earned and credited proportionately to the several States. It might be arranged that such a deposit from each State should be regarded as being in two parts. One would be the irreducible minimum required by way of ultimate guarantee, below which no State should be permitted to let its credit balance fall. The other would be a sum lodged merely to facilitate the daily or weekly adjustment of balances, so as to diminish the frequency of remittances —these being then made only from time to time to adjust any adverse balance of exceptional magnitude.

Finally, it may be said that the expenses of remitting from London or Berne any ultimate balance due on all the national accounts to creditor countries would need to be somehow provided for. We think that, in normal circumstances, it would not be a serious matter to require such a creditor country to accept payment in gold in London of such an occasional international balance, in fact, by being credited in its deposit account, at any rate up to a prescribed maximum. In nine cases out of ten such a balance would probably be found more useful to it in London than anywhere else. But a balance in excess of the prescribed maximum, especially where such a balance was of frequent occurrence, would have to be remitted. The cost, however, would never exceed the cost of shipment of gold from London, not to the amount of the drafts drawn on the creditor country, but only to the amount of the final international balance between its Post Office and all the others. This expense may have to be met by the

International Postal Union as part of the expense of working the scheme, and levied as a quite trifling tax on all the participating administrations in proportion to the volume of their several transactions. Other technical difficulties, none of them insurmountable by the application of common-sense, will occur to every banker and every bureaucrat.

Organised upon such a system, the International Remittance business of the Post Offices of the world would, it is suggested, furnish the world with a safe, an independent, and a relatively stable international currency, for the use of which a very low rate of commission need be charged. It is suggested that, in normal times, there would be no need for any daily fluctuations of the rate of exchange, any more than there now is with the money order system. Every transaction would normally be at gold par. It might, however, be left to each postal administration—remembering that it has the obligation of remitting any adverse balance in gold or its equivalent—to make what regulations it chose for its own selling of drafts on other Post Offices, as regards a possible premium both to cover the very slight tax levied by the International Postal Union to cover the cost of working the scheme, and in respect of depreciated local currency, etc. Information could be instantly telegraphed of any abnormal sales of drafts which seemed likely to result in an unusual balance of indebtedness at the end of the current period; and, if necessary, the Post Office concerned might charge a premium to check the rush, and cover the expense of adjusting the account. But we suggest that this adjustment of the net balances at the end of each day, month or quarter, or whatever the period of account, would, in practice, cause no more trouble to the Governments concerned (which would have, simultaneously, their own huge international transactions to adjust) than is constantly undertaken in similar contingencies by all the postal administrations of the world over their Money Orders and other balances; by those of Austria, Hungary, Germany, Belgium and Switzerland in adjusting the balances arising

from their mutual adoption of the Postal Cheque system; by practically all Governments (except those of this country, Holland, Belgium, France and the United States) in dealing with foreign indebtedness for interest on the external debt; by the Russian, Greek and Austrian Governments in the continual financial manipulations to keep the fluctuations of the Foreign Exchanges within bounds; and even by our own India Office in its very successful regulation of the Indian Exchange. The World Governments' International Remittance Draft can, in fact, be instituted by the International Postal Union, greatly to the profit of all postal administrations, as soon as the British Postmaster-General gives in his adhesion.[1]

VII. The Post Office as the Common Agent

If once we grasp the idea of the Post Office as an unparalleled ubiquitous network of offices and staffs, standing ready to serve the public in every possible way, opportunities for the profitable extension of its business (and, with the growing range of variety in the business, for a raising of the "load factor") will be continually occurring. The Government graciously allows any Money Order Office to receive and transmit to the Inland Revenue Department

[1] It may be desirable to make clear that it is not suggested that any Post Office should give credit, or discount bills of exchange. Thus, the common arrangement by which, all over the world, the exporter of produce draws a bill on the consignee, and gets that bill discounted by a local bank, would in no way be interfered with. The exporter from the United Kingdom, who expects to be paid by a draft on London, might perhaps find his debt discharged by one of the new International Postal Drafts; but the bankers' business in handling credit instruments would not be interfered with. How the British Government can bring under effective control the large special business of accepting bills "for foreign account," and thus incurring huge London liabilities on behalf of foreign countries, which, whilst a valuable source of profit and financial influence, has the drawback of making it necessary for the Government to come to the rescue, to the extent of advancing many millions sterling, whenever an outbreak of war absolutely stops remittances from the enemy country, is another question. But this question is quite independent of that of creating a means of international remittance that would never be interrupted so far as any but actually belligerent countries are concerned.

free of charge any money due in respect of certain taxes and licenses: this convenience might be extended to all payments due to any Government Department; and (if desired, at a small charge to the receiving authority) to all rates and other payments due to Local Governing Bodies. A feeble effort (scarcely known to the public) has been made to sell the Ordnance Maps through the local post offices. During the war we have learnt how useful the 25,000 post offices (and even the pillar boxes) can be made to collect books and magazines for the War Office to distribute to the troops; and also how serviceable this network of offices can be in bringing within reach of the poorest such an enterprise as the War Loan. This agency business could be enormously developed and made a source not only of utility to the public but also of additional profit to the Postmaster-General.

(*a*) *Newspaper Subscriptions*

In nearly every European country any post office keeps a list of newspapers and other periodicals, for which it will receive, without charge, the cost of subscription for a year or any other period, covering delivery by post. The Post Office, whether or not it receives a commission on such subscriptions, as it may well do, sees its advantage in facilitating postal business. Foreign Post Offices in this way receive subscriptions, not only for the periodical publications of their own, but also for those of other countries. The German Government (which started this service as long ago as 1823!) now has no fewer than 14,500 periodicals on its list, of all kinds, in all languages, published in all countries—nearly 4000 of them, in fact, being published abroad.[1] How much will this not have meant, during the past hundred years, in the education of the

[1] The newspaper department of the Berlin Post Office is, for those who know, one of the "sights" of the world. It despatches nearly 1½ million copies daily, made up in over fifty thousand consignments—this being one-third of the newspaper traffic of the whole German Empire, *and double that of this country*!

German people! In Frankfort-am-Main, just before the war, an English observer found that no fewer than 300 different English periodical publications were being thus subscribed for through the local post office in this one city. Even the Egyptian Post Office renders this service, and has 4218 subscribers to the periodical publications of all European countries. The British Post Office, to its own financial loss, refuses us this opportunity of enlightenment.

(*b*) *Maps and Blue Books*

It might certainly be made possible to order at any post office, not only Ordnance Maps, but also all the Government publications of every kind—consulting a list completed by weekly or monthly supplements; paying down the quoted price, and receiving the desired publication by post within forty-eight hours. It is quite a mistake to say that there is no demand for Blue Books: of the Minority Report of the Poor Law Commission—simply because practical methods were used to make it known to the mass of the people (without any paid advertising)—no fewer than fifty thousand copies were sold in one or other edition.

(*c*) *Books and Photographs*

Such a service is plainly capable of advantageous and profitable extension, for instance, to books and photographs. It may not be generally known that another Government Department, the South Kensington Museum, keeps accessible to the public a vast book containing specimen copies of photographs of works of art of every description; against each specimen is marked the price at which copies can be obtained; you pay the money for any photograph you desire, and write down your name and address; within forty-eight hours the desired photograph arrives by post properly packed. This is done by the President of the Board of Education in order to promote Art. The Post-

master-General need not be above rendering similar public services in order to increase his revenue. We suggest, for instance, that the really serious problem of how to secure an efficient circulation of new books will not be solved until a classified list of new publications, completed by weekly supplements,[1] is made accessible at every one of the 25,000 post offices—until it is possible, whether in the remotest village of Ireland, the loneliest glen in Scotland, or the most benighted town slum, to pay down, at any post office, the quoted price of any book in the list, and receive it by post within forty-eight hours.

(*d*) *Periodical Payments*

But the 25,000 post offices can be used, not merely as agents to receive, but also as agents to pay. It ought to be possible for any one, in any part of the world, having periodical payments to make in any other part of the world, to pay down the necessary amount wherever he is, and direct the prescribed unconditional payments to be made by the local post office. Such an agency service would be both easy and profitable to the Post Office, and also a great convenience to those having such periodical payments to make—it may be for annuities or allowances to relations or dependents ; it may be for contributions, subscriptions or premiums to societies ; it may be for rents or feu-duties. The Post Office already does it for Old Age and army pensions, and payments under the Insurance Act ; but not for any private customer.

We forbear to multiply and elaborate. We suppress, from lack of space, a vision of the possible expansion of the telegraph and the telephone.[2] A really up-to-date

[1] This list the British Museum could make up from the copies deposited under the Copyright Act, and thus both secure prompt compliance with that Act, and give the authors and publishers some return in advertisement for the impost thus levied on them !

[2] We draw a veil over the really scandalous apathy and neglect which has, over a period exceeding half a century, strangled the development of Post Office

Post Office would be always discovering new services to render.

VIII. Conditions of Service in a Developed Ministry of Communications

The conditions of employment in the present Postal and Telegraph service, though much improved of recent years, are still far from ideal; and it cannot be said that the Postmaster-General, in relation to his 250,000 employees, presides over a contented Department. In spite of successive enquiries and partial concessions, there are still not a few cases of substantial grievance in respect of remuneration inadequate (in face of rising prices) to maintain the necessary Standard of Life, and of advancement so long postponed as to exhaust official patience. But there are causes for discontent apart from pay and promotion. Though a considerable measure of recognition has now been accorded to the Trade Unions of postal employees, there is, in the administration, still too much of the autocracy claimed by the capitalist employer; the humbler grades still enjoy less permanence of tenure and security for continuance of their Standard of Life, not to say also a very different degree of protection from caprice and tyranny, than do, for instance, the clerks in the Secretary's Office; a large proportion of the business is still done under a system of irresponsible subcontracting, in which many of those who are actually doing the work are excluded from the advantages of co-operation in a public service; and above all, there is, as yet, only the very minimum of opportunity for the several grades of workers to participate in the management of the service to which they are devoting their lives.[1]

The development of the Post Office into a comprehensive Ministry of Communications ought to be marked by a frank

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Life Assurance. See *A State Insurance Department* for a proposal to merge this in a new Government Life Assurance Office.

[1] The treatment of the large class of 17,000 "subpostmaster's assistants" is specially bad.

adoption, for all grades of its rapidly increasing employees, of the fundamental conditions of employment in the public service. Admission to the service in every branch should be governed exclusively by fitness, tested in the best available way, by open competitive examination or otherwise. Scales of pay and superannuation, with progressive advancement, should be settled for each branch and grade; on the principle—already adopted for the clerical branches—not of the competitive market rate, but of securing, to every employee, sufficient to maintain the Standard of Life expected of his grade and position in the service. Promotion should not depend on the will of any one superior, but be given always on the advice of a council of superiors, to which, in order to give confidence in the exclusion of favouritism and the elimination of any approach to victimisation, it is advisable that (as in the service of the French State Railways) representatives of the subordinate grades should be admitted. Moreover, in order both to encourage initiative, and to satisfy as far as practicable the legitimate aspiration of employees of all grades for some measure of participation in the control over their own working lives, it would be very desirable to institute, on the model of the French State Railway Service, a series of Councils of Management. There might, for instance, be a Local Council for each geographical district into which the service is divided. There might even be such a Local Council, perhaps subordinate to the General Local Council, for each main division of the service (General Post, Parcel Post, Telegraph, Telephone, Savings Bank, etc.) for dealing with improvement in the local administration. There might be a Central Council for each of these divisions, for dealing with improvements of national scope, together with others dealing with such general questions as staff conditions, buildings, etc. These Councils should not interfere with the current management, but should have submitted to them, as of course, all projects for new developments and all proposals for important changes on which their opinion

should be invited, to be taken into consideration before any final decision is arrived at. They should, of course, also have an independent right to initiate and discuss any new proposal for the improvement of the service within their several spheres, and of forwarding their conclusions for the consideration of the Postmaster-General. Such Councils should be composed not only of the responsible officials, local or central, but should certainly include also representatives of the lower grades of the official hierarchy, whose participation in the deliberations is essential, both as a means of encouraging initiative and intellectual interest, and as a method of enabling all grades of the service to share, if only to a small extent, in the administration of the service of which they form part.[1] Whether such representatives of the several grades should be nominated or elected by the employees (as in the French State Railway Service), or by the Trade Unions formed by such employees (as in the several departments of the cantonal administration of the City of Basle), may be left for subsequent consideration. In any case, the salaried officials of these Trade Unions should certainly not be excluded, any more than they are in the City of Basle (where the Secretaries of the employees' Trade Unions always take part); or in the Supreme Council of the Swiss Government Railways (in which, in practice, the General Secretary of the Swiss Railwaymen's Union has a seat *ex officio*).[2]

[1] The French Post Office, we may mention, now has a supreme Consultative Committee, sitting under the presidency of the Under Secretary of State, which meets regularly to consider all suggestions and complaints, and to make reports to the Minister himself. This Committee includes not only the heads of the different branches of the whole service, but also some Senators and Deputies, representatives of the Councils of Paris and of the Department of the Seine, and of Chambers of Commerce and commercial companies, but also a certain number of employers, and ten postal employees, chosen from different grades, down to the sorter and the letter carrier. The Würtemberg Postal Administration has a similar Advisory Committee, on which the Corporations of Artisans have representatives, in addition to the Labour Members of the State Insurance Committees.

[2] Of the aggregate of 250,000 employees of the Postmaster-General, half of them established Civil Servants, it seems as if about 85,000 are members of

At the same time it may be suggested that systematic arrangements should be made for criticisms and suggestions by the public. There might well be Local Advisory Committees on Postal Administration in each administrative province, made up of representatives of County and County Borough Councils, local Chambers of Commerce and Employers' Associations, and Trades Councils and Co-operative Societies. Such Local Advisory Committees should have, as their main duty, the discussion of any alleged shortcomings in the local services of the Post Office, and the making of suggestions for their improvement. An annual Conference of such Local Advisory Committees might deal with suggestions of national scope. But there should be also a standing Central Advisory Committee on Postal Administration representative of national organisations of traders and employers, together with the national organs of the Co-operative and Trade Union movements, to make criticisms and suggestions. The advantage of such an organisation of public criticism is now conceded by the establishment of 49 Telephone and Telegraph Advisory Committees. What is needed for the telephone is needed for other branches of the work of the Postmaster-General.

IX. The Right of the Chancellor of the Exchequer to the Post Office Profits

It is sometimes objected that the Post Office ought not to be run as a money-making concern; that even the

one or other of 21 organisations of the nature of Trade Unions. The principal of these are (i.) the Postmen's Federation, established 1891, and having 45,000 members; (ii.) the Postal and Telegraph Clerks' Association, reorganised 1913, with a membership of 22,000; (iii.) the Post Office Amalgamated Engineering and Stores Association, which has 8000 members; and (iv.) the Fawcett Association, established 1890, with 7000 members. There is a separate Irish Association of Post Office Clerks. Small sectional societies, sometimes confined to London, also exist for such classes as Auxiliary Postmen, Bagmen, Engineering Clerks, Head Porters, Head Postmen, Messengers, Postal Porters, Postal Superintending Officers, Returners of Dead Letters, Sorting Assistants, Sorter Tracers, Tracers, and the Tube Staff.

present contribution of £6,000,000 a year which it brings to the Exchequer is an illegitimate source of national revenue; and that any surplus should go either to the Post Office employees in higher wages and better conditions of employment, or else to the customers in lower postal charges. Such a contention finds no support in economic theory; and is, in our view, quite unwarranted.

(*a*) *The Post Office Employees have no Claim to the Post Office Profits*

The Post Office employees, like all other persons in the service of the State—like, indeed, those whom we still leave to be employed by private capitalists—ought to be ensured: (*a*) emoluments adequate to their maintenance in full efficiency, together with equitable retirement or superannuation allowances; (*b*) conditions of service consistent not only with health and comfort but also with proper family life and citizenship; (*c*) complete protection against tyranny and complete security against arbitrary or capricious interruption of their livelihood; and (*d*) the fullest possible opportunities not only for combination in protection of their Standard of Life, but also for intelligent participation in the administration and direction of the service to which they devote their working lives. But all these conditions must be given equally to the persons employed in the other departments of the public service, whether the utility resulting from their work is sold to the consumers at a price yielding a surplus (like the postal service), or at rates resulting in a money loss (like—as it is alleged—the telegraph service), or given gratuitously for common enjoyment (like the parks, museums and libraries). There can be no argument for giving more than proper wages or conditions to the persons employed in the Post Office, merely because a higher price is charged to the customers; and for giving less than proper wages and conditions to those employed at the British Museum, merely because the public is admitted to its

advantages gratuitously. The 250,000 employees of the Post Office have an irresistible claim to proper conditions of employment : they can justify no claim to enjoy the Post Office profits.[1]

In fixing the emoluments and the conditions of service in the Post Office—no more so and no less so than in all the other departments of the National or Municipal Civil Service—we ought to insist on throwing overboard, once for all, the inveterate Treasury habit (which is contrary to the accepted teachings of economic and political science, demonstrably detrimental to efficiency, and therefore really unthrifty) of taking as a standard what it believes to be the competitive market rate—which it applies, by the way, most frequently to the most defenceless classes. The House of Commons has repeatedly ordered that the Government shall be not the average, still less the most niggardly, but a "good" employer. It should, irrespective of the lowest price at which it could engage labour, seek in principle to prescribe the conditions under which the work will be best done, and under which its employees will be able to lead the best lives. But so long as less than 10 per cent of the working population are in the public service, national or municipal, it would be unreasonable for the Government, and it would not be tolerated by public opinion, to have, in prescribing the conditions of the Government service, no regard whatever for the Standard of Life commonly accepted as suitable and desirable by the nation at large, or—to put the argument in another way—for the Standard of Life which the nation's productive resources allow to be provided for the whole community. The Government, as employer, ought constantly to lead all private employers ; but it cannot, in fairness to all the other employees, be too far ahead of the mass.

[1] On the other hand, it is inexcusably illogical that Postmaster-Generals should urge as a reason for not granting an increased wage—as Mr. Hobhouse did—that the Post Office was that year making less profit than usual !

(*b*) *The Customers of the Post Office have no Claim to the Post Office Profits*

Nor have the customers of the Post Office—who are, in a very real sense, the entire community—any valid claim to have the Post Office profits frittered away in lower charges to themselves individually. The annual surplus of the Post Office comes largely from its national unity and legal monopoly. If it did not exist, and if the services that it renders had to be performed by a crowd of capitalist competitors, working against each other for profit, the duplication of rival plants and staffs, and the increased cost incident on dividing the letters to be carried among scores of competitive enterprises, would constitute a heavy charge on the customers. What is saved by the unity and monopoly, which the community as a whole creates, is fairly the property of the community as a whole, not of any individuals within it. Moreover, the Post Office surplus is of the nature of a net profit earned by the actual production of utilities, which every purchaser regards as worth at least the price charged for them. Why, by reducing the charge, at a moment when the Government has to find so much money, should we make a free gift to all users of the Post Office, not in proportion to their means, but—it might almost be said—in the inverse ratio of their means? The use of the Post Office is—beyond an exceedingly tiny minimum—not only legally but also practically optional. No one is forced, even by circumstances, to send more than a few letters a year. There is a case for keeping down postal rates for the commonest services, and those used by the poorest, to such popular prices as a penny or a halfpenny. Beyond that point, the only practical advantage from any reduction would accrue to those who make an extensive use of the postal services, that is to say, either business concerns or well-to-do private persons. Thus, whilst in fixing postal rates, some regard must, of course, be had to the actual cost of the service, attention has mainly to be directed to the utmost possible increase in the

amount of service that can be rendered. Broadly speaking, postal charges ought to be fixed—without, on the one hand, departing from such uniform popular rates as a halfpenny or a penny, and without, on the other, throwing away a profitable income—so as to produce the largest possible aggregate net revenue. There is seldom a case in which a change that leads to any considerable increase in aggregate postal receipts does not, within a very short time, result also in an increase of net profit—a net profit which, as every one gets full value in exchange for his stamps, can hardly be deemed to involve any taxation at all!

X. What Increase of Revenue can be got by the Post Office, and what is the Alternative

No one can estimate with any accuracy by how much the present Post Office gross receipts of £32,000,000, and its present net profit of £6,000,000 could be increased, either promptly or eventually, by the adoption of any or all of the above reforms. Increase of business involves an increase of staff; and care would have to be taken not to augment the burden of work on those postal servants whose energies are already fully taxed. In seeking to improve the load factor we must not ignore the human element. But making all necessary allowances, it can scarcely be doubted that a considerable development of Post Office revenue is practicable. Twenty years ago the gross receipts of the Post Office were only half what they now are; and its net profit was only half what it is now. We are putting it moderately when we suggest that, with very little immediate capital outlay, the present net profit could, in a few years, be doubled—equal to an addition to the capital value of the undertaking of £100,000,000; and, what is more relevant to the Chancellor of the Exchequer, to an additional annual revenue of £6,000,000—more than twice the amount yielded by the Supertax when it was first brought in to meet a deficit.

There are those who shrink from such an extension of the Post Office services, popular though this would be; they dislike the competition which they think it would create with those who are at present "getting a living" by imperfectly rendering similar services; they instinctively resent any new opportunities for profit-making slipping out of private hands. To such persons—including, especially, the bankers and the Stock Exchange—we would say, "Take your choice." Do not rashly be induced to back up those who have obstructed every Post Office reform. The money must be found. *There is always the alternative of putting another threepence on the Income Tax.* Would it not be better, both for you personally and for the nation, to let the Post Office actually "produce" this sum without any person being even a penny the poorer?

CHAPTER II

A PUBLIC SERVICE OF RAILWAY AND CANAL TRANSPORT

CONTENTS

A PUBLIC SERVICE

OF

RAILWAY AND CANAL TRANSPORT

I. The Present Position

On the Outbreak of War all the English railway companies (with the exception of the London "tubes" and a few small lines) were, by Order in Council of 5th August 1914, issued under Sec. 16 of the Regulation of the Forces Act, 1871, "nationalised," *so far as control and supreme administration are concerned.* They have since been worked in many respects as a single system under the supervision and control of a single committee of General Managers under the nominal chairmanship of the President of the Board of Trade; without financial competition, without the stimulus of profit-making, and with a Government guarantee, so that any gain or loss in fares or freight, any increase or decrease in business, and any rise or fall in working expenses, accrues, in effect, to the Exchequer. Experience, it is said, has demonstrated the possibility of economies, even under war conditions, owing to this elimination of rival interests. To cite only one instance, a certain amount of the complicated adjustment of accounts at the Clearing House has been dispensed with, no doubt with some loss of useful information; and a considerable part of the staff has been released for other duties. The question now is whether, on the Outbreak of Peace, the nation will throw away the advantages of united administration, and allow its railway system to revert to a chaos of competing managements.[1]

[1] Statistical information as to railways is afforded by the Board of Trade Annual Returns of Railway Statistics, Railway Accidents and Hours of Labour

It is plain that it is important to put the agriculturists, manufacturers and traders of this country in the best possible position for meeting the severe international competition which they will have to face; and to provide such a system of transport as will, to the utmost extent that can be devised, enable them to carry on their business with the least expense and delay, and with the greatest possible facilities for the carriage of goods. At the same time it is necessary to secure all the assistance possible in sustaining the burden of the Great War Debt. By completing the process of nationalisation the Government, it is argued, can not only ensure for the whole community the advantage of greater facilities for locomotion and transport, eventually even at lower rates, but also—consistently with giving full compensation to the shareholders and other interests affected—relieve the Exchequer from part of the financial load involved in the provision for repayment of the War Debt.

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on Railways; by the Reports and Evidence of the Royal Commission on Railways, Cd. 4979, 1910, and Viceregal Commission on Irish Railways, Cd. 5247, 1910; by the Return entitled State Railways (British Possessions and Foreign Countries) H.C. 287 of 1913, and the Report of the Board of Trade on the Railways of Belgium, France and Italy, Cd. 5106, 1910; and by the Report of the Board of Trade Railway Conference, Cd. 4677, 1909. For the controversy as to Nationalisation, see *State Ownership and Operation of Railways*, by the Railway Nationalisation Society, 1914, 32 pp.—the best summary of the case; *The Case for Railway Nationalisation*, by Emil Davies (Collins, 1913, 1s.); *Nationalisation of Railways*, by the same (2nd edition, Black, 1912, 1s.); *State Purchase of Railways*, by the same (Fabian Society, 1910, 2d.); *Railway Nationalisation*, by Clement Edwards, M.P. (Methuen, 1907, 2s. 6d.); *Railway Nationalisation*, by William Cunningham (1906; sold by the Fabian Society, 6d.); *Royal Railways with Uniform Rates*, by Whately C. Arnold (Simpkin, 1914, 1s.). On the other side, see *The Case against Railway Nationalisation*, by Edwin A. Pratt (Collins, 1913, 1s.), and various previous books by the same; *On Municipal and National Trading*, by Lord Avebury (Macmillan, 1907, 2s. 6d.); *Government Regulation of Railway Rates*, by Hugh R. Meyer (Macmillan, 1906, 6s. 6d.). See also *Railway Nationalisation*, by Sir George Gibb (Royal Economic Society, 1908, 6d.); *Elements of Railway Economics* (Milford, 1905, 2s.), and *Railways of England* (Murray, 1900, 10s. 6d.), both by W. M. Acworth; and *English Railways, their Development and their Relation to the State*, by E. Cleveland-Stevens (Routledge, 1916, 6s. net). For foreign examples, see *State and Municipal Enterprise* (Fabian Research Department, 1915, 1s.). An extensive bibliography will be found in the *List of Publications pertaining to Government Ownership of Railways, 1914* (Bureau of Railway Economics).

II. Why we ask now for Nationalisation

No attempt is here made to set forth the arguments in favour of a National Ownership and Administration of the railway system—the fact that practically every important country except the United States and the United Kingdom have adopted this policy; that even in this country the contrary policy of competition among railway companies has perforce been abandoned; the waste nevertheless caused by the continuance of numerous, distinct and often overlapping railway administrations; the resulting multiplicity of incongruous fares and freights; the dearness of British railway journeys compared with those of nearly every other country; the lack of any effective public control.[1] Nor have the difficulties and drawbacks alleged against any such undertaking been overlooked or disregarded, although space does not permit of their examination in detail.

In the following observations the question of railway nationalisation is envisaged primarily as a means of creating, for the Chancellor of the Exchequer, new financial resources to meet the War Debt. The facts that cheap transport is of the greatest importance to manufacturers, and, indeed, to the whole community, if we are to make the most of our productive resources or to compete successfully with other countries for the world's trade, and that increased facilities for travel to the mass of the people are equivalent to an increase in their effective freedom, have not been lost sight of; nor is the importance of maintaining the Standard of Life and improving the conditions of the workers overlooked; but, as indicated, the main argument is financial—in other words, to use the commercial phrase, the matter has to be handled as a "business proposition" in which the British nation is a prospective purchaser.

[1] These grounds are clearly and succinctly set forth in *State Ownership and Operation of Railways*, being the Memorandum presented to the Royal Commission of 1914 by the Railway Nationalisation Society (31 Charing Cross, price 2d.).

III. What are the Railways Worth?

The questions the prospective purchaser of a business undertaking asks himself are :—

(1) What is the value of the undertaking (*a*) as regards its assets and (*b*) as regards its profit-earning capacity?

(2) Do the profits show a rising or a falling tendency?

(3) How much will require to be spent upon it in the future?

(4) Can the management be improved so as to produce greater profits?

(5) How much does the present owner want for the concern?

(6) How much less will he take?

(7) How can the purchase best be financed?

(*a*) *Their Assets.*

According to the latest full Railway returns covering the year 1913, published by the Board of Trade in October 1915, the sum of £1,179,445,000 stands in the various railway companies' books as the capital expended upon the railway system of the United Kingdom. The aggregate is stated to be made up as follows :—

Lines open for traffic	£806,258,000
Lines not open for traffic	3,342,000
Lines leased	1,667,000
Lines jointly owned	44,543,000
Lines jointly leased	1,485,000
Rolling stock	143,701,000
Lands and Buildings for manufacturing and repairing works	12,567,000
Plant and Machinery for manufacturing and repairing works	6,457,000
Horses	269,000
Road vehicles for conveying passsengers, parcels and goods	348,000
Steamboats	6,781,000

Canals	£21,079,000
Docks, harbours and wharves	47,152,000
Hotels	8,153,000
Electric Power Stations	4,554,000
Land, property, etc. not forming part of the railways	39,817,000
Subscriptions to companies other than railway companies	4,072,000
Miscellaneous	4,580,000
Unclassified	9,056,000
Total	£1,163,881,000

[We omit "Subscriptions to other railway companies" £15,564,000, as duplications.]

It is impossible to calculate the present value of these assets. It is often asserted, with what accuracy cannot be tested, that if the whole railway system were now to be constructed afresh, it could be done for a sum considerably less than the amount at which it stands in the railway companies' books. On the other hand, much of the land in the cities has greatly increased in value; and some capital has been extinguished on amalgamations. What is known is that, unlike every municipal concern and every properly conducted business concern, the British railway companies do nothing in the way of systematically "writing down" out of profits the book value of their assets. They have created no Sinking Fund. In some cases, notably that of the Midland Railway Company, they have set aside relatively small reserve funds which seem now to amount to thirty millions; and in others a certain amount of improvements and increases of rolling stock have been provided out of revenue. On the other hand, various companies have, in some notorious instances, scarcely maintained their enterprises in efficiency. In contrast with the principal American railroad corporations, they have, indeed, in some cases, drawn out more in dividends than has been fairly earned. It will be noticed, however, that in addition to the permanent way, passenger stations, goods sheds and rolling stock, the British

railway companies possess a large amount of other property in the shape of manufacturing and repairing plant, live stock, road vehicles, steamships, hotels (fifty-five under the companies' own management), land and house property, etc. not forming part of the railway, but figuring in the books for the sum of over £75,000,000; whilst docks, wharves and harbours standing at £47,152,000, and electric power stations (though without legal powers to supply other consumers) accounting for £4,554,000 of these assets, have also a value apart from the railway system itself.

It would conceivably be possible for expert valuers to determine the present real value of the entire "plant" of the railway system by what may be called a physical valuation, without reference either to existing or future profits, or to the amount of capital indebtedness standing in the Companies' books. An attempt is being made in the United States, where matters seem to be drifting towards nationalisation, to have such a valuation made. It would enable the railways to be taken over at their present "objective" value, on "Tramway terms." But it would be a work of years, and extremely costly, running, in fact, into millions of pounds; and in the present emergency some quicker—and, to the shareholders, more liberal—method seems called for. Such a method is provided by taking *the selling value of the railways as commercial undertakings* on the basis of the net profits actually earned and distributed.

(*b*) *Their Profit-earning Capacity*

The following table shows the takings and working profits of the railways of the United Kingdom since 1905.

[TABLE

	Goods Traffic.	Receipts from Passenger Traffic.	Miscellaneous.	Total Receipts.	Total Net Income.
	£	£	£	£	£
1905	56,411,589	48,720,120	8,399,310	113,331,019	43,466,356
1906	58,394,217	49,882,776	8,950,938	117,227,931	44,446,077
1907	61,202,831	50,975,343	9,370,749	121,548,923	44,939,729
1908	58,888,347	51,664,486	9,341,494	119,894,327	43,486,526
1909	59,477,205	51,205,061	9,491,786	120,174,052	45,136,464
1910	61,478,643	52,758,489	9,688,433	123,925,565	47,355,889
1911	63,285,055	53,955,007	9,959,508	127,199,570	48,581,746
1912	64,048,814	54,258,402	10,246,201	128,553,417	47,329,074
1913	66,639,709	56,977,826	15,833,884	139,451,419	52,130,879

(For 1914 and 1915 the accounts are disturbed by the abnormal war conditions, and no adequate statistics are available.)

It will be seen that, on the whole, the gross receipts and the profits have, during the decade, risen fairly steadily. But the nominal capital of the companies has increased still more rapidly, so that the proportion the profit bears to the capital has shown a declining tendency until two or three years ago, when it rose from 3.55 per cent in 1912 to 4.05 per cent in 1913. The full amount of "water" in the capital is not known, so far as the early years of the undertakings are concerned; nor is the nominal increase known that is due to the methods of issuing new stock, which have been sometimes so favourable to existing stockholders as to constitute large extra "bonuses." Making allowance only for the purely nominal additions of recent years, as recorded by the Board of Trade, the average yield in 1913 would be $4\frac{4}{5}$ths per cent.

(*c*) *Do the Profits show a Rising or a Falling Tendency?*

Down to the outbreak of war it would have been fair to assume that the volume of takings recorded during the past few years was likely to be substantially maintained. But it was already clear that Labour would demand a higher wage and improved conditions, which would increase

the working costs; and that, as the railway companies had been permitted to raise their charges so recently as 1913, and then only in the teeth of great opposition in Parliament, it was hardly likely that fresh increases—to which, indeed, the shareholders would have no claim—would be granted by Parliament. Though in many cases the rates are below the legal maxima, the difficulty of raising these rates, in face of the competition of other railway companies, and rival methods of transport, has hitherto been found to be considerable. Apart from the war, therefore, the outlook was for reduced net profits. Now that the war has come the English railways are being temporarily worked, in effect, for the account of the State, and whilst this lasts the shareholders are enjoying a valuable guarantee, which ensures them substantially the same dividends as during 1913;[1] and this, by a fortunate coincidence for them, was their boom year.

[1] The arrangement with the Government provided for the Government making up the net traffic receipts to the aggregate net receipts for the year 1913, with a proviso that the compensation should be reduced in the same proportion, as such receipts for the first half of 1914 were less than those for the first half of 1913. It was subsequently agreed that this proviso should cease to operate as from 1st January 1915, in consideration of the companies undertaking to relieve the Government of 25 per cent of the amount of the war bonus granted in February last to employees who come within the railway conciliation scheme, the bonus to other railway employees being borne by the Government by inclusion in the working expenses. When in October 1915 the bonus was increased to 5s. per week for all employees, except boys, the responsibility for the additional expenditure was accepted by the Government, but owing to the difficulty in allocating the expenditure as between the Government and the companies, it was agreed that the latter should bear 12½ per cent of the whole of the war bonus paid to employees embraced in the conciliation scheme. This it was considered would approximately correspond to the above-mentioned 25 per cent of the original war bonus, which, in its turn, had been regarded as equivalent to the deduction of 2½ per cent made in respect of the proviso. The companies are now claiming a further allowance in respect of the sums which, in order to release as much labour as possible, they have refrained from spending out of revenue upon maintenance, and which will have presently to be spent to make good arrears.

The above arrangement does not guarantee absolute identity of dividends, because (i.) the amount of the capital has been varied in some cases; (ii.) there are variations in "other receipts" apart from traffic (*e.g.* rents), and, on the other hand, in "other charges"; (iii.) balances brought in and carried forward and sums placed to reserve or contingent accounts vary from year to year.

(*d*) *How will the coming of Peace affect the Gross and Net Revenues?*

It is probable that, for a short time after the conclusion of peace, much of the trade in the manufacturing countries of Europe will be spasmodically active—that is, while the rebuilding, refitting and restocking of Belgium, Northern France, Poland, South Tyrol, Galicia, Eastern Prussia, Armenia, the Balkans and any fresh districts that may be devastated are in progress. This spurt, which may give the illusion of prosperity, may possibly be followed by a long period of depression throughout Europe, during which the gross takings of the British, as the other railways, are likely to decline, unless some new developments can be made, which do not seem open to competing companies. Nor is it reasonable to suppose that Labour, now more strongly organised than ever, and supported by the economists in denouncing as disastrous any fall in the Standard of Life, will consent to any reduction of wages—unless, indeed, the cost of living should fall considerably, which appears in the highest degree unlikely. Many financial experts, in fact, regard the outlook for British railway companies, from the point of view of net profits, as decidedly bad. This must necessarily be taken into account by the shareholders as prospective sellers and by the State as prospective purchaser.

(*e*) *Future Capital Expenditure*

Prior to the outbreak of war, the ten principal railway companies of this country are said to have had actually in hand works requiring an expenditure of something like twenty million pounds. With the most drastic slowing down, it is certain that a good many millions will have to be spent during the next decade, merely to maintain each line in effective rivalry with its competitors. Every million of new capital thus raised would cost the railway shareholders five or ten thousand pounds a year *more than it*

would cost the Government. A comparison of yields on market prices for the past few years shows that the best of the railway companies have to pay at least one half of one per cent more for additional capital on debentures, nearly one per cent more on guaranteed and preference stocks, and as much as 1½ per cent more on Ordinary Stock than the Government has to pay for its own borrowings; whilst those companies whose credit is weaker have to pay an even higher rate for capital. The latest issues show that this difference between Company credit and State credit, even during war, continues undiminished. Moreover, whilst a railway company is only permitted to raise a certain proportion of its capital in the shape of Debentures and Preference Stocks, and must, therefore, issue Ordinary Stock on which a higher rate of dividend is expected and paid, the State raises the whole of the additional capital it requires in Loan Stock at the minimum ruling rate of interest. Under a State railway system, therefore, all the additional capital required would be raised at the lowest rate, regardless of which part of the United Kingdom it was destined to serve.

As prospective purchaser of the railway system, therefore, the State, on the one hand, must consider the need for this future capital expenditure in order to keep the system in efficiency. The shareholders must, on the other hand, consider the necessity in which they will find themselves of raising additional capital on onerous terms, *merely to keep their existing enterprises in competitive efficiency with each other*, let alone embark on the extensions that they may think profitable; with the result that, if the railway system is left in their hands, the rate of dividend on their ordinary stocks may not improbably be reduced, whilst the interest on some of the less secure fixed interest-bearing stocks may be endangered.

(*f*) *Can the Management be improved so as to produce Greater Profits?*

If the reply to this question were in the negative the financial case for State purchase would fall to the ground. If the present divided administration is continued, we cannot, as has already been indicated, count upon any increase in the companies' net profits for some years to come. Apart from the far-reaching economies of administration which unity would permit, but which are not open even to the ablest General Managers of rival companies, there seems little prospect of reduction in the working expenses. Coal —that tremendous item of expenditure—does not appear likely, under the present capitalist production and distribution, to fall much in price, though the Nationalisation of the Coal Supply would protect a State Railway Department from extortion. A reduction of wages is out of the question; more probable—and desirable from the national point of view—is a reduction in the hours of labour of certain unduly strained sections. What margin is there, then, for economy? The answer is that, whilst to the companies there is but little, to a State Railway Department there would be a certainly considerable though not precisely calculable margin, as various tentative experiences indicate, through a comprehensive co-ordination, and the abolition of unnecessary and wasteful duplication—yes, even triplication and more—which prevails throughout a large part of the railway service of the United Kingdom. What would be most hopeful would be the reorganisation by one administration, on a scientific basis, of a chaos which has come about as the result of scores of competing systems, each company working for its own ends, and invading the territory or encroaching on the business of another company until the observer stands amazed at the muddle.

At the outbreak of war national necessity demanded the immediate sweeping away of multiple control. The thirteen hundred railway directors had to be deposed from their

nominal command, and the supreme control was vested in a single Executive Committee of General Managers under Government orders. The circumstances of the case have prevented anything more than a very partial reorganisation. The couple of hundred Boards of Directors still meet regularly, go through their agenda, eat their luncheons and draw their fees as before. It is indeed reported that, except for the stoppage of projects of extension and improvements, the Boards of Directors find as much work to do as they had before the war. Each railway remains normally under its own General Manager. Even the Managers who meet as the supreme Executive Committee bring with them, we may suppose, their feelings as to the lasting separate interests of their respective lines, and it is said that, whilst speeding the War Office trains, they do not forget to "manœuvre for position" in the competition for traffic and territory that may be resumed when the Government control comes to an end. Of the measure of unified administration actually exercised, of the changes effected owing to running powers being assumed over all lines, of the abandonment of wastefully lengthened trains and duplicate competitive services, of the simplification secured in intercompany accounting, the public has not been informed, and those concerned make no revelations. Yet something is known to those who have "inside" information. What is clear is that, in spite of the heavy reduction in the number of railway workers owing to the enlistment of about one-sixth among the most vigorous of the workers; in spite of the vast demands placed upon the railways by the military authorities, whose requirements have naturally had to take precedence over everything else; in spite of the fact that the shortage of tonnage and the extraordinary rise in shipping freights, whilst railway charges have remained unchanged, have driven hundreds of thousands of tons of coasting traffic, ordinarily carried by sea, on to the railways; —a greatly increased volume of traffic has been handled with a diminished wages bill—handled, it is true, with difficulty,

and with delays and drawbacks which, whilst annoying the customers, do not mean any diminution of work to the staff. The chairman of the London and North-Western Railway, whilst heroically complacent about the large proportion of the staff which had enlisted, informed his shareholders that the aggregate volume of traffic carried has been far greater than in any previous year. The economies to be effected by complete unification of management and of financial interest are, indeed, not seriously denied. The following extract from the *Liverpool Journal of Commerce* of 2nd December 1915, expresses a view now widely held:—

Some of the remarkable results which will come from the Government control of the railways after the war were hinted at yesterday by a prominent railway official, who is on an important Government Transport Committee, in an interview with the London representative of *The Journal of Commerce.* This gentleman watches the development of transport work between the ports and the trade centres, from the Government side and the railway companies' side. The deductions he gathers are from the inside. They point to a very smooth working agreement between the railways and the Government. Government control has come about so quietly, owing to the war, that the country is already used to it. The question of the nationalisation of railways is, if not practically settled, hurried another twenty years forward. . . . Before the war it was a legitimate matter for argument whether it was better to have private companies or State control, but now there can only be one mind, and the sooner the Government make a definite pronouncement the better. Up to the present, from 15 per cent to 20 per cent of men in the railway service have joined the colours, and as a result the bulk of the present staffs are long-service men who have been trained to think of the particular interests of their own Company first and foremost. . . . For the time being there is only one railway company in Great Britain, the management being vested in a central committee at Whitehall, and until a definite statement is made by the Government the particular interests of individual companies will continue to occupy the minds of railwaymen to the detriment of wider and more important issues. Various far-reaching changes in railway working have been made during the last year with the object of securing more co-ordination between the various companies in the handling of goods and passengers, but each

company still has its own separate board of directors, management staff, engine-shops, repair-shops, stores, cartage, rates, claims and numerous other departments.

It requires little prescience to realise the saving in many directions which could be effected by merging the various railway companies into one composite body. This process could be accomplished gradually and without impairing the efficiency of the service. Time and circumstances are opportune for this great change. Will the opportunity be grasped?

IV. Economies that can be effected by Nationalisation

In spite of the doubt which some railway managers profess to entertain, there is now a consensus of opinion that the abolition of private wagons and trucks, and the pooling of rolling-stock, would, in itself, result in a large annual saving. The couple of hundred railway companies in the United Kingdom still represent (with all the recent amalgamations and joint agreements for working) about a score of actively competing systems, each fiercely jealous of its nearest neighbours. Hitherto the truck or wagon of one railway company, carrying goods to a station on the lines of another company, has too often returned empty to the owning company, when there were no goods available to load back to that company's line. Think for a moment of the hundreds of thousands of miles of unnecessary haulage of empty trucks and wagons, the wasteful consumption of thousands of tons of coal and innumerable days of labour, the unnecessary wear and tear, and the needless congestion of traffic at particular points involved by this proceeding. Moreover, owing to the inability of each railway company, and of each private firm owning rolling-stock, to use any but the trucks and wagons bearing its name, the extent to which the rolling-stock remains idle in the sidings and depots is greatly increased. The aggregate of wagons and trucks actually "on the move" at any particular moment represents, it is said, an extraordinarily small percentage of

the total stock. There is always a popular complaint of a shortage of trucks; and, at many points, at some seasons of the year, there is a demonstrable shortage. Yet the companies have, "on the road," nearly 900,000 vehicles of their own, whether coal trucks (186,000), other goods wagons (575,000), passenger coaches (80,000) or dining-cars (543); besides which there are about 600,000 private wagons, mostly for coal, belonging to a thousand or more different colliery companies or other individual owners. These million and a half vehicles, drawn by some 25,000 locomotives, now make an enormous number of wasted journeys, because they are not organised as one whole. It is not that railway managers fail to see the waste involved, nor do they deny that a national economy could be effected. But hitherto each manager has been concerned, not to prevent waste in other railway companies, or on the system as a whole, but merely to get the greatest net profit for his own company. It may well be that some of the managers are correct in their calculations that the present multiplicity of ownership of wagon stock yields to their particular companies larger net profits than they could secure by any change *that any individual company could effect.* That a partial pooling of even the railway companies' own rolling-stock could be profitably effected by a combination of companies is shown by the fact that some of them are now, after a whole generation of refusal, at last taking this course.[1]

[1] On 1st January 1916 three companies (G.E.R., G.N.R. and G.C.R.) adopted a scheme for the joint working of their rolling-stock for mineral traffic, in order to keep their trucks continuously at work, instead of so many being hauled back empty for hundreds of miles to the depots to which they severally belonged. In March 1916 five other companies (L. & N.W.R., G.W.R., Midland, N.E.R. and L. & Y.R.) adopted a similar plan, but only for certain kinds of rolling-stock, excluding coke, fish, salt and sleeper wagons, and various special classes.

If this is economical of labour, haulage, trucks and train-space, when put in force among three or five companies, how much more so would be a similar "pooling" not only among all the companies but also among all the privately-owned trucks; together with an assimilation of rolling-stock, so as to secure, gradually, the adoption, throughout the entire system, of a uniform type—the best that experience has demonstrated—for each kind of vehicle? Naturally, differences would remain between vehicles required for different kinds of goods—

But it is not within the power of any Railway Company to abolish the privately-owned trucks, without which the reorganisation must remain incomplete and imperfect. For the view that complete national "pooling" of all the goods and mineral wagons of the country would effect "*a saving of several millions of pounds annually* to the companies, and a great acceleration of traffic to traders and the public," we have, at any rate, the authority of a very experienced railway chairman, on the advice of not the least able among the railway managers, after an exhaustive examination of the whole problem.[1]

No less obvious is the saving to be effected on the present duplication and triplication—not, it is true, quite so prevalent as it was a few years ago—of passenger stations, goods depots and receiving offices in the same town. Those who fear that any saving to be effected by nationalisation of

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nobody suggests using coal trucks for fish, or timber trucks for either cattle or dead meat, or even the coal trucks specially built to suit the requirements of the ports of shipment on the North-East Coast as vehicles for the inland distribution of household coal. It is only the separate ownership within each class of vehicle that is a wasteful anomaly.

[1] See the speech by Lord Claud Hamilton at G.E.R. annual meeting 11th February 1916. That the promise of an acceleration of traffic is not unwarranted may be seen from a recent report of the Liverpool Steamship Owners' Association.

"The Association attaches the greatest importance to the adoption of a complete system of the common user of the trucks of the railway companies, and to a sufficient number of the trucks of the private owners being brought into such a system. The work of the ports and consequently the discharge and loading of the ships is being most seriously hampered and delayed by the want of trucks, and even when there are empty trucks in the ports it constantly happens that those trucks are not available to carry the cargoes to their destinations, as they do not belong to the particular railway company directly concerned with the traffic. Further, an immense amount of time is lost in marshalling the trucks of the different railway companies in the ports before the truck required for a particular journey can be brought alongside the goods to be carried on that journey" (Report in *Morning Post*, 16th February 1916).

The objections to "pooling" made by some big truck-owners, and voiced by some of the Chambers of Commerce, are almost avowedly based on the plea that some individual concerns whom the present system benefits are afraid that, with a complete "pooling," they may not find themselves better served than the general mass of traders! Assuming that the funds can be provided for the purchase of the 600,000 private trucks, and for any necessary reconstruction, we believe that no railway expert questions the technical advantage of such a complete "pooling" in a unified railway system.

the railway system could only be at the expense of labour should reflect for a moment upon the thousands of railway receiving and ticket offices in the various towns of the country. In important towns it is no uncommon thing to find three or four in one street, almost invariably the best business street in the town. Not only is there a duplication here of the staff of clerks who could be much better employed in other branches of the service in order to reduce working hours and thereby contribute to safety and efficiency, but there is, with no corresponding advantage in public convenience, an obvious waste in rents, which go straight into the landlords' pocket.

There is no need to elaborate the thousand and one economies that could be effected by such unification of management and identity of financial interest as can be brought about only by State ownership and operation. We have only to refer to the highest authority possible, the General Managers of the railway companies themselves, whose opinions in favour of unification (although they were not usually thinking of State ownership) are expressed in the following extracts, in which the headings alone are ours.

V. Railway Experts' Arguments in favour of Amalgamation

There are Companies whose geographical position and circumstances are such as to determine the desirability of amalgamation in the public interest, apart altogether from financial advantage to the Companies concerned.

Where such Companies are competing for a large volume of business, as they generally are, by circuitous routes, and hauling traffic, it may be, fifty or sixty miles farther by one route than by the other, it constitutes something little short of national waste, provided always that the shorter route is able to deal with the traffic on line and at terminal stations.

Passenger train services which could be far better arranged to meet the public needs are duplicated, and cross-country and branch-line trains connect with one main service only, and that often the worse of two routes.

Where running powers are exercised under such circumstances they are to the detriment of the general train accommodation of the district, often adding to the troubles of an already congested main line, and are duplicates which would be easily avoided under one management.

In the collection and delivery of merchandise and parcels, the streets are burdened by unnecessary vehicles, due to the employment of two where one would well suffice.

The availability for traffic generally of receiving and delivery depots of each of such companies would secure to the public additional and often much-needed facilities for shorter and more expeditious, and, consequently, less costly cartage.

The interchangeability of tickets by such competing routes should not fail to be of great advantage to the travelling public.

Then there is the financial advantage gained by the fusion of routes, providing thereby alternative ways for the conveyance of traffic between principal centres. The congestion of one route which, in its singleness, could only be met by capital outlay, can be relieved by the alternative route being in the hands of the one controlling agent who can use the means of communication at his disposal to the best advantage, and get full economic results from the original capital outlay on the line.

The expenditure of new capital upon a congested route really amounts to waste when an alternative route, albeit in the hands of a rival Company, sufficiently clear to deal with the traffic, is available.

The expense of a second executive would also be saved.

Sir Sam Fay,
General Manager, Great Central Railway.

(Memorandum to Committee of Board of Trade Railway Conference, 1909.)

Waste from divided Control

In the service of cartage, competition leads to expenditure which would be unnecessary if it did not exist. Vans are sent out with light loads in order to secure the earliest delivery, and in many cases, and particularly in the suburbs of larger towns, two or three vans will be engaged in delivering light loads which could easily be conveyed in one.

Again, the delivery boundaries of the various companies extend

into each other's districts, and thus there is a considerable overlapping and waste of resources.

Sir CHARLES J. OWENS,
General Manager, London and South-Western Railway.

(Memorandum to Committee of Board of Trade Railway Conference, 1909.)

There is still another economy common to both classes of amalgamation, which deserves careful consideration, and that is the economy which would result from greater uniformity of rolling-stock and railway plant generally. Perhaps no better illustration can be given of this than brakes. It cannot but be disadvantageous that the East Coast route from London to Scotland should be in the hands of three separate companies, two of whom use the Westinghouse brake and the other the Vacuum, involving an expenditure in "dual fitting" which would never have been incurred had the route belonged to a single company.

Mr. A. KAYE BUTTERWORTH,
General Manager, North-Eastern Railway.

(Memorandum to Committee of Board of Trade Railway Conference, 1909.)

There is a number of undertakings (Joint Lines, Joint Stations, etc.) owned jointly by two or more Railway Companies, and the contending interests of the Owning Companies involves the employment of separate staffs for the management and maintenance of these undertakings.

The exigencies of competition have rendered it necessary for the Companies to maintain at large cost a staff of Canvassers and other Agencies (such as Offices for the reception of goods and for booking passengers) which would otherwise have been unnecessary.

The late Mr. R. MILLAR,
General Manager, Caledonian Railway.

(Memorandum to Committee of Board of Trade Railway Conference, 1909.)

How the Present System handicaps the Managers

It is not merely that the absence of competition would in itself necessarily put an end to a great deal of unnecessary train or wagon

mileage, but, by freeing the officers of the two companies from the necessity of spending their time in scheming how to secure traffic for their own line, it would enable them to throw their best efforts into what, under an ideal system, would seem to be the proper channel for the efforts of the brain-working on a railway, viz. on the operating side, devising how best to combine economy and efficiency of working, or, in other words, how to give to the public the greatest facilities at the least cost, and, on the commercial side, trying to create and foster new industries and generally to develop to the fullest extent the resources of the district which the Company exists to serve. At present much of the time and energy of the more highly-paid officials of a Railway Company is taken up with work in which the trading community has no interest, and which is only rendered necessary in the interest of the shareholders whom they serve by the keen competition which exists between Companies.

Mr. A. Kaye Butterworth,
General Manager, North-Eastern Railway.

(Memorandum to Committee of Board of Trade Railway Conference, 1909.)

Where the State Railway Officer would gain would be in the cessation of questions arising out of the conflicting interests of Railway Companies; he would not have to be constantly resisting demands of public or Parliament. . . . On the whole, he would have more time to devote to the real business of a railway manager or superintendent, *i.e.* the operation of traffic.

Mr. F. H. Dent,
General Manager, South-Eastern and Chatham Railway.

(Address to Railway Students' Association, reported in *Railway Gazette* 25th October 1912.)

Unification means Vast Economies

The amalgamations which resulted in the five existing Scottish undertakings simplified the railway arrangements of Scotland, and enabled economies to be effected in working and management, as well as the giving of services and facilities to the traders and the public which would have been quite impossible with a large number of comparatively small railways, and the arrangements which at present exist among the five Companies with regard to routing of

traffic and mutual availability of tickets have done something more in the same direction. There is no reason to believe that a further scheme of amalgamation which would unite in one all the railways of Scotland would not have the same beneficial results as attended the amalgamations which have already taken place.

There would, by such an amalgamation of the five railways, be saving: (1) in the cost of direction, management, and staff generally; (2) as a result of the common use of working stock and plant; (3) by the discontinuance of duplicate services and stations; (4) in the cost of advertising and canvassing at present considered needful for competitive reasons; and (5) in the simplifying of the whole arrangements of the Companies, particularly in connection with joint lines, exchanges of traffic, running powers, etc.

Mr. W. F. Jackson,
General Manager, North British Railway.

(Memorandum to Committee of Board of Trade Railway Conference, 1909.)

VI. Closer Alliance with the Post Office

With the railways under the State they could be worked in more profitable conjunction with the Post Office than is the case to-day. The railway companies, for instance, maintain rival systems of parcels traffic in competition with the Post Office. The Post Office offers its own advantages, with which the railways cannot compete. But the railways offer, on the other hand, what the Post Office foolishly refuses, namely, to collect the parcel from the sender, to charge the carriage forward, and even, in some cases, to bring back the price of the goods. The duplication of services is, however, plainly waste. Though the trains are far from being full, the Post Office runs its own services of motor vans on the roads, carrying its parcels hundreds of miles by services that could be wholly dispensed with. Any one who has seen the mails arrive at a terminus will have noticed that the railway companies' officials do not touch the baskets and bags, but Post Office servants have

to meet the trains and transport the mail bags and parcel baskets to the mail vans, or *vice versa*, as the case may be. This often involves long periods of waiting, which, in the aggregate, must amount to an enormous amount of waste time, whilst the railway staff, which has to be on the spot, could, in most cases, easily handle the traffic. This is merely one of many instances which can be given to show how a closer working between the railways and the Post Office would effect national economies. It would, of course, be unfair to blame the railway companies for the present waste of this needless rivalry. It is not now in the interest of the railway companies to save the State expense, or any advantage to the Government to increase the profits of the railway companies. Consequently, the railway stations are not utilised as Post Offices, even where the stationmaster has next to nothing to do; and the local Post Offices, which might serve as village agencies for the railways, are not allowed to undertake this work. If the production and distribution of coal were nationalised and municipalised, a similar alliance between the State Railway System and the Government Coal Department would be equally advantageous to both of them.

VII. What the Economies might amount to

It is perhaps a minor point that no small sum is wasted annually on the running of hundreds of thousands of miles of nearly empty first-class passenger coaches because no one company dare shake itself loose from tradition. Observe an ordinary passenger train on any journey. As a general rule it will be noticed that compartment after compartment of the first class is empty, yet the coach is during the evening brilliantly lighted and has to be hauled all those miles without bringing in any revenue. It is known, moreover, that an appreciable proportion of the relatively tiny number of first-class passengers enjoy free passes or privilege

tickets.[1] This inability to break away from custom, in face of the competition of rivals, accounts for much. When one thinks of the thousands of miles of unnecessary running of empty or almost empty first-class coaches (which yield, on an average, no greater receipts than third class), when a few composite carriages having occasional first-class compartments would serve the purpose; when one thinks of the unnecessary duplicate trains running between certain competitive points, the thousands of goods wagons on different systems which go without a full load because only a portion of the traffic falls to the owning company, the thousands of miles travelled by goods trucks being returned empty to the particular company whose initials are painted thereon instead of being utilised for other return freight; the thousands of inspectors and clerks who are employed merely to register the passing of one company's truck or tarpaulin to another company's system, or to work out what proportion of a passenger ticket comes to one company and what to another; when one realises how this needless multiplication of work and costs runs through the greater part of the competing railway services of the United Kingdom, we can well believe, with Lord Claud Hamilton, that the economy to be effected by unification would run into several millions of pounds annually. It is perhaps not going too far to say that, in the course of a few years, 10 per cent of the working expenses, equal to eight or nine millions a year, and possibly a great deal more, could be saved to the community. All this concerns the actual working, and is without reference to

[1] It is not suggested that the number has been lately increased, or even that it exceeds due proportions. But, in fact, the free first-class passes, either on particular lines or over several lines, or over all lines whatever, run, we are told, into a good many thousands. All the 1300 railway directors, except those of some of the smallest companies, have a universal "gold pass" over all British and Irish lines covering all their journeys, public or private. The number of railway officials (who need to travel a great deal on duty) possessing passes, which they are allowed to use also when travelling on their private concerns, must be very considerable. Such passes are now given, *inter alia*, to officials of the Board of Trade and Ministry of Munitions. And there are many other cases known in the General Managers' offices, in which (even if free passes are necessary) they need not be first class.

any saving in interest owing to the superior credit of the State over that of individual railway companies, both on the existing capital and on future capital requirements. Nor has anything been adduced as to the possibility of increased profits by the provision of additional facilities to the public, costing little or nothing, which more than one General Manager has had in mind, but which the existing chaos of ownership prevents; such as the very popular *Rundreise* system, or the availability of tickets by alternative routes, or the better distribution of train services throughout the day, or the provision of specially cheap fares for long-distance journeys by night, when the lines are relatively less occupied, all of which a national system could experimentally introduce.

This is not to suggest that the existing General Managers are not running their several enterprises with the utmost ability, or that those who criticise make any pretension to teach them how to make larger net profits *for their several companies* than are at present obtained. The improvements contemplated, *which are those that General Managers themselves have often privately suggested*, are open to them only on condition of getting rid of the present disunity of financial interest and control. Given one united ownership and one unified control, and, in the words of the General Manager of the Midland Railway Company in his Memorandum to the Board of Trade Railway Conference, 1909: "Advantage to the public might be looked for in greater freedom of action on the part of the manager of a railway where competition has been to a great extent eliminated, and so greater power is given him to try experiments."

VIII. The Terms of Purchase

Returning to the question with which we prefaced these remarks, we have now to consider the terms on which the State could purchase the railways from their present proprietors. The State might impose what terms it pleases,

for the railways have to be worked under conditions dictated by it, and a rise in maximum charges, even where it would be profitable to impose it, cannot become operative unless sanctioned by Parliament. Unless, therefore, the State comes to the aid of the stockholders, as it did in 1913, by enabling them to justify by new evidence a rise in their charges in order to meet the increase in wages that they were then compelled to grant to their workers, they may presently suffer severely, and in some cases dividends may altogether disappear. The railway shareholders will naturally clamour for protection from the State, and will argue that, if their dividends fall off, the State should come to their assistance. The State would, however, be entitled to ask whether some more advantageous system of administration than the 200 different boards of directors, in whose hands the control of policy had been placed, could not be found. We are saying no more than is said by general managers themselves when we suggest that the attitude of the directors in past years, in regard to labour, in regard to favouritism in appointments and promotions, and in regard to the adoption of technical improvements, has not always been enlightened. The nation does not forget that Parliament has had more than once actually to force upon the railway companies improvements of all sorts, commencing with the running of trains carrying third-class passengers, and ending quite recently (in spite of the curious opposition of the Board of Trade) with the keeping and publishing of records of their working, which still leave the British railways statistically behind those of every other civilised country. In view of the demands of labour, the growing strength of the railway men's Trade Unions, the increased general cost of working due to higher prices, the importance of taking ever-increasing precautions against accidents to the staff, the necessity for raising millions of additional capital, and the unlikelihood of the directors abolishing even their unnecessary number of separate boards, it is not too much to suggest that the worst thing that could happen to the shareholders would be for

the British railways simply to revert to the pre-war system of divided ownership and private control. It is at least probable that a serious crisis would soon arise, dividends would dwindle, and the assurance of the payment of the full rate of interest on some of the fixed interest-bearing stocks would presently be gravely endangered. The ardent nationaliser might, indeed, wish for such a consummation. Unfortunately, however, in such an event the shareholders would not be the only sufferers. The nation of producers and consumers would stand to lose also by the decline in efficiency of a bankrupt railway service. It is true that if Parliament would permit all the railway companies to combine in one gigantic system for the benefit of the shareholders, this prospect could be averted. But the Treasury cannot ignore the fact that a union of ownership, with the attendant unification of management, would create a new profit by reason of the economies in working which this unity of financial interest and elimination of competition alone could bring about. This profit, to which the existing stockholders have no claim, it is important to secure for the State. In the present state of the country's finances it would be criminal to neglect any opportunity of adding to the national resources.

It is sometimes assumed that, whatever may have the financial advantage of Railway Nationalisation when the Government could borrow at 3 or 4 per cent, the operation has become out of the question when the rate of interest has gone up to 5 per cent. This is a fallacy. Whatever financial advantage there is in substituting the credit of the State for the credit of a company *remains as great to-day as it was five or ten or twenty years ago.* Though Government bonds now pay 5 per cent instead of 4 or 3, the yield required from railway securities, whether Debentures, Preference Shares or Ordinary Stock, has risen for the same reason. In fact, as the rate of interest which the State has to pay determines the rate of interest that investors expect on all other securities, the

selling value of railway stocks, as of others, has fallen in almost exact proportion to the rise in the normal rate of interest.

It is sometimes objected, moreover, that, even if the Government could have advantageously purchased the railways before the war, such an operation is now out of the question, because no Government could dream of making so large an addition to the National Debt as would be involved, and that the Money Market would no longer stand such an operation. What is forgotten in this objection is that the nation is just as much "in debt" for its railways at present as it would be after the existing shareholders had been transformed into holders of Government stock. There would thus be no real addition to our national indebtedness by the exchange of one kind of security for another; on the contrary, as we shall seek to show, there would be an effective diminution of burden. Nor need the Money Market (which has stood considerably greater shocks) be affected. It would not be necessary to raise any Government loan, or to pay off the railway shareholders in cash. What is suggested is merely the substitution of one printed document for another—the issue to the holders of railway securities of Government stock to the full amount of whatever price it is agreed to pay to them for their holdings. The Money Market would be entirely untouched; and the Stock Exchange would find merely more buyers and sellers of Government Stock in place of the present buyers and sellers of railway securities.

What we have to seek is some basis for the purchase which would be generally recognised as fair to both parties. We cannot, of course, consent to guarantee to the railway stockholders for ever the revenues which they are drawing on the basis of that record year in the history of the railway companies, 1913. The stockholders can have no claim to get for nothing the guarantee of the State. Such a proceeding would mean giving even the ordinary shareholders the best possible security for ever, in exchange for a second-

rate and precarious security, fetching much less in the market.[1]

Basis of Purchase

On what basis should the State buy out the railway proprietors? Whatever any one ventures to propose will, of course, be immediately torn to pieces by those concerned for the shareholders, as a mere incident in the bargaining. Whatever is suggested by the Government will be fiercely attacked as inadequate. There are over thirty railway directors in the House of Commons alone, and a good many in the House of Lords, without reckoning the railway companies' numerous legal advisers and other supporters; whilst probably nine-tenths of the legislators are themselves holders of railway securities to a greater or lesser extent. Any Government will therefore have difficulty enough in carrying through a fair bargain. National necessity may be expected, however, to be a powerful driving force.

(*a*) *The Act of* 1844

We must begin by definitely repudiating the conditions upon which, by the Act of 1844, the Government is empowered to buy out any railway enterprise constructed since its date. The price then contemplated was twenty-five years' purchase of the average divisible profits of each enterprise during the three preceding years. These terms are wholly inapplicable at the present day, because (i.) they do not apply to the 2300 miles of line constructed prior to 1844—10 per cent of the whole—which form, as a rule, an indispensable, and sometimes the most valuable, part of each company's system, and a part which cannot possibly be separated in valuation from the rest of the assets; (ii.) they

[1] The question of whether the Irish railways should be included in the purchase, or left to be separately dealt with; and the further question of whether, if included in the purchase, they should be placed under a separate administration, sitting at Dublin, and the finances be entirely severed, may be left for separate consideration. All figures relate to the United Kingdom.

only apply to companies which make 10 per cent on their nominal capital — extremely few in number—whilst all others are left to claim to have their compensation determined simply by arbitration according to the principles which are not defined; and (iii.) *what is nearly always forgotten*, the twenty-five years' purchase (equivalent to a 4 per cent basis) had reference to a time when the rate of interest on the best securities was only 3 per cent—in the year 1844, 3 per cent Consols actually touched $101\frac{1}{4}$—whereas it is now 5 per cent. If it was agreed as fair that railway securities should be taken over on a 4 per cent basis when 3 per cent Consols stood at par, the same securities ought to be purchased on a $6\frac{2}{3}$ per cent basis—or fifteen years' purchase—when Exchequer Bonds at 5 per cent are sold at par. The position has, in fact, entirely changed since 1844, and calculations based on the terms of the Act of that year (which gave the Government a power, but conferred on the companies no rights) are inapplicable. This was definitely laid down by the Parliamentary Committee of 1872.

(*b*) *The Precedent of the Indian Railways*

More recent is the action of the Government of India in buying up the lines of sixteen Indian railway companies between 1868 and 1906. Nine of these companies, mainly small concerns, were purchased practically on agreed terms. The remaining seven were purchased, so far as the Ordinary Stock was concerned, at a sum equal to the *mean market price during the three preceding years*, the Government simply taking over the obligations of the companies in respect of loans, debentures and debenture stock which then stood at or over par. In the case of four of these companies the purchase money was paid by terminable annuities for seventy-three or seventy-four years.

(*c*) *The Stock Exchange Value*

The one fair basis that would appeal to unbiassed business men would be to buy out all the holders at the current market price of the different railway stocks, including, as this does, an impartial estimate of all prospective gains and losses. What could be a fairer price than that established in the ordinary way of business as between willing buyers and willing sellers? This is what the Stock Exchange prices are.

To prevent manipulation, the market prices of the different railway stocks, on which the purchase scheme was to be based, would have to be those ruling at some date *prior* to the introduction of the Purchase Bill, and, indeed, prior to the announcement of the Government's intention to buy. A three years' average could not now be taken in view of the convulsions caused by the War. Such a basis would avoid all difficulties arising from the rise in the rate of interest; investments which are readily negotiable find their own level, and the Stock Exchange quotations of railway stocks reflect exactly the change in the prevalent rates of interest. Thus, in December 1913, when Consols were quoted at 72 and yielded £3 : 9 : 6 per cent, the London & North-Western Railway 3 per cent Debenture Stock was quoted at $77\frac{1}{4}$ and yielded £3 : 19s. per cent. The same Company's Ordinary Stock, receiving dividend at the rate of 7 per cent, was quoted at 129, on which the yield was £5 : 8 : 6 per cent. At the end of December 1915, Consols were quoted at 59; the London & North-Western Railway 3 per cent Debenture Stock was not dealt in, for Treasury regulations, which came into force before the issue of the $4\frac{1}{2}$ per cent War Loan, prohibited dealings in stocks of this nature below certain artificially fixed prices, which were so preposterously high that they put an end to business in all the railway Debenture stocks. On the basis of Consols, however, the price on 31st December 1915 would

have been $63\frac{1}{4}$, and when the minimum price regulations are removed (which may occur at any time), and prices of railway Debenture Stocks fall to their market value, they will certainly fall to something like this figure. In the case of the Ordinary Stocks no minimum prices were fixed, so that these stand at no fictitious level. London & North-Western Ordinary Stock which, at the end of December 1913, was quoted at 129, stood on 31st December 1915 at $102\frac{1}{2}$, and in May 1916 it sank to little over 100.[1]

The fairest basis would be, therefore, to give each holder of British railway securities of any kind Government stock to the amount of the market price of his holding, the Government stock bearing such a rate of interest as would enable it to be sold at par, and thus be equivalent to cash. What the purchase price would amount to on these terms would depend, of course, on actual market values on the date named. All we can do here is to form, on the basis of current market quotations at the end of December 1915 a provisional estimate of the amount that would be required to carry out such an arrangement. Without confusing the reader by a wilderness of figures, we give the calculated value of the three classes of railway securities.

Debenture Stocks

Nominal amount of Stock . . . £338,040,983
Amount distributed thereon for 1913 . £11,448,692 = 3.4 %
Normal yield for Railway Debentures assumed to be . . 5.3 %
(being 0.56 % more than the yield on $4\frac{1}{2}$ % War Loan at price of 95, this being the actual difference between the yield afforded prior to the war by Consols and by twelve representative Railway Debenture Stocks).

$$\frac{3.4}{5.3} \times \frac{£338,040,983}{1} = £216,856,480$$

[1] The minima were removed on 15th May 1916; and prices at once confirmed this forecast. L. & N.W.R. Debenture Stock even sank to 60. "Generally speaking, the yield on the principal debentures ranged from 5 to $5\frac{3}{16}$ per cent; on the Guaranteed stocks from $5\frac{1}{16}$ to $5\frac{5}{16}$ per cent; and on the Preference issues from $5\frac{1}{8}$ to $5\frac{3}{8}$ per cent" (*Times*, 16th May 1916).

Guaranteed and Preference Stocks

Nominal amount of Stock . . . £468,354,560
Amount distributed thereon for 1913 . £17,239,026 = 3.7 %
Normal yield for Guaranteed and Preference Stocks (being the present average return from stocks of this class) . . 5.75 %

$$\frac{3.7}{5.75} \times \frac{£468,254,560}{1} = £301,311,630$$

= present Stock Exchange value of the aggregate of such stocks.

Ordinary Stocks

Nominal amount £467,399,130
Amount distributed thereon for 1913 . £17,704,982 = 3.78 %
Present market value (approximating to a present average yield on Ordinary Stocks of 6.5%) of the aggregate of Ordinary Stocks paying any dividend.

$$\frac{3.78}{6.5} \times \frac{£467,399,130}{1} = £271,810,570.$$

Thus, the total market value of all the dividend-paying stocks on 31st December 1915 is estimated at £790,000,000, on which 46½ millions a year was being distributed, *representing an all-round yield of* 5.85 *per cent, or just over seventeen years' purchase.* To this estimate must be added whatever are worth in the market the various Ordinary Stocks on which no dividend is paid. These are bought and sold virtually as gambling counters; and a careful estimate of their current prices—including what must be added for like reasons to the stocks of all kinds paying less than the full rate, or otherwise standing at more than their present yield warrants—gives a total, approximately, of £8,000,000.

The aggregate market value of all the stocks of all the railway companies of the United Kingdom on 31st December 1915 was therefore about 798 million pounds. To this must be added £11,370,953 of loans owing by the

companies (the interest on which will be saved if they are paid off), making in all (including a million for compensation to Directors and Auditors)[1] about £810,000,000. This represents a shrinkage from the aggregate market value of ten years ago of more than one-fourth[2]—a shrinkage which is, however, no greater than that experienced by other securities, and which corresponds, in fact, substantially to the rise in the current rate of interest on all investments.

We lay no stress on these figures, which are adduced only as an estimate of what the Stock Exchange values actually amount to. What we suggest is that Parliament should, by statute, summarily vest in the Crown, on an "Appointed Day," all the assets and liabilities[3] of all the 217 Railway Companies owning railway lines in the British Isles; the Government giving in return, for equitable division among all the different kinds of stockholders, *whatever may be the amount to which the Stock Exchange values work out in Government stock*, saleable in the market at par, subject to redemption either by purchase, by periodical drawings of separate series, or by total repayment at any time after 1925; and with a guarantee of total repayment in or before the year 2000. We suggest that we may fairly assume that the Government Railway Stock to be thus issued need not bear a higher rate of interest than 5 per cent, in order to be, after the Peace, saleable at par. It is only for convenience of reference that we take the sum payable to the stockholders, directors and auditors, to be £810,000,000.

[1] Something must presumably be done to compensate such of the Chairmen as are not offered salaried posts in the State Railway Department, and also the Directors and Auditors, in respect of the emoluments they are now receiving. The number of Directors is estimated at 1300, and their aggregate salaries and fees (including those of the couple of hundred chairmen of the Boards) at about £170,000. At five years' purchase this would mean £850,000 in compensation. The couple of hundred Auditors would, perhaps, have a moral claim, for being deprived of this business, of a couple of hundred thousand pounds, making about a million pounds altogether in compensation.

[2] Examination of the railway securities in the list of 3600 representative stocks published by the *Bankers' Magazine* shows that they have fallen from 1905 to 1915 in the ratio of 103 to 75.

[3] The Companies' liabilities in connection with the Superannuation Funds etc., would, we assume, simply be taken over along with their assets.

We recognise that there must be a certain margin of error in this, the best calculation that we can make; and we shall bring the total figure, in subsequent proposals, up to no less than £940,000,000, in order to allow for this contingency, and to cover also the cost of additional purchases and provision for further capital expenditure. The essence of the proposal is purchase at the Stock Exchange price prior to the Government project being made public.

IX. The Development of the Canals as Subsidiary Lines of Transport

Along with the taking over of the railways should undoubtedly come the absorption into a single national transport system of the canals and inland navigable waterways still under independent control. Many canals have been acquired by the railway companies during the past seventy-five years; and acquired not with a view to their development, but, as the public will never cease to believe, to their extinction as competitors. There are now 1360 miles of inland water-ways included among the property of the railway companies, and 3310 miles (of which 812 miles are open rivers) not so included.[1] This aggregate of 4053 miles of inland water-ways in England and Wales, together with less than 1000 miles in Scotland and Ireland, are of all sorts and sizes; they are broken up into hundreds of separate administrations; those which are still independent of the railway companies do not, to say the least, find their traffic facilitated by favourable arrangements, and any interchange of traffic between the different sections is in many cases quite impracticable. Nevertheless they carried in 1905 (excluding the sea-borne traffic of the Manchester Ship Canal) some 40 million tons, obtained a

[1] For all information as to Canals, see the seven volumes of Report and Evidence of the Royal Commission on Canals and Inland Navigation, especially the Final Report, Cd. 4979, 1909, price 2s. 11d.; see also *British Canals: Problems and Potentialities*, by J. E. Palmer (Unwin, 1910, 5s. net): and *Canals and Traders*, by Edwin A. Pratt (King, 1910, 1s. net).

gross revenue from tolls and dues of $2\frac{1}{4}$ millions sterling, and made a net profit of half a million. The Manchester Ship Canal Company now makes a net revenue on all its enterprises of £466,000. To buy up all these inland water-ways on the same terms as are proposed for the railways would involve an addition to the £810,000,000 of no more than twenty million pounds, whilst a capital outlay of another twenty millions would, according to the expert engineering opinion endorsed by the Royal Commission on Canals, give the nation the nucleus of a reasonably effective system of inland water transport. This could be most advantageously administered as an integral part of a national system of transport by the State Railway Department. The price of forty millions—not 5 per cent of the cost of the railway system—would be well worth paying, even for a canal system confined to a part only of the kingdom, merely (i.) to afford relief to the railways at the points at which heavy goods traffic is increasing beyond the capacity of the line; (ii.) to supply an alternative route (with regard especially to mineral traffic) in case of any breakdown or other temporary stoppage of rail communication; (iii.) to give a duplicate line of conveyance when the railways are urgently required for other purposes, as for the transport of troops or war stores; (iv.) to provide more economical transport to and from vessels lying in the Thames or other ports where discharge is by barge; (v.) to obtain a convenient vehicle for minerals and other heavy traffic going to and from mines, farms and factories actually on the canal banks or inconvenient for railway transit; and (vi.) to serve as a "feeder" to the railway system from such mines, farms and factories.

Whatever may be the experience of other countries, it is not suggested that in the United Kingdom any large proportion of the railway traffic is likely to be diverted to water-ways. But the advantages of including the canals and other inland water-ways as a subsidiary part of any national unification of the administration of transport are obvious.

X. The Apportionment of the Net Revenue

It is suggested that, whilst the railway users and the railway employees may have some moral right to share among them the advantages due to economies and improvements in railway operation, neither of these classes has any peculiar claim to benefit by the profit made by the mere use of the national credit, which belongs to the community as a whole. The State Railway Department may therefore fairly be charged with the payment to the Exchequer of a fixed and permanent annuity equal to the amount now paid to the debenture and shareholders. This amounted for the railways, in 1913, the last complete year of peace, to $46\frac{1}{3}$ million pounds, together with about half a million a year on the companies' outstanding loans. To the canal company stockholders of all kinds about one million seems to have been paid, making in all about 48 millions. This is the present annual interest charge on the whole system. To this we must add the equivalent of interest charge on the 600,000 privately owned trucks and wagons to be purchased; and this we take, on the assumed price of 45 millions sterling, at $2\frac{1}{4}$ millions a year. This brings the total, for purposes of account, to between 50 and 51 million pounds annually.

The Exchequer must deal generously with the State Railway Department, and must at the same time put the full and punctual payment of its fixed annuity beyond all risk. It is suggested that the Exchequer should content itself with a fixed inclusive charge of 50 millions, and should, for its own additional security, invest one million annually of this to accumulate in a reserve fund until a sum of ten millions has been provided, to be drawn upon only to make up the absolutely net rent-charge of 49 millions in any year in which the State Railway Department might find it difficult otherwise punctually to fulfil this obligation.

In return for this fixed annuity of 50 millions the State Railway Department would take over all the assets and

liabilities of all the railway companies, yielding in the exceptionally prosperous year 1913 a net profit of over 52 millions, to which we may add over half a million for the interest saved on the 11 millions of loans paid off. Of this, however, 5 millions was required, partly for sundry charges in the nature of depreciation, items which may be assumed to continue, but partly also, as regards some companies, for reserves for improvements, as to which other and more ample provision will be made. Taking two millions out of the five to be thus available, we deduct three only, leaving a net sum of over 49½ millions. To this must be added the net revenue from the canals of about one million, making 50½ millions. There is also the additional revenue to be obtained from the 600,000 hitherto privately owned trucks and wagons, which are popularly supposed to earn, for their owners, as much as £15 per vehicle annually. Taking the extra receipts from this source, however, at no more than £11 : 5s. per truck (based on 300 days at ninepence), and allowing £5 per truck for repairs and for the gradual replacement of obsolete trucks, we have to add just upon 4 millions to the revenue. This makes it over 54 millions a year, out of which to meet the gross charge for the benefit of the Exchequer of 50 millions a year (one million a year of this being invested as a reserve). We are leaving, therefore, a good margin for errors and contingencies. We cannot, of course, pretend to frame an exact estimate, but it looks as if the State Railway Department could, apart from any economies and readjustments to be effected on reorganisation, start with a clear surplus of at least four millions a year with which to meet contingencies and to experiment in profitable improvements.

XI. The Sharing of the Advantages

The advantages to be derived from Railway Nationalisation are, it is clear, of three different kinds ; and it is proposed that they should be divided amongst three different interests.

There is the advantage of getting rid of competitive waste, on the one hand, and of the occasional extortions of a local monopoly on the other; and the substitution of a unified public service, free from the temptation of profit-making, for the multiplicity of separate systems bent only on extracting "what the traffic will bear." From this profitable substitution, which it will, of course, take some time to realise, but which will be realised more and more as years go on, together with the future "unearned increment" caused by the mere increase of population and trade, will be derived the means for a progressive improvement in the service, to be shared by the users of the railways, on the one hand, in a systematic revision of fares, rates and conditions, and, on the other, by the 630,000 employees of the State Railway Department (including canal workers) within a decade in a levelling up of wages and conditions, the total abolition of excessive hours of labour, and a legitimate participation of all grades in the administration of the service on which their working lives depend. Finally, there is the advantage—more definitely calculable at the outset in terms of money than the advantages above named, but, unlike them, exhausted once for all on the taking over—of the lower rate of interest that will be payable on the railway capital when it is represented by Government stock than has hitherto been paid to the railway stockholders. They will have been bought out at the market price, and will get the interest agreed to. The difference between the 5 per cent that is paid on Government stock, and the 5.85 per cent that British railway securities in the aggregate now yield to purchasers of their stocks at present prices, is merely the result of a substitution of the superior credit of the State for that of the several companies. This is the share—immediately tangible, but without promise of increase in the future—to be claimed by the Chancellor of the Exchequer, as the contribution towards the burden of the Great War Debt to be made by the very substantial part of the national assets that is represented by its railway system.

(*a*) *The Policy of the State Railway Department.*

There are many people who care nothing for the controversy between the Individualists who stand up through thick and thin for Company Administration, and the Collectivists who argue for a State Railway Department. What they want to know is, on what policy will the National Service of Transport be administered, and how can its efficiency be secured?

We make no pretension to answer these natural enquiries. It will be for the community as a whole, acting on the advice of the railway experts on its Central Railway Council, to settle the policy to be pursued. We suggest that, under the influence of the public, of business men and passengers, what will be demanded will probably be the greatest possible improvement of the facilities for transport consistent with the financial stability of the Department, on which we may be quite sure that the Treasury will insist. We may assume that the Central Railway Council will be put in a position not only to conduct the day-by-day operation of the whole Transport System, but also to report fully to the Minister and the Cabinet upon any new proposals. We shall need a Central Railway Council, formed of the ablest of the present railway administrators, strong enough to govern the whole system, yet wise enough, and sufficiently experienced, not to insist on the excessive centralisation of details from which, it is said, some of our great Railway Companies are not free. The State Railway Department will presumably be protected (as is, for instance, the Post Office) by the Civil Service Commissioners from all personal interference in making first appointments to the staff, whether attempted by Members of Parliament or by other outsiders of influence. It will certainly no longer be possible for a Chairman or a Director to bring in a friend, or a friend's son, by personal favour, without any thought of this being wrong, as has too often been done under the Company administration of the

past. There is, in fact, as repeated experience has demonstrated, less chance for nepotism and jobbery as regards first appointments, in a modern Government Department, than in the administration of a Railway or other Joint Stock Company, or a private firm (where, indeed, an appointment due solely to relationship or favouritism is not regarded as jobbery at all!). And the scrutiny of the Controller and Auditor-General, with the expert staff of the Exchequer and Audit Department will, to say the least, be at any rate as effective as that of the Companies' own Auditors in preventing not merely defalcation, but also—what Auditors have not always thought to be within their province—the giving of contracts for coal, for rolling stock or for railway signals, to firms in which those concerned with the decision have a personal interest, or to companies in which they hold shares.

(*b*) *What the State Railway Department can achieve for the Users of the Railways.*

The first duty of the State Railway Department would be to reorganise the whole operations of the railway system (including the inland water-ways) on the lines of unification, the elimination of waste, and the maximum service of the public, whether in the way of improved passenger conveniencies and facilities or in that of lower rates for goods and minerals. It would naturally take some years to realise all the economies to be obtained from getting rid of the present competitive working, the existing duplication of premises, plant and staff, the unnecessary charging and checking of the companies among themselves, and the delays and wasted haulage to be obviated by the pooling of rolling stock. Probably the whole of the first decade is not too long to allow for this reorganisation. No one can predict what the saving would amount to, but we think that, by the end of ten years, with the new capital outlay provided for, it may be estimated, as we have suggested, at the very least

at 10 per cent of the present working expenses, or 8 millions per annum.

It will be at once seen that some of the elements which make the outlook unpromising for the present railway shareholders, under the existing system of divided management, diversity of financial interest and competitive rivalry, do not affect to anything like the same extent the prospects of a State Railway Department, controlling in a single system of transport all the railways and inland water-ways of the kingdom. We hazard no estimate, and we base nothing on the probability, as to the extent to which, with the considerable outlay of new capital (the interest on which is provided for), the State Railway Department will be able to counteract the adverse influences affecting the general volume of traffic to which all countries may possibly be exposed in a depression of trade. But the State Railway Department will naturally set itself, partly in ways not open to even the most enterprising General Manager of a single company to-day, to increase its gross revenue by endeavouring to foster additional traffic. It is a fact of some significance that the aggregate number of passengers carried by rail in the United Kingdom has, under Company administration, practically ceased to grow even as fast as the population. In the years 1909, 1912 and 1913 the numbers carried were actually fewer than in the preceding year. This check to a yearly increase of passenger traffic, which railway managers on the Continent of Europe and in the United States are able to take for granted, is not adequately explained by the contemporary growth of tramway traffic, which is at least as big a factor in Germany, Belgium, Italy and the United States as it is in this country. It would clearly be one of the first duties of the State Railway Department to consider how to bring about both an increase in the number of passengers and an increase in the distances that they are induced to travel. We do not know exactly the "passenger mileage" in the United Kingdom though we may guess at it from the average fare; and railway experts in other

countries estimate it at much below that of more than one of our rivals. It is certainly instructive to learn that, in the United States, where the distances are no greater than they were, the average distance travelled by each passenger, and with it the average fare, has been, within recent years, nearly doubled. Other railway administrations induce long distance traffic, which they believe increases their net profits as well as their gross receipts, by lower mileage rates. Similar considerations apply to the development of the receipts from agricultural produce, goods and minerals, which with a united policy in rates and the power of gratuitous advertisement which a State Railway Department would command, might reasonably be hoped for. Readjustments with the Post Office (as regards Parcels Post, mutual agency service and what not) would certainly have financially beneficial results, both in increasing receipts and diminishing expenses; and credit could be taken for these, to whichever Department they might be made to accrue. If the nationalisation of the coal supply is effected, similar arrangements with the Government Coal Department would doubtless be equally possible.

On the other hand, the State Railway Department would need (as the present companies need) to expend a good many millions in improvements during the next decade, including herein the cost of restoring to full efficiency what has been "let down" or deteriorated by hard use during the War, and the stringent economy that has prevailed. This expenditure for improvements, due, as it largely is, to our recent neglect to keep the system in full efficiency, might, to a great extent, fairly be charged to gross revenue. But in order to start the State Railway Department with full advantages, in order to cope with the increased traffic to be expected, and in order to facilitate the economies to be made on reorganisation, it is proposed that the State should find this capital: partly in view of the importance of determining its allocation, year by year during the ensuing decade, so far as new works are con-

cerned, in correspondence with the condition of the Labour Market, so as to maintain the aggregate volume of employment throughout the whole kingdom as far as possible at a stable level, and thus to reduce both cyclical and seasonable unemployment to a minimum. We propose to add a sum of 50 millions to the estimated price payable in order to provide, not only for errors and contingencies but also for this uncertain amount of new capital outlay.

In the same way the expenditure of the 20 millions required to transform the canals into a reasonably efficient and inter-connected system, if only covering a part of the kingdom, in most effective conjunction with the railways, would be spread over the ensuing decade, in a similar relation to the aggregate volume of employment throughout the kingdom. The importance of such a policy of actually preventing the occurrence of unemployment, in the all-important decade following the conclusion of peace, will be at once apparent.

(*c*) *Increased Facilities and Simpler Charges*

The sole object of the State Railway Department would be—subject to (i.) the maintenance of the whole system in full efficiency, (ii.) the provision for the Exchequer of the annual charge of 50 millions (one million of this being put for a decade to special reserve) in lieu of all the present payments to the stockholders; and (iii.) equitable treatment of all the employees—to serve the public convenience and "maximise" the traffic. To enable the Department to know what the public wants, and to provide machinery for the ventilation of all grievances of customers and the public, it is suggested that there should be a series of Local Advisory Boards—probably one for each of the dozen or the score of sections into which the national system would be geographically divided—and of National Advisory Boards, perhaps a dozen in number, severally representing

great industries or groups of industries. The Local Advisory Boards (on which some of the displaced railway directors might possibly be willing to serve) should be constituted, in the main, of nominees of the County, Borough and District Councils in each locality, together with others nominated by such working-class organisations as Co-operative Societies, Friendly Societies and Trades Councils. The National Advisory Boards would naturally be made up, in the main, of nominees of the several national associations of employers, traders and wage-earners (together with the Parliamentary Committee of the Trades Union Congress) in the industries concerned. A useful feature would probably be an annual conference of all the Boards to discuss their several desires. We see no reason why the unofficial and unsalaried members of these Advisory Boards should not be paid their expenses of attendance; and we are not claiming, therefore, that any savings will be made under the head of Directors' Fees. The £170,000 now paid remains available for this necessary service.

The State Railway Department would have very seriously to consider whether it would not be possible to diminish the present multiplicity, both of passenger fares—which vary, for third class, in Great Britain alone, from a penny up to over three pounds—and of goods freights (of which there are literally millions of separate rates). The Department would naturally want to establish not only through passenger fares, but also through goods rates, to and from every part of the kingdom, by rail or canal, or by a combination of both of them. The whole of the parcels traffic, probably extended, as on the Continent, so as to include packages up to 1 cwt., would presumably be included in the Parcels Post, improved by the special advantages that it might take over from the railway companies' parcels system.

It would be an immense boon, and one that would almost certainly lead to a great increase of traffic, if—perhaps by the establishment of great geographical zones—any approach could be made on their railways to the uniform

charges, irrespective of distance, that Sir Rowland Hill got adopted, three-quarters of a century ago, in our Postal Service—in the teeth, be it remembered, of the opposition of all the "experts." It is impossible not to be struck by the fact that the average fare per passenger journey on our railways to-day (6d. to 7d.) is practically identical with the average postage per letter in 1838 prior to the introduction of a uniform postage rate. Since the adoption of uniform postal charges irrespective of distance, based on the popular penny, the number of letters per head of population has increased twenty-four fold. Unfortunately the existing railway system could not, without extremely costly reconstruction, accommodate any great increase of traffic, unless this could somehow be more evenly distributed in time and place. On the other hand, a uniform fare sufficient to yield the present income from no more than the present number of travellers—say 6d. each—would be prohibitive of the millions of short distance journeys now characteristic of the Metropolitan area and other populous places. A similar obstacle prevents the universal reduction of the rates for goods and minerals to the present *average* of three or four shillings per ton. These difficulties may for ever prevent any absolute uniformity of either passenger fares or goods rates, on the lines of our postage rates.[1]

[1] It must not be forgotten that there is a marked difference between letters and either goods or passengers, alike in terminal expenses and haulage costs. Multiplication of letters ten- or twenty-fold very slightly increases either of these items—a big sack of letters costs little more to haul or to handle than a small one. On the other hand, whilst the aggregate cost of handling and hauling goods or passengers does not increase quite proportionately to their weight or number, it is much more nearly proportionate thereto than in the case of letters. This is specially so for the haulage cost, which forms a large part of the passenger fare and goods rate, whilst it is only an infinitesimal part of the postage charge.

The rock on which schemes of uniform rates split—notably that proposed by Mr. Whately C. Arnold in his *Royal Railway* (1914), which proposes uniform penny fares on local trains and uniform shilling fares on expresses non-stopping for 30 miles, and analogous uniform rates for goods—is, they always involve a considerable increase of traffic to make them remunerative, without doing anything to alter the distribution of the traffic among hours and places. Now, on practically all railway lines the traffic at the busiest times of the day and the most frequented parts of the line—the "peak" of the diurnal curve—is already close up to the carrying capacity of the line. Although many stations may be nearly empty,

Whatever impossibilities there may be in the adoption of uniform fares or rates, whatever difficulties there may be even in the way of the institution of great geographical zones of identical charges, it would clearly be a matter for early consideration to what extent a greater simplification of payments could be profitably adopted by the State Railway Department. Moreover, there must be an attempt to raise the load factor. It is possible that this could be done by making some of the new or reduced rates apply only to the hours of the day and the parts of the line which are capable of carrying additional traffic—leaving existing rates unchanged for the "peak" of the curve. A uniform penny fare during the hours of eleven and five between any stations within the Metropolitan area; similar arrangements for the slack time on the Clyde, along Tyneside, in the Manchester district, in the Black Country, etc.; a uniform fare of a shilling or two *during the night*—if that is a time when the costly plant of the passenger service is lying relatively unused—for any distance that a non-stopping train travels; and the assimilation of the rates for all kinds of goods, irrespective of their character—coal being carried only for the Government Coal Department at some agreed (and possibly uniform) rate per ton—might possibly all be immediately profitable reforms.

XII. New Capital Outlays

Provision must be made, it will be said, for new capital outlays from time to time. Very substantial capital outlays will, as we have suggested, be required within the first decade; and no less than 50 millions sterling for the railways and

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and most trains contain numerous vacant seats during much of the day, there are, on nearly all lines, stations and trains which, at certain hours, are thronged to overflowing. Any general reduction of fares, whilst it might profitably fill the vacant places in the dull seasons, would equally augment the crowds at the times and places where the railway could not possibly accommodate the additional traffic. No universal levelling down of fares, and no mere increase in the volume of traffic, can be counted on, *in itself*, to improve the load factor.

20 millions for the canal system are included in the estimated initial cost to cover this and other capital contingencies. For less than such a sum the whole system can, it is believed, be refitted, brought down to date with the latest improvements, and rendered independent for the first decade of any but the normal charges for maintenance and minor improvements which are already provided for in the annual outgoings.

After the first decade of a national system it will be possible to review the position in the light of actual experience of a completely united administration. Extensions and improvements will, of course, continue to be required; and for these, except in so far as they may be done out of revenue (which is how the railways in the Federated Malay States have been constructed), capital will be found by new State loans, just as the railway companies raise additional capital for such purposes to-day. The difference will be (i.) that the Government will be able to obtain new capital, on an average, at about 0.85 per cent less interest than the companies would have to pay, saving £8500 per annum on every million; (ii.) that the Government, unlike the railway companies, would be annually redeeming its railway capital by a Sinking Fund. But for some of the new capital there would be a further source. It is proposed, as already indicated, that out of the fixed State Annuity of 50 million pounds a year to be charged on the State Railway Department, one million a year should be allowed to accumulate for eight or ten years, in order to provide a Reserve Fund to be drawn upon in the unlikely event of the Department being unable, in any particular year, punctually to pay the Annuity in full. When that Reserve Fund has reached £10,000,000 (to be invested in War Loan at 5 per cent), and so long as it remains at that figure, the million a year, together with half a million a year from the interest on the accumulated sum, will be available for any purpose of improving the system that may be approved. This will provide an additional annual sum of 1½ millions sterling,

over and above the not inconsiderable amounts already charged to revenue by various companies for extensions and other developments, without raising additional capital at all. It may be observed that the average addition for all purposes to the aggregate capital account of all the railway companies between 1909 and 1914 was only $6\frac{1}{2}$ millions a year; and that this was entirely obtained by issuing new stock of one or other kind.

XIII. Conditions of Employment in the State Railway Service

The couple of hundred of railway and canal companies of the United Kingdom have in their service (including their offices, steamships, docks, hotels, and manufacturing establishments) about 630,000 men and women, from the girl at ten shillings per week up to the Chief Locomotive Engineer or General Manager at £5000, or, in two or three exceptional cases, even £10,000 a year. Their aggregate bill for wages and salaries of all kinds amounts to about 47 millions sterling—a sum which is only three times that of the British Post Office, and only half of that to be met by a Government Coal Department which organised our coal supply.

It would, of course, be necessary (and only equitable) to guarantee that none of these 630,000 employees should lose by their transfer to the State Railway Department. They would, in the reorganisation, all be assigned to posts not inferior in pay and conditions to those that they held under the railway and canal companies. The principle to be aimed at should be that none should be dispensed with if fit for service. But if any one of any grade, from the newest boy porter to the oldest General Manager, were dispensed with, he would be compensated for abolition of office on the usual generous terms. Whatever was dispensed with in the shape of Directors—of whom there are now some 1300—the State Railway Department would make it a rule (as the

Postmaster-General does) never to dismiss any "established" man merely because there was momentarily, in his particular locality, no employment for him. This may nowadays be done by a railway company; and some companies (like some Government Departments, which ought to know better) have even at most times a fringe of casual labour, which is irresponsibly taken on or dropped to suit their own convenience.[1] But in face of the steady and constant growth in the business of the Department as a whole, such dismissals and such a use of casual labour ought never to be necessary in a service worked as a whole. The more extensive the system the less is the need for intermittent employment. The economies in staffing that would be made possible by unification would be made only gradually, and at no greater rate than the increase of traffic permitted all displaced men to be elsewhere absorbed. The railway employees of all grades would therefore gain the practical permanence of employment and security of tenure of the "established" Civil Service.

An extensive revision of wages, hours, and working conditions would have to be immediately undertaken, in which it should be laid down by Parliament that there should be a general plan of gradual "levelling up," so that in each grade, within the period of ten years from the appointed day, during which the reorganisation will be in progress, no person should be paid less than the best Standard Rate now prevailing, and none worked for longer hours than those current under the best and most considerate company. We might put aside out of the economies as they are realised a sum equal to 5 or 6 per cent of the total wages bill, or, say, three millions a year, as required, within the first ten years of the transfer, for this levelling up of the conditions of the railway service to the highest current Standard. To this initial gain to the employees as a whole

[1] The very strong social and economic objection to reliance on a system of casual labour does not, of course, preclude the engagement, under proper conditions, of an auxiliary staff to meet exceptional seasonal pressure.

would be added the enormous boon of a practical security, not only against any general and overt reduction at any time (apart from great national calamity), but also against those evasions of the terms of Awards and "nibblings" at conditions to which they have in the past sometimes been exposed at the instance of too exacting subordinates whose zeal for cutting down expenses General Managers have more than once been compelled to check.

But something more should be expected from the transformation of a capitalist and profit-making enterprise into a national service than an improvement in wages and working conditions, in continuity of employment and in security of tenure. The employees of the State Railway Department will have a legitimate aspiration to participate so far as possible, grade by grade, in the administration of the service to which they give their lives. In France and Switzerland that participation in management is accorded to the State Railway employees in various ways, with, so far as the relations with the staff are concerned, very great success.

We cannot do more than indicate the kind of national organisation that the State Railway Department might substitute for the scores of separate hierarchies by which our railways are now governed. There would presumably be a Central Railway Council sitting permanently in London, in which—under the Minister for Railways, or for "Communications and Transport"—the supreme control would be vested. This Council would be composed of the ablest General Managers and heads of the principal departments, all being whole-time salaried officers of the Department, with probably a representative of the Treasury. To this, we suggest, should be added, as in France, Italy, and Switzerland,[1] always two or more representatives of the

[1] The Report of the State Railways administration of France for the year 1909 states as follows: "In our Report for 1907 we enumerated the important measures taken to bring about a closer collaboration between the staff and the administration in the management of our common work. On the old State Railways these measures have been in operation since 1908, and in 1909 we extended them to the purchased railway system (Western). The elections took

Trade Union organisation, representing (as will be subsequently explained) all the six hundred thousand manual working wage-earners in the service.[1] But the aim should be, from the outset, to avoid any more than the necessary amount of centralisation. We assume that there would be, in each of the ten or twenty districts into which the national system would be divided for operating purposes (as the Prussian and Austrian systems are divided), a Local Railway Council, composed of the local heads of departments, perhaps under a permanent salaried chairman, an officer specially selected for the purpose by the Central Railway Council. To each Local Railway Council we suggest, following the French example, that there should be added two or more representatives of the local Trade Union organisation of railway employees. But these Local Railway Councils, like the Central Railway Council, would be habitually engaged in the technical details of railway operating, and would neither have time, nor be well adapted, for the redress of grievances felt by individual employees,

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place on Sept. 5 and Nov. 21. Thus the officials and workers on the permanent staffs of the two systems are now represented in the various committees by delegates chosen from among themselves. . . . They have seats on the District Councils and on the Grades Committee, the duty of which is to prepare reports and the lists of premiums and promotions. They form part of the Council of Inquiry whose duty it is to express an opinion in all important questions relating to the material and the professional interests, both collective and individual, of the officials and workers. Further, they have seats on the Pensions Committee, the Committee of the Co-operative Society, and on the Reform Committee." By the Ministerial Decree of Sept. 24, 1911, a Supreme Advisory Board was constituted for the State Railway (Conseil de Réseau), consisting of twenty-one members all appointed by the Minister of Public Works. These include a number of engineering, financial, and commercial experts and magnates, together with four working railwaymen, who must be chosen from among the men elected to the District Councils (lately these were the head porter at a Paris station, a fireman, a foreman-platelayer, and a driller from the railway workshops). These latter have all the rights of members, and take their full share of work, including membership of all the committees. (*State and Municipal Enterprise.* Supplement to *The New Statesman*, 8th May 1915.)

[1] In Switzerland it is now an invariable custom for the General Secretary for the time being of the Railwaymen's Trade Union to be appointed a full member of the small Board of Administration, which is the supreme governing authority of the Swiss railway system. When he retires from office he vacates his seat and his successor is appointed.

the adjustment of wages or other disputes with particular sections of the very multifarious grades and kinds of workers employed, or the periodical revision of the wage-earners' Standard of Life, in correspondence either with the changing level of prices or with the progressive rise in the Standard of Life of the rest of the community. At present, all this business of dealing with staff grievances, with the perpetual interference of Members of Parliament and other persons of influence on behalf of particular men, is a sore trial to the railway administrator. For all this work we suggest, on the analogy of the wage machinery of the coal-mining industry, that there should be, to the infinite relief of the officials who have at present to bear the brunt of all the grievance-mongering, in each railway district, a Local Joint Board, consisting, on the one hand, of representatives of the local Trade Union organisation of railway employees, these being chosen from among the different wage-earning grades and sections; and on the other, of an equal number of the superior railway officials appointed by the Local Railway Council. Similarly there should be in London, both to hear appeals from the Local Joint Boards, and to deal with questions affecting the service as a whole, a Central Joint Board, consisting of equal numbers of representatives of the Trade Union organisation of the railway employees chosen as far as possible from among the different grades, and of railway officials appointed by the Central Railway Council. In case of failure to agree, the issue might be referred to any referee to whom both sides could agree to leave the decision, or, failing such agreement, to a standing Council of Conciliation, composed of representative citizens of all classes and all parties, unconnected with the railway service otherwise than as citizens.[1]

[1] The railway employees are at present organised in (i.) a great Trade Union, admitting all sections (the National Union of Railwaymen), with 306,000 members; (ii.) several other distinctively railway unions, such as the Associated Society of Locomotive Enginemen and Firemen, with 33,000 members; the Railway Clerks' Association, with 30,000 members; and three smaller Irish Unions; and (iii.) a number of Trade Unions not distinctively connected with

It would be desirable, with the elimination of the element of private profit-making, and of all private interest, that there should be established a definite ratio for the allocation of any available surplus on each year's working, after allowing a period of, say, ten years, to get the unification and initial improvements completely into order. After the first decade at least one half of any annual surplus should, it is suggested, be devoted to an Improvements Fund, out of which there would be executed from time to time the innumerable further improvements of the railway system that will always be required. The remaining half should be shared (with provision for an equitable carrying forward of unallotted balances) between the users of the railway system, on the one hand, taking effect in some general reduction, by a proportionate fraction, of all passenger fares and goods rates; and the employees of all grades, taking effect, not in any increase in wages or decrease of hours—for these ought to be determined on quite other considerations than the fluctuations in the profitableness of the working — but possibly in the provision of extra amenities and comforts for the whole body of employees, over and above what the State is honourably bound to provide for them *whatever the financial result of each year's working.* On the other hand, any general increase in the Standard Rates of wages, demanded of and conceded by the Central Joint Board or the

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the railway service, such as (chiefly in the railway manufacturing and repairing establishments) those of the engineering and metal trades, those of the wood working and furniture trades; (chiefly among the lower grades) those of the general labourers; and (chiefly in the branches concerned) those of the seamen, hotel employees, etc. But few of the workers on the canals are in any Trade Union. On the transformation from a capitalist profit-making business, under more than 200 employers, into a national public service under a single State Department, an attempt should be made to get all the different Unions concerned to agree to form a single organisation, in one or other form (even if limited to this one function), to which the State Railway Department could accord the fullest recognition, and through which the whole body could secure representation on both the Local and Central Railway Councils and Joint Boards. The State Railway Department might then even make membership of that organisation—to the extent of exercising this "industrial citizenship"—a condition of employment.

Council of Conciliation already referred to, would necessarily have to be accompanied, in order to avoid a deficit, by an equivalent proportionate all-round increase of passenger fares and goods charges.

The question remains, not indeed of "discipline," as it is often called, but of the infliction of disciplinary punishments, whether in the form of fines, refusal of normal increments, explicit withholding of promotion, reduction of status, or dismissal. The nation cannot nowadays concede to the managers or foremen of a national service the arbitrary and uncontrolled summary jurisdiction, which is still claimed in capitalist employment. The protection against the caprice or tyranny of superiors, which is in practice enjoyed by the clerical Civil Service, must in some way be extended to all the manual working employees. The right of instant summary suspension from duty (subject to reinstatement on appeal) by any superior must, indeed, be maintained for all grades, as a necessary condition of efficiency. But we may learn from the Municipality of Lyons, for instance, how to constitute a "Discipline Board," on which there should sit two or three superior officials and two or three representatives of the wage-earning employees, *one of them* (*as in the Lyons example*) *always belonging to the same grade as the man concerned*; and no disciplinary punishment should be inflicted except upon the report of this Board.[1] A domestic tribunal of this sort, sitting in each locality when required, would be found in practice (as has been proved not only at Lyons but in other places) by no means lacking in severity; and yet commanding universal respect, and avoiding all the general resentment of injustice that generates strikes.

Anything like a strike on a National Service of Railway and Canal Transport ought, indeed, to be out of the question. With central and local participation in all the

[1] On the New South Wales Government Railways there is a Special Board of Appeal, to which any employee who has been punished may appeal, consisting of five chief officials and *one officer . . . elected by a ballot of railway and tramway employees.* There is yet a further appeal to the Chief Railway Commissioner and one Assistant Commissioner.

management, with wages questions settled by Central and Local Boards on which the wage-earners are represented in equal numbers with their official superiors, with all the net proceeds shared between the common advantage of the employees as a whole and the users of the railways, with a joint Discipline Board to inflict all disciplinary punishments, and with an impartial Council of Conciliators to decide any intractable conflict of opinion, a general strike on the railways would stand revealed as an attempt to "hold up" the whole community, in order to extort, for a small minority of the manual working class, better terms than the public opinion of the whole class was prepared to concede. Leaving work without the agreed period of notice is, on the railways (as under certain circumstances it ought to be), already a criminal offence. The proper course for any man who considered his services inadequately remunerated would be, as it is with the clerical Civil Service, on the expiration of his contract of service, to resign his appointment and seek a new field of work.

XIV. What the Chancellor of the Exchequer would gain by Railway Nationalisation

The 630,000 employees of the State Railway Department would gain by nationalisation permanence of employment, security of tenure, protection against caprice and tyranny, full recognition of their Trade Union organisation, rates of wages and hours of labour everywhere levelled up to the best current standard, assurance against either overt reductions or other encroachments on their earnings, participation in the management, both local and central, and a corporate share in all future increases of net revenue. The 47 millions of railway users—for the entire population consists of railway users, either as passengers or as consumers of commodities—would gain all the improvement in the service that unification would permit, the increased opportunity for the remedy of grievances afforded by the

Local and Central Advisory Councils in addition to Parliamentary criticism, probably a certain simplification and assimilation of fares and freights, and possibly some approach, perhaps by way of zones, towards the uniform charges, irrespective of distance, that have proved so advantageous in the carriage of postal matter. Where, then, does the Chancellor of the Exchequer come in?

On the equitable terms of purchase proposed, the Government would create, in lieu of the heterogeneous mass of existing railway securities of all kinds of the nominal amount of £1,341,203,000, together with eleven millions of loans outstanding, about £940,000,000 of new Government Stock probably bearing 5 per cent interest, and redeemable at intervals between 1925 and 2000. This sum will cover the Stock Exchange price of all railway securities, pay off the loans and allow one million for the Directors and Auditors with a liberal margin for errors and contingencies. It will allow, in addition, the expenditure on capital account of a large sum, which may approach fifty millions sterling, in the expenses of reorganisation and in gradual improvements during the ensuing decade. It will include also the purchase and improvement of the canal system at the cost of forty millions and the purchase of the privately owned rolling stock for another forty-five millions. This new Government Railway Stock of £940,000,000, if we may assume the rate of interest to be 5 per cent, involves an annual charge of £47,000,000.

The State Railway Department, *without counting on any increase in traffic*, but partly out of the economies which a reorganised and united administration would permit, and partly as the result of the expenditure of the fifty or seventy millions of additional capital which will have been placed at its disposal, would find itself able gradually to improve the conditions of service of the staff, and to extend increased conveniences and facilities to the users of the railways and canals. It would have, in fact, a margin of three or even four millions a year, after paying the fixed Government

charge hereafter mentioned, with which to meet unforeseen contingencies, and to experiment in improvements.

On the other hand, the Government would receive from the State Railway Department a fixed Annuity (in lieu of all the interest and dividend hitherto paid to the railway and canal stockholders of every kind) of forty-nine millions per annum net, secured by an additional million a year being accumulated, until ten millions sterling had been thus invested, in a special reserve fund for this purpose. This fixed and well-secured annuity of forty-nine millions would cover, in the first place, the whole forty-seven millions of interest on the new Government Railway Stock. We assume that the Government makes its War Loan, like the new Government Railway Stock, redeemable between 1925 and 2000 at frequent intervals, either by purchase or drawings in annual series, or in some other way. Under these conditions, the balance of two millions per annum could be treated as a Sinking Fund earning always 5 per cent for eighty-four years. Such a Sinking Fund would, by the year 2000, redeem, not only all the £940,000,000 of Government Railway Debt, but also an additional 1500 millions of the *Great War Debt.*[1]

XV. Summary of Proposals

The scheme here outlined may be summarised as follows: The unification of administration of the national system of transport (including both railways and canals), under public control, offers an opportunity for a great improvement in the organisation of the trade of the country.

Viewed as a financially desirable measure, as well as with regard to incidental advantages that would accrue to national life, trade and industry, it is of the highest importance that the railways should not revert to private control after the war, but should be acquired outright by the State.

[1] At eighty-four years and 5 per cent the Sinking Fund to redeem each million sterling is £800 a year.

In fixing the terms of purchase, account should be taken of the fall of capital values and the rise in the rates of interest characteristic of the past decade, and of the fact that, if the railways are left in the hands of the Companies, their net profits are likely to be seriously affected by labour troubles, and the increased cost of fresh capital necessary for works indispensable to keep each line in competitive efficiency; and that therefore corresponding reductions in dividends, and in some cases the endangering of the interest on fixed-interest-bearing stocks, might result if the purchase were not made.

Further, it is plain that the terms on which the railways are to be acquired should approximate as nearly as possible to the value of each system as a going concern as reflected by the actual Stock Exchange quotations of each of the Companies' various stocks for a reasonable period prior to notice of the introduction of the Government Bill; and that the amounts credited to each Company by the State should be allocated to each class of stockholder *pro rata* to the respective market values of their particular holding, payment being effected by Government Stock repayable at par by periodical instalments (or by purchase in the market if quoted under par) in such manner that the entire loan will be extinguished in eighty-four years. Railway stockholders will receive payment of the full market value of their property in a security intrinsically more valuable than their ordinary stock and one which can be at all times much more readily sold in the market than most railway stocks. Should they prefer to continue to receive the same income as at present, they will have no difficulty in doing so by exchanging the Government Stock for other securities, whether governmental, financial or industrial, of this or another country, yielding the same returns as British Railway Debentures, Preference or Ordinary Stock respectively.

By the substitution of the superior credit of the State for that now enjoyed by the different railway companies—itself worth, it is estimated, 0.85 per cent on the whole

capital debt—and by the reduction of the present unnecessary duplication of stations, goods depots, rolling stock, receiving offices, etc., etc., which pervades the whole railway system of the country, such considerable annual savings can be effected as will meet the increased cost of working due to the improvement in the conditions of labour and the enhanced prices—with a margin for errors and contingencies of three or four millions a year—and leave a well-secured annual surplus for the Exchequer.

This net surplus, even if we put it at no more than two millions a year, would, if applied continuously as a Sinking Fund of a 5 per cent debt, extinguish no less than 2500 millions sterling of debt by the year 2000.

Thus, not only would the entire cost of acquiring the railways and canals be paid off by that date, and the system freed from its charge of fifty million pounds per annum for interest, but also more than 1500 million pounds of the Great War Debt would be redeemed by the year 2000, without calling on the taxpayer to provide anything for this repayment.

Such tentative estimates can, of course, make no pretension to accuracy. But it will be seen that the margin for errors and contingencies is not inconsiderable. We take no credit for possible increases of traffic or passenger mileage. Except that we assume that the expenses incidental to reorganisation will be covered by the savings, we do not call in aid even any of the economies to be made by unification. On the figures as they stand, there should be a margin over working costs of three or four millions a year, over and above the couple of millions a year which the Chancellor of the Exchequer will be able to claim for his Sinking Fund.

CHAPTER III

THE NATIONALISATION OF THE COAL SUPPLY

CONTENTS

THE NATIONALISATION

OF THE

COAL SUPPLY

I. Introduction

When we turn from the economical uniformity of the Post Office, and from the advantageous temporary unity which the war has brought to the British Railway Service, to the equally essential industry of the Coal Supply,[1] we find ourselves in the realm of private ownership and competitive rivalry, with all its overlapping and waste, its divided counsels and lack of systematic provision for the national requirements; modified, here and there, by combinations and "arrangements," avowed or secret, by means of which an unnecessary tribute is exacted from the consumer. So obvious is the wastefulness of the present capitalistic anarchy in coal-mining, with new mines being opened here and abandoned there, irrespective of the aggregate supply and demand—here worked to the utmost, and there only the easier seams developed, according to local or personal circumstances, without regard to the needs of the nation—that repeated suggestions have been made by coalowners themselves for a unification of management. Thus, in 1893 Sir George Elliott,[2] himself a leading coalowner of South Wales, worked out a scheme for a National

[1] A good description of the whole industry will be found in *The British Coal Trade*, by H. Stanley Jevons, 1915. For the coalfields and the methods of working, see *The Coalfields of Great Britain*, by E. W. Hull, 5th edition, 1905; and *Textbook of Coalmining*, by H. W. Hughes, 5th edition, 1904.

[2] See his letter to *The Times*, 20th September 1893.

Trust for all coal-mines, to operate under public supervision and control. In Durham (1895), in Lancashire and Yorkshire (1894), in East Fife, and especially in South Wales (from 1870 to 1909) attempts at local regulation of output and price have been made.[1] The rivalry among a dozen different coalfields of Great Britain, even more than the more or less strenuous competition among the scores or hundreds of coalowners within each coalfield, has always prevented the realisation of these proposals for a profitable reorganisation of the industry. Yet from time to time it seems (although it is difficult to prove the fact) as if more or less concerted action were taken upon each coalfield to stop what the coalowners describe as "cut-throat competition," and the distant consumers as a conspiracy to raise prices. So serious became the imposition on the public in 1915 that the Government was driven to the very imperfect remedy of the Coal Mines (Restriction of Prices) Act by which Parliament attempted to limit the price charged for coal at the pithead to not more than 4s. per ton in excess of that of the preceding year. At the same time the export of coal was permitted only by special licence in each case; and the coal merchants and dealers in London and some other cities were induced by the Government to adopt uniform prices. The danger of interruption in the supply of the coal imperatively required by the Admiralty has led to the purchase by that Department of coal-mines (as of oil-fields) being very seriously considered. There is at present

[1] Perhaps the earliest form of these combinations, and one which in one or other form has frequently recurred in this or that locality, is that known as the "Limitation of the Vend." This voluntary regulation of the output and price of the coal marketed in Newcastle beginning as early as 1665, was in operation from 1771 to 1844. See House of Commons Committees on the Coal Trade, 1800, 1830, 1836, 1871, 1873, etc.; *Treatise on the Coal Trade*, by Robert Edington, 1813; *The Coal Trade of the North of England*, by M. Dunn, 1844; article by Professor Cohn in *Economic Journal*, vol. v. p. 550; *Monopoly and Competition* by Hermann Levy, 1911, pp. 106-142, 156-170; *The Trust Movement in British Industry*, by H. Macrosty; *Trusts, Pools and Corners*, by J. S. Jeans, 1894; *The Tendency towards Industrial Combination*, by G. R. Carter, 1914; *The British Coal Trade*, by H. Stanley Jevons, 1915; *The Life of John Nixon*, by J. E. Vincent, 1900.

nothing to prevent the most indispensable mines passing into the ownership of aliens, or into foreign control—indeed, there has been one notorious case of an avowedly German company acquiring English mines.[1] But the holder-up is not always an alien enemy. The ever-increasing dependence on the continuity in the coal supply, not only of the railways and tramways, and of the greater part of our systematic heating and lighting, but also of practically every trade, makes it imperative to place this industry outside the control of private individuals or separate classes whose interests are not necessarily identical with those of the community as a whole. We, for these reasons, suggest that the time has anyhow come for the Nationalisation of the Coal Supply. And, as there is money in it for the Chancellor of the Exchequer, he should take the opportunity of making it help to pay for the war.

II. How the Nation now obtains its Coal

The nation's annual coal supply (which we may take, in round numbers, as 189 million tons for home consumption and 98 million tons for the bunker coal of our shipping and for export)[2] is obtained, at present, from about 3300 distinct pits or mines, scattered over a dozen disconnected coalfields, organised in twenty-two separate districts, and belonging to about 1500 owners, which are nearly all joint-stock

[1] The President of the Board of Trade (Mr. Runciman) declared in the House of Commons that "he knew one coalfield in the Midlands which had actually been held up by a German who was trading under an English title, a registered company which itself was doing nothing, and was preventing others exploiting coal. That could not go on after the war." (*Times*, 24th December 1915).

[2] The figures for 1913, the last complete year of peace, show the record production of 287,430,473 tons, valued at the pithead at £145,535,669 (average 10s. 1.52d. per ton); and also the record export (including coke and manufactured fuel, 3,906,436 tons, and bunker coal for shipping in foreign trade, 21,031,550 tons) of 98,338,104 tons. This output was produced by 1,127,890 persons working under the Coal Mines Acts of 1911 and 1912.

The following appear to be the twelve largest colliery companies in England and Wales:—

companies.[1] The coal is extracted by an army of more than a million men and boys, engaged as hewers, hauliers, ponymen, repairers, timbermen, labourers, enginemen, stokers, pumpsmen, bankmen, mechanics, overmen, viewers, pit managers, clerks, etc., each colliery being under a colliery agent. The coal is carried away to the principal inland distributing centres (road and canal traction being now unimportant) by long trains of trucks—these being partly owned by the several collieries and partly by the railway companies concerned, the variety of ownership causing a frequent shortage of trucks at particular collieries, and adding to the difficulties of getting the coal continuously away from the congested pithead. The coasting steamers, so far as home distribution is concerned, relieve the railways only to a comparatively small extent; but a steadily increasing quantity and proportion, actually more than one-third of the total output, is now shipped either as bunker coal or for export. The colliery owners, in order to ensure sufficient continuity of demand to enable the pits to be worked uninterruptedly, always dispose of a certain pro-

	Nominal Capital. £	Output. Tons.
Ocean Coal and Wilsons	4,685,508	2,500,000
Pease and Partners	1,825,000	?
Consolidated Cambrian	1,791,211	3,000,000
Powell Duffryn	1,780,015	4,000,000
Rhymney	1,476,590	1,300,000
Horden	1,100,000	1,300,000
Denaby and Cadeby Main	1,030,050	1,500,000
Tredegar	1,016,455	2,650,000
Pearson & Knowles	1,000,000	?
D. Davies & Son	962,500	1,750,000
Sheepbridge	931,795	1,200,000
United National	884,705	1,750,000

[1] The almost universal resort to limited companies obscures the ownership, but among the few individual colliery owners are the Duke of Buccleuch, the Marquises of Bute and Londonderry, the Earls of Bradford, Carnarvon, Dudley, Ellesmere, Lathom and Shrewsbury, and Earls Fitzwilliam and Waldegrave; and Lords St. Oswald and Vernon.

In the Forest of Dean only, where the freeholder is the Crown, is the system in force, of "free-mining" under lease from the Government. By ancient custom the "Free Miners of the Forest" have a right to leases which are granted by the "Gaveller" on behalf of the Commissioners of Woods and Forests.

portion of the expected output, after much skilled higgling and bargaining, by contracts for future deliveries, which may sometimes (as when prices are expected either to rise or to fall substantially) extend over a few months only, but are generally for a whole year, and occasionally (when trade conditions are thought to be stable) for two or three years. The proportion of the total output thus disposed of by contract varies from about half in the Midlands and Yorkshire, where the contracts are made about June, mainly for the consumption of factories and the domestic consumer in London and elsewhere,[1] up to as much as four-fifths in South Wales, where the contracts are made in the autumn, principally for the export trade. The balance, the so-called "free coal," is sold in lots of a few hundred tons up to a few thousand tons, for prompt delivery to meet current requirements, at prices often differing considerably from the "contract" prices and determined by the day-to-day relation of supply and demand. From the pithead the coal passes into the hands of a comparatively small circle of merchants or factors and export agents, and from the merchants or factors to a multiplicity of local dealers, shopkeeping retailers, and perambulating hawkers; amongst each grade of whom, in each locality, there are said to be, from time to time, the inevitable "understandings" and "concerted arrangements" as to the price to be charged. The export trade is managed principally from Cardiff, Newcastle, Hull and Leith; though the actual shipments are made, not only from these centres and their minor adjacent ports (which together export 95 per cent of the total),[2] but also from the Clyde and

[1] A recently introduced practice—said to be now almost universal—of the Midland, Yorkshire and other collieries selling for the London market, is to stipulate for a share in any additional price that may be obtained from the London consumer, at the rate, usually, of an additional sixpence to the colliery owner out of every additional shilling to which the London Coal Exchange can, within the term of the contract, carry the price. This is said to have been due to the coalowners having noticed the extortionate profits made by the middleman, in which they considered that they were entitled to participate.

[2] Under Cardiff are the Bristol Channel ports, doing 41 per cent of all our coal exports (Cardiff, Barry, Newport, Swansea, Port Talbot and Llanelly). Under Newcastle are the North-Eastern ports, doing 32 per cent (Newcastle,

Ayrshire ports and those of Lancashire and Lincolnshire. The "sea-borne" coal for the metropolitan area, coming to the Thames principally from the Tyne, Wear and Humber ports, and amounting to nine million tons, is now principally for the supply of the metropolitan gas companies, and is often carried in their own steamships, only a tiny proportion being now household coal. But from the Bristol Channel and Mersey ports, together with those of Cumberland, nearly five million tons are sea-borne to Ireland, the Isle of Man and the southern and western coast towns; whilst both eastern and western Scotland are thus supplied to the extent of three million tons, principally from the Ayrshire, Clyde and Firth of Forth ports. At least seven-eighths of the whole of the coal consumed in the United Kingdom is now, however, conveyed by rail (the bulk of it by a dozen of the companies).[1] Less than 4 per cent travels by canal; and nearly all of this is on the four big canals that have not fallen into the hands of the railway companies.[2]

On the railways the coal travels in the seven or eight hundred thousand trucks built for this service, normally holding 10 tons each, and costing £70 or £80. Only 180,000 of these trucks belong to the railway companies,

South and North Shields, Blyth, Sunderland, West Hartlepool, Seaham and Amble). Under Leith come the East Scottish ports, doing 11 per cent (Methil, Leith, Grangemouth, Burntisland, Borrowstounness or Bo'ness, Alloa, Granton and Kirkcaldy). Under Hull come the Humber ports, doing also 11 per cent (Hull, Immingham, Goole and Grimsby). The largest single trade is from Cardiff to Italy, which alone amounts to one-twentieth of all our coal exports. The only other exporting ports (shipping over 100,000 tons) are Glasgow, Liverpool, Manchester, Boston, King's Lynn, and Troon; these put together do not make up 5 per cent of the total. Nearly half the whole export goes to France, Spain, and the Mediterranean; three-sevenths to Northern and Central Europe; one-tenth to South America; and relatively inconsiderable quantities to West, East and South Africa, India and the Far East, and North America. It should be added that a few other ports, such as Gloucester, Maryport (with Whitehaven and Workington) and Preston, have a certain importance in shipments of coal coastwise.

[1] The N.E. Railway, Midland, L. & N.W. Railway, N.B. Railway, Taff Vale, G.C. Railway, Caledonian, Lancs. & Yorks., G.N. Railway, North Staffs., G. & S.W. and Hull & Barnsley.

[2] Principally the Birmingham Canal Navigation and the Aire and Calder Navigation, but also the Leeds and Liverpool Canal and the Manchester Ship Canal.

and these are divided among a dozen different companies. Between 500,000 and 700,000 — the number does not seem to be accurately known—belong to over a thousand different colliery proprietors, coal merchants and factors, large industrial consumers and, in a few cases, wagon-hiring companies. This bewildering chaos of separately-owned trucks cannot be used just as required. Each truck can be loaded only in the service of its particular owner; and if no load of his is available, whatever may be the shortage of trucks, this truck must be hauled back empty. The confusion and cost of the traffic is increased by the total lack of system. The distribution of coal over the country takes place, in the main, by innumerable separate consignments of tiny quantities, each merchant or trader ordering just what he needs for the moment, and expecting his truck-load of coal to be specially forwarded at once, without regard for traffic requirements. At most country railway stations nearly all the consignments are single truck-loads. In 1909 it could be said by a distinguished railway manager "that over 80 per cent of the coal traffic on the London & North-Western Railway averaged less than 20 tons per consignment"[1]—a system obviously costly to the community as a whole.

Each town or village has its little circle of local dealers or retailers of coal, who share among them the custom of the neighbourhood. At Birmingham, Cardiff, Newport, Swansea, Glasgow, Goole, Grimsby, Hull, Liverpool, Manchester, Newcastle-on-Tyne and Sunderland, as well as in London, there are wholesale merchants or factors who meet the selling agents of the collieries in more or less definitely recognised Coal Exchanges.

The supply of the London householder and manufacturer, like that of the L.C.C., the Government Departments and other large consumers, amounting to about eight million tons annually, is now almost entirely rail-borne. Some 450 coal

[1] The late Sir James Inglis, General Manager of G.W.R. (Report of Royal Commission on Canals).

merchants, who among them control all the indispensable railway sidings and depots, purport to supply the seven million persons of the Metropolitan area. But this seemingly wide distribution of the trade is apparent only. It is the custom for many of the firms to trade under different names—in one notorious case the firm (Cameron) had no fewer than forty-seven aliases—and nearly all the coal consigned for sale in London (apart from that purchased by the four largest gas-companies, and a few other large buyers) is acquired by a dozen firms of coal merchants or factors. The largest of these, that of W. Cory & Son, resulting from amalgamations of a dozen competitors in 1896 and 1899, and now including Rickett Cockerell & Co. and Herbert Clarke, alone sells annually six million tons out of a total rail-borne supply of about eight million tons, and thus controls probably considerably more than half the supply for the domestic consumer.

The needs of the 800,000 wage-earning families in the Metropolis, who have no storage for more than a hundredweight or so of coal, are supplied, partly by thousands of little shopkeepers (whose principal business is in greengrocery, fruit or household stores), partly by the "trolleyman," a peripatetic hawker who sells by the sack of a hundredweight or half a hundredweight at a rate per ton often double that at which the L.C.C. is getting its good household coal actually delivered to its 1500 schools. The trolley system of distribution, introduced about thirty-six years ago by the firm which still carries it on most extensively (Brewis), brought the coal to the little customer's door, but lent itself easily to fraudulent dealings with regard to weight, which were gradually stopped, between 1890 and 1900, by the vigilance of the inspectors of the L.C.C. Since then the little shopkeepers have apparently recovered much of their coal business.

It is impossible to escape the conviction that, at every stage from the pithead to the domestic cellar, the cost is unnecessarily raised by the overlapping and waste resulting

from the multiplicity of private interests, the very imperfect provision of mechanical appliances, and the lack of any systematic adaptation at each time and place of the total supply to the ascertained demand. This, indeed, applies all along the line. Pits stand idle, to the great loss of the miners and to the increase in the annual cost of production, because of a temporary shortage of trucks, whilst heaps of trucks are also standing idle in the railway sidings but, as belonging to another colliery, cannot be used; or because of a momentary failure of orders at a time when other pits are unable to turn out as much as is demanded. Indeed, though the aggregate national requirements are known and are continuous throughout the year, each pit is now subject to interruption of working and consequent raising of the cost of production—together with the resultant loss of wages and discontinuity of income to the miners concerned—owing to the failure of any one colliery company to secure a perfect continuity of orders for its product and of daily deliveries from the pithead. Moreover, at particular ports, at particular times, ships wait idly for cargoes; meanwhile coal accumulates elsewhere in heaps because there is, for the moment, insufficient tonnage at the disposal of a particular firm at a particular port.

Most of the transfers or shiftings of place from pithead to truck, from truck to ship, from railway siding to coal yard, from coal yard to cart or trolley, and from them to the domestic cellar, involve loading or unloading, and most of them, with the transfer of ownership, also re-weighing—operations which, except at a few of the export quays, are performed almost entirely by manual labour; and a certain amount of this repeated rehandling of the coal could be saved by a more systematised distribution. Every such rehandling of coal, we are told, involves a loss in quantity and an expense in wages which are put at 10 per cent of the price. In London and other large centres the "visible supply" is at one time below, at another time above the local demand — each firm ordering according to its own

estimate of the future, without any common ascertainment of the facts or knowledge of what its competitors are doing. At one moment "free coal" is in demand, because the deliveries individually contracted for prove, in the aggregate, insufficient. Presently more "free coal" is offered than the merchants are disposed to buy, and its price falls below the contract rates. And every such momentary variation in supply, like every oscillation in local demand, marked by a rise or fall in the price of "free coal," is made the occasion for a profitable operation on the price charged to the public for both "free" and "contract" coal. Those who manage the coal trade, in fact, play on the mind of the consumer as on a pipe: as winter approaches, or on the occasion of a cold snap or a fall of snow, the public is psychologically prepared for a rise in price, and the coal merchant or "trolleyman" reaps an added profit. The idea that, because the thermometer falls several degrees, the whole populace should pay additional tribute to a small number of firms is so preposterous that it is surprising it has been so tamely acquiesced in. The only additional cost, in the event of a fall of snow, may be a penny or twopence per ton for cartage. Yet the price is immediately raised 1s. or more. No other trade shows anything like it.

To what extent the price is affected by combinations and concerted action among those concerned has never been ascertained, and has, indeed, never been made the subject of scientific investigation. The existence of any "ring" or "cartel," either among colliery proprietors or local merchants, is always vehemently denied; but it seems that this denial applies specifically to the idea that there exists any formal agreement not to sell below a certain price, enforced by penalties for breach. Nearly every coalfield has an association of colliery proprietors, and whilst these do not include any fixing of prices among the specified objects of their society, it has often been admitted that their members periodically meet and discuss what prices should be insisted on. The procedure differs. The Lancashire and Cheshire

Coal Sales Association agrees upon the retail price to be charged to the public, and then upon the discount to be allowed to the local dealers. Others, such as the South Yorkshire Colliery Owners' Association, the Warwickshire Coalowners' Association and the West Yorkshire Coalowners' Association, discuss among themselves the wholesale price that they will instruct their selling agents in London to demand, and the conditions to be inserted in the contract.

This principal home market is of course the Metropolitan area, with its seven millions population, taking one-eleventh of the whole internal consumption. The Coal Exchange in Lower Thames Street, unlike the Stock Exchange, is open to the public, and there is no official mechanism for fixing prices. There is no formal "ring," but it is admitted that there are informal arrangements as to price movements. The "concert" as to prices is indeed obvious enough, the so-called "public price" of coal being habitually varied simultaneously by the dozen firms that control practically the whole supply. The selling agents of the colliery companies who attend the London Coal Exchange—about 150 in number—have an Association of their own (the Inland Collieries' Subscription Room); but what settles whether the price shall be advanced, and by how much, is the agreement reached by the half-a-dozen leading firms of merchants or factors "in No. 8 Room," which is the office of the London Coal Merchants' Society. It would, however, be quite unwarranted to describe either that society, or the still older Coal Factors' Society, as constituting a ring or cartel. All that happens is a series of transient agreements among the half-a-dozen leading firms, to which no one is bound to conform, but which do, in fact, govern the market.

Reviewing the whole process of coal supply, from the hewing at the face to the delivery to cellar, no one can regard it as ideal. It is safe to say that, if the problem were a new one—if we had suddenly to organise the extraction of 287 million tons a year of a new commodity, and its distribution throughout the kingdom—no one in

his senses would advocate such an unco-ordinated and unsystematic proceeding. We cannot escape the inference that, owing partly to the unnecessary costliness of conveyance of small consignments hither and thither, partly to the lack of any systematic organisation or unity of control of the service, and partly, at least, to the profits earned by the numerous grades of middlemen between the hewer and the consumer, the price at the pithead of 9s. to 12s. per ton becomes doubled, trebled, and occasionally, in some places, even quadrupled when the private customer pays his coal bill. The tax thus levied on the public is enormous. Each additional shilling on the price of coal per ton amounts to a charge on the whole home consumption of nearly ten million pounds sterling (which is four times the whole proceeds of the Supertax as at first imposed). Between 1903–6, when the four years' average was 15s. 6d., and 1912–13, when the two years' average was 21s. per ton, the wholesale price in London, delivered to barge in the Thames, rose by no less than 5s. 6d. per ton. Assuming the rise in other districts to have been anything like the same, even if the rise in the wholesale price was not aggravated by a still greater rise in the retail price, this represented an increased charge on the home consumers of more than fifty million pounds a year, or nearly equal to the whole yield of the Income Tax at eighteenpence in the pound!

Since 1913 the price of coal has, of course, soared even higher.

III. Who gets the Price of the Coal?

No one can account very clearly either for the variations in the price charged for coal to the consumer, or for the gigantic total sum that is every year paid for this necessary of life. Coal is sold at all prices, from the few shillings per ton charged for "slack" in the immediate neighbourhood of the pit up to the 50s. per ton exacted from the

labourer's wife by the trolleyman in Woolwich streets at times of scarcity. The average "pithead" price of all grades in 1913 was 10s. 1½d. per ton.[1] The average price paid for the whole two hundred and eighty-seven million tons by the consumer, large or small, industrial or domestic, and by the exporter for delivery on board the ship—varying, as it does, from 11s. to 16s. "free on board," and from 20s. to 35s. or even occasionally 50s. on the trolley or delivered to cellar—is put at anything between 16s. and 20s. per ton. It is clear that we pay for our coal, in the aggregate, at least two hundred and thirty millions sterling. It is the nation's biggest single purchase. It is more than we pay for bread or for house rent. It amounts to more than the whole cost of our national Government. Out of this huge total the wages paid to the eleven hundred thousand men and boys employed in and about the mines come to no more than about ninety millions sterling;[2] the other

[1] The average price at the pit's mouth during 1913 was in England 9s. 10d., in Wales 11s. 9d., and in Scotland 9s. 8d. per ton. The average values per ton at the principal shipping ports varied from under 12s. at Methil and Leith; between 12s. and 14s. at Newcastle, Sunderland, Hull, Grangemouth and Glasgow; and between 14s. and 16s. at Liverpool, Grimsby, Cardiff, Newport and Swansea. The average price of sea-borne coal delivered from ship to barge in the Thames was 21s. per ton. (Mines Report, Cd. 7741, 1914, vol. iii. p. 226). The greater part of the home supply goes for industrial use at from 12s. to 18s. per ton.

The retail price charged to the consumer in different parts of London for different grades and qualities ranged in that year from 28s. to 35s. per ton, whilst the price in the Potteries and the Black Country was lower than in London by as much as one-third.

[2] Much misapprehension exists as to the miner's earnings. Of the eleven hundred thousand persons employed, nearly seven thousand are women surface workers, whilst over fifty thousand underground and twenty thousand above ground are boys under 16. These eighty thousand receive, on an average, less than £40 a year each. Of the million of males over 16, at least 50 per cent are "datal" men, paid by the day or week, at wages from 20s. to 50s. per week. About a third are youths between 16 and 21 who receive less than the wages of the adults. Not a few, moreover, are old men, who also get lesser amounts. The best-paid class, the hewers between 21 and 50, do not make up a third of the whole. Their standard minima, which it was a real boon to secure to them by law, vary from 5s. to 8s. per day of eight hours' work underground, at piece-work intensity. Even this legal minimum is inoperative in cases in which the hewer (who often lives in a house belonging to his employer, and does not wish to move) puts up with a quite insufficient allowance rather than risk making himself unpleasant. The high

expenses of colliery working, including management and repairs, may be put as a maximum at 40 per cent of the wage-bill, or thirty-six millions—these two items making up the one hundred and twenty-six million pounds that the getting of our coal really costs. The sum paid for royalties, way-leaves, etc. on coal may be put at six millions,[1] but this is included in the annual profits of the debenture and shareholders of the colliery companies, and the profits of other

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earnings that we sometimes hear of—"five pounds a week or more,"—even when correctly reported, will be found on examination (i.) to include the work of more than one man, the hewer having himself to pay a man or boy to assist him, sometimes two other persons; (ii.) to be subject, except in South Wales, to various deductions for lamps, fuses, explosives, etc.; (iii.) to represent the earnings of a week at an exceptionally "good place," which are offset by the chance of an equally "bad place" at a later date, where the earnings will sink below the statutory minimum. Moreover, the hewer's earnings are not continuous. Few pits draw coal on an average on more than 270 days in the year, even when there are no stoppages; and the miner also loses, on an average, at least a fortnight a year, or twice the common amount, from sickness disabling him from hewing. All these considerations bring down the total wage-bill of the collieries to £90,000,000, making the average income of the eleven hundred thousand wage-earners employed (including young and old, male and female, datal hands and piece-workers) not more than £80 for the year.

[1] In Great Britain coal is almost invariably worked (outside the Forest of Dean), not by the landowner (the mineral proprietor beneath whose land it is found), but by capitalist companies or firms (the so-called coalowners), who acquire from him the right to mine on lease for twenty, thirty or sixty years, subject to the payment of a "royalty" of so much per ton of coal extracted, a fixed minimum payment per annum, varying from one-seventh to one-half of the estimated total, being stipulated for (the so-called "dead rent"). The terms of such a mineral lease are not prescribed or regulated by any statute, and depend entirely on voluntary agreement. Landowners may and often do refuse to lease their minerals for exploitation, and, if they consent, may stipulate for whatever conditions they can get agreed to. It is often necessary or convenient to make use of the property of other landlords, who similarly lease at a fixed rate of a few pence (sometimes an agreed proportion of the pithead price per ton of coal passing), such privileges as "underground way-leave" (for passage by tunnel beneath the surface), "shaftage" (for the right to sink a shaft and bring the coal up), and "surface way-leave" (for passage above ground, including, occasionally, the right to construct and work a private line of railway). Such payments, which are exacted principally in Durham, Northumberland and South Wales, amount in the aggregate only to about 5 per cent of the royalties. For all this, the great source of authentic information is the Report of the Royal Commission on Mining Royalties, 1893, which is ably analysed, amplified and discussed, in the interest of the mineral proprietors, by their legal adviser in the enquiry, C. Ashworth James, in his *Mining Royalties, their Practical Operation and Effect*, 1893. See also *Mining Royalties and the Iron and Coal Trades*, by W. R. Sorley, 1889.

capitalist proprietors, as returned for Income Tax, which are given, on a five years' average, as no more than nineteen millions, of which only seven-eighths, or sixteen and a half millions, are for coal. The sums received by the railway companies in 1913 for coal conveyance (including coke and patent fuel, and the companies' truck hire as well as haulage rates) amounted to £22,903,000, and the shipping and canal freight of the twenty-six million tons that are water-borne to perhaps two and a half millions more. Cartage for delivery at an average of three shillings per ton, even if reckoned on the entire home consumption, would add only £29,000,000. This leaves a large sum—thirty millions or more—unaccounted for. It seems as if a considerable proportion of the total retail price is frittered away in the waste and expenses of handling by a succession of middlemen, and in the opportunities for profit thus afforded. It is difficult to believe that much could not be saved here by deliberate and systematic adjustment of supply and demand.

IV. The Nationalisation of Production

The first step is plainly a systematisation of production, by bringing to an end the diverse and haphazard administration of the 3300 collieries by the 1500 different owners. An Act of Parliament should establish a Ministry of Mines, with appropriate powers, and should vest, on the appointed day, in the Minister for Mines in his corporate capacity—

"Every colliery and coal-mine, whether in actual work or discontinued, or exhausted, or abandoned, and every shaft, pit, level, or inclined plane in course of being made or driven for commencing or opening any such colliery or coal-mine, including every patent fuel plant, coke oven, coal washery, railway rolling-stock, and all other works belonging to or connected with such coal-mine (all of which are herein included in the expression 'coal-mine')"[1]; together with

[1] *The Nationalisation of Mines and Minerals Bill*, by H. H. Slesser (Fabian Tract, No. 171).

all the other assets of all the coal-owning companies and firms to be expropriated as working under the Coal Mines Acts of 1911 and 1912. The object in taking over the administration would naturally be to substitute a deliberate organisation, based on an ascertainment of the demand of each district, and of each section of consumers, with a sufficient margin for maintaining everywhere a proper store, which in view of possible national and other emergencies might well be kept up to a whole year's supply, to meet unforeseen requirements or tide over unexpected stoppages. The quantity to be raised being thus determined, according to kind of coal as well as locality, and the working costs of each part of each colliery being known, the aggregate production required would be afforded by instructing each pit to work only up to the point of a common "margin of cultivation," so as to incur no more expense in working difficult seams or pits than is needed to maintain the required total output.[1] Leaving, at the outset, the actual management of each colliery under its own colliery agent and pit managers, each of the twenty-two coal districts would naturally be placed under a single united administration—a Local Council of Management drawn from the ablest men in the trade, with due representation of the Miners' Federation and the National Coal Board—all the districts being controlled and instructed as to output and deliveries by a united national management. We may visualise the several distinct parts of the supply service being each supervised by a separate statistical department of the administration; such, for instance, as (i.) the export trades (including bunker coal) taking ninety-eight million tons, or a third of the whole output, no longer governed by the local rivalries of Leith, Newcastle, Hull and Cardiff; (ii.) the supply for the

[1] It may be said that this constant choice of the least costly workings implies that the community will the sooner be compelled to work the more costly seams. But apprehension of being one day compelled to work the more costly seams affords no ground for unnecessarily resorting to them now. We may reasonably expect the means of working to continue to improve, as they have hitherto done, so that it is better to defer the most costly seams to the future.

metallurgical industries, etc. taking thirty million tons, all raised from the most convenient pits ; (iii.) the supply of the municipal and private gas works and electricity works, coke ovens, etc., taking from thirty to forty million tons, and drawing in each case from the best available source ; (iv.) the supply of the railways, taking fifteen million tons just where they were most handy ; (v.) the supply of factories and industrial enterprise of all sorts, requiring about sixty million tons ; and (vi.) the supply of the ten million private households, absorbing only 13 per cent of the output, or about thirty-five to forty million tons, these two latter requirements, amounting to a little over a third of the whole, being so organised that each locality exhausted first all that the nearest coalfield could provide before drawing for the balance on more distant or more costly sources. At present all these six separate demands are directly or indirectly contributed to, more or less, by nearly all the 1500 rival administrations of the 3300 collieries, each large buyer seeking to play off one source of supply against another, as the only way, in a system of private enterprise, of keeping down prices.[1]

V. The Elimination of the Private Interests

The private interests to be eliminated in the raising of coal are those of (i.) the shareholders and partners in the 1500 companies and firms working collieries, over 90 per cent of them in output and value being joint-stock companies, of which the accounts, annually audited by public accountants, are already in the possession of the Inland Revenue ; (ii.) the 8000 recipients of royalties, way-leaves, etc., who now

[1] Incidental to the extraction of coal, the 3300 pits working under the Coal Mines Act produce also other minerals, principally (in 1913) 7,709,624 tons of ironstone, mostly in Yorkshire ; 3,280,143 tons of oil shale, practically all between Linlithgow and Edinburgh ; 2,585,763 tons of fireclay ; together with ganister (the silicious clay used for lining furnaces), various useful sandstone clays and shales, limestone, iron pyrites, barium compounds, etc. These would naturally continue to be produced by the Government Coal Department, and to be marketed as at present.

all make returns to the Inland Revenue of their exact incomes from this source, and pay the Mineral Rights Duty of 1s. in the pound thereon.[1] It may be assumed that, at any rate at the outset, the services of all the active managers or directors of the 1500 concerns (like those of the colliery agents and pit managers themselves, with their subordinate staffs) would be retained by the Government at salaries not less than they have hitherto been enjoying ; their activities being merely redistributed among the National Coal Board and the Local Councils of Management. In due course, as the system gets into its stride, and as vacancies occur, their number may doubtless be gradually reduced.

VI. The Terms of Expropriation

There can be no justice in penalising the share- and debenture-holders in coal-mining companies more than those

[1] In Scotland exact returns of royalties, way-leaves, etc., have also been made since 1855 to the County Assessors for Local Taxation purposes (17 & 18 Vic. c. 91). The large number of recipients of the income from this source—more than five times as many as the coalowners—is explicable by the fact that a single coal-owning company may have leases from, and pay way-leaves to, several landowners (the Wigan Coal and Iron Company in 1891 worked its 13 acres under no fewer than 171 separate agreements).

It is suggested that the State is not called upon to purchase the coal unconnected with any existing colliery workings and not included in the property of any colliery company, that may exist beneath the soil of landowners who have not yet opened it up ; nor need the State trouble to reassert the ancient Crown right to all minerals which is elsewhere (except in the United States) nearly always vested in the Government, but which in this country was let slip (except as to gold and silver) in the sixteenth century. The Government Coal Department would have, of course, to purchase additional coal-bearing lands, or acquire mining rights or way-leaves, whenever it needed more coal, just as a colliery company does at present. Any landowner now digging for coal or opening a new pit does so at his own risk, in competition with all the 3300 other pits. We may leave him this right theoretically unaffected—he would, in future, have to compete only with a single colliery enterprise ! It may be noted that, apart from the Forest of Dean and other coal-pits on Crown Lands, the Government owns also the coal under the sea below low-water mark. This is already extensively worked on Crown leases, and can undoubtedly be much developed by the Government Coal Department, notably along the whole north-east coast from Amble to Hartlepool ; on the north-west coast from Maryport to St. Bees Head ; under the Firth of Forth from Musselburgh to Leven ; in the Channel from Ramsgate to Dover ; and possibly in Carmarthen and Swansea Bays.

in other capitalist enterprises that we leave unexpropriated; and there is little warrant for treating those legally in enjoyment of royalties or way-leaves differently from the recipients of other forms of rent.[1]

The Chancellor of the Exchequer will therefore doubtless propose to buy out, on liberal terms, both the 1500 coal-owning companies and firms, which are big concerns, averaging in output no less than 186,000 tons per annum, and also the 8000 recipients of coal royalties, etc., averaging in income only £750 each.

The annual gross profits of coal and other mines (including royalties, etc.) as returned for Income Tax were, in 1912–13, on an average of the five preceding years, £19,068,927, and of this seven-eighths is from coal-mines, or, say, 16½ millions. Coal-mines are very risky speculations, with a hazardous and terminating life; and particular mines are often sold for only a few years' purchase of the profits. But the 16½ millions, which were proved to be the average profits of the five years preceding 1913, include incomes of differing values, which must be taken separately. The royalties (including way-leaves and dead-rents), now drawn by 8000 separate owners, though fluctuating and terminating, are better secured than the colliery owner's net profits. The annual receipts from "mineral rights" were, in 1913–14, £7,036,440, of which seven-eighths came from coal-mines. Such incomes (less the special tax of 5 per cent levied upon them) may sell for thirteen or fourteen years' purchase. At this estimate the capital value of the coal royalties, etc. would be about eighty millions sterling.

[1] In the Nationalisation Bill introduced into the House of Commons in 1913 at the instance of the Miners' Federation of Great Britain such a distinction was drawn. Whilst proposing to purchase on reasonable terms the mines and plant no compensation was to be awarded for mining royalties and way-leaves, which were to be summarily brought to an end (see the Bill printed in Fabian Tract, No. 171. *The Nationalisation of Mines and Minerals Bill*, by H. H. Slesser).

It must be said that a precedent for some such differential treatment is afforded by the Mineral Rights Duty, which since 1909 subjects the owners of this particular form of rent to an additional Income Tax of a shilling in the pound (producing £350,000 a year, of which probably seven-eighths is in respect of coal).

We have to assume that the remaining 10½ millions a year represented, in 1913–14, the average profits of the colliery owners (including the value of the service of the coal-trucks owned by them), subject to provision for exhaustion of the pits and renewal of plant, in excess of what the Inland Revenue authorities may have allowed for depreciation in the Income Tax returns. Taking these profits as equivalent to a net income of nine millions at ten years' purchase, we get an estimate of the selling value of the collieries, subject to the royalties, amounting to about £90,000,000; or, with the royalties included, about £170,000,000.[1]

Another common way of reckoning the capital value of collieries is to assess it at so much per ton of their output. Thus Sir George Elliott, in his unification plan of 1893, proposed that all the collieries in the kingdom, with all their assets, should be merged at a valuation of fifteen shillings per ton of output. This was not a valuation for sale, but merely for a basis of friendly amalgamation; and we may well believe the critics who said that it was much too high, amounting in fact to an extensive "watering of the stock" of the proposed Trust. The Miners' Federation of Great Britain proposed, in their Bill of 1913, a maximum of ten, or in some cases twelve shillings per ton. Taking the output at 287 million tons, the capital value at ten shillings per ton would be £143,500,000. This is ignoring the property of the royalty owner.

A third means of valuation is afforded by the Stock Exchange values of the principal mining securities that are quoted in the market. This it is not easy for any private person to compute. The capital of the principal colliery companies is commonly divided among Debentures bearing interest at the rate of 5 per cent, or occasionally 4½ per

[1] Mr. Stamp, reviewing all previous estimates, puts the capital value of all mines at one hundred and seventy-nine millions, of which only one hundred and fifty-four millions would be for coal-mines (*British Incomes and Property*, by J. C. Stamp, 1916, p. 404). According to this authority it may be as little as one hundred and forty millions, or as much as one hundred and seventy-three millions.

cent; Preference Shares at 6 per cent, or occasionally at 5 per cent; and Ordinary Shares usually of £1 each, but occasionally of £5 or £10. The Debentures (which are sometimes redeemable at par at the company's option), and the Preference Shares, are now sold to yield a return of between $5\frac{3}{4}$ and $6\frac{1}{2}$ per cent. In most of the companies the price of the Ordinary Shares fluctuates violently from year to year, according to the dividends declared and expected, and the market price ranges at from nine to thirteen years' purchase of the current dividends. At present the Ordinary stock, on which dividends from 5 to 25 per cent are being paid, stands at a premium; the price possibly averaging 25s. per £1 share all round.

Taking ten of the very largest companies, with a nominal capital of fifteen millions sterling, of which the figures are known, and which produce among them twenty-one million tons annually, or between one-thirteenth and one-fourteenth of the national output, we find that about one-third of their capital is in Debentures or Preference Shares, the market value of which is 10 to 20 per cent under par, and two-thirds is in Ordinary Shares, of which the market value at the present inflated prices of coal is about £125 per £100; or a total of nearly seventeen millions sterling. But the smaller collieries neither make such large profits nor command on the Stock Exchange such high prices as the leviathan amalgamations. Taking these small concerns as yielding on an average only one-eighth less profit on their Ordinary Shares, and these as selling for two years' less purchase, the total of the capital value of these smaller concerns would be one hundred and sixty-five millions; and the aggregate Stock Exchange value for all the mines would stand at about £182,000,000. It is believed that the exhaustive analysis of all Stock Exchange prices (which would have, of course, to be made) would yield something like this result. To this the price payable to the royalty owners would have to be added.[1]

[1] The royalties derived from other minerals (principally ironstone and iron

The total compensation on expropriation would therefore have to be anything from £160,000,000 to £260,000,000, according to the view taken of the principles on which this compensation should be reckoned. From such a total, however, considerable deductions might be made. Not a few collieries now belong to companies or firms existing principally for the sake of carrying on other businesses, principally iron and steel production and copper-smelting. It is suggested that these need not be taken over, provided that the output of coal is either entirely used in the business, or, as to any surplus, is placed at an agreed price at the disposal of the Government Coal Department. Moreover, it may be decided to omit the Irish mines. The value of the 600,000 coal trucks belonging mainly to the colliery companies, which would be included in the purchase of their assets, together with the others to be acquired from coal merchants and others—amounting, perhaps, to forty-five millions sterling—would presumably be refunded by the State Railway Department, or other unified railway administration, to which it is imperative that all the railway vehicles should belong. Thus, whatever principles of valuation are adopted, the total sum payable for all the property of the coal companies, all the collieries in the hands of individuals, and all existing royalties and way-leaves on coal would be probably much the same as the sum that the home consumers and exporters actually pay for their coal supply in a single year![1]

Whatever is the aggregate sum awarded, the amount might be made payable in special Government Coal Bonds or Stock, repayable at par at the Government option, either by periodical drawings, or by stated fractions of each holding,

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ore, and to a much smaller extent, copper, tin, lead, zinc and gold)—amounting to about a million pounds in all—need not be interfered with, any more than those on slate, chalk and building stone.

[1] To repay £1 by a sinking fund for eighty-five years at 5 per cent needs only £0.000803 per annum; or less than a fifth of a penny. The power to get 5 per cent interest is provided, at any rate from 1925 onward, by the right to redeem portions of the 5 per cent debt.

or altogether, any time between 1925 and 2000; by which latter date, in view of the then approaching exhaustion of the more easily worked seams, and our utter inability to foresee what will be the future source of heat and power, the nation ought certainly to have extinguished the debt charge on its coal production.

The interest charge at 5 per cent upon £160,000,000 would be £8,000,000; that upon £260,000,000 would be £13,000,000. The sinking fund for repaying even £260,000,000 at the end of eighty-four years would be, at the same rate of interest, much less than a quarter of a million annually. The payment for interest and sinking fund, whether nine or thirteen millions, would thus be from three to seven millions a year less than is now paid to the coalowners and royalty receivers (16½ millions). There would thus be, on production alone, an available surplus—due entirely to the superior credit of the State as compared with that of any individual coalowner, and to its permanence and certainty as compared with the restricted life and fluctuating profits of any one colliery, and apart altogether from the advantages to be expected from a reorganisation of the production on the basis of national unity—of anything between three and seven millions a year, according to the price at which the property was purchased.

VII. The Conditions of Employment in the National Coal-mining Service

One important benefit of the Nationalisation of the Coal Supply would be to take this fundamental national service out of the arena of perpetual strife between Labour and Capital. At present coalowners and miners avowedly regard themselves as opponents struggling to enlarge their several shares of a common fund of profit, which will anyhow be extracted from the public. The miners are aware of no more reason for ceding a larger share to the coalowners than the coalowners find for ceding a larger share

to the miners. The quarrels are unfortunately bound up with a mischievous confusion between the cost of production (which it is nationally important to keep as low as possible, by means of economy in working, improvements in processes and increased efficiency of organisation) and the proportion of the pit-head price which the coalowner finds that he has to spend in order to get the coal. This latter depends on many other items in addition to the real cost of production. Thus the coalowner (and still more his colliery agent and pit manager) deems it quite legitimate, and, indeed, a bounden duty, to reduce his own outlay to the lowest possible sum per ton of output, by keeping down the rates for working particular seams or places, refusing allowances of one sort or another, making various deductions from the weight of coal gotten, seeking to lengthen the working time, introducing double or treble shifts without regard to the domestic inconveniences thereby caused, failing to provide proper housing accommodation, reducing the wages of the datal men and boys, and struggling to keep as low as possible the "County Average" or other standard of earnings.[1] *None of these things effect any reduction in the real cost of production to the nation;* they are merely expedients for increasing the coalowner's share of the profit at the expense of the workman. The miner, on the other hand, realising that the retail price of coal is put up or down with very little reference to the nominal rate at which he is paid per

[1] A competent official observer, interested neither in colliery management nor in Trade Unionism, writes as follows: "There is no exaggeration in the description of the devices used by mine managers to increase coalowners' profits. Almost every miner has to do a certain amount of 'deadwork,' such as clearing away falls of roof or sides in his roadway, cutting bottom and ripping top to get sufficient light, erecting double timber and sometimes unloading rubbish. These items are a source of constant haggling and disagreement. Some officials are very fair in their measurements: others are not so. The miner has practically to accept their decisions. For instance, a layer of rubbish varying in thickness from three to twenty inches may be extracted with the coal, and the hewer is paid for stowing this rubbish according to its thickness. The measurement is made once a week, and it is quite within the power of a sharp official to measure at the thinnest end, and so deprive the workman of perhaps five shillings on the week's work. The allowances in respect of abnormal places are notoriously often insufficient."

ton, still less to the amount of his average earnings, not only maintains a continual fight against the above-mentioned profit-making expedients of the coalowners, but also sees no advantage even in real economies in working or improvements of processes; and does not scruple, in his embittered warfare over the sharing of the spoils, to use every device of stint or strike, even to the extent of holding up the whole industry, without regard for the injury to the nation at large. The result is a perpetual state of "unrest," flaring up periodically into costly and inconvenient stoppages. It is of vital importance to the nation to put this essentially national service on a better footing.

Here we have the real answer to those Members of Parliament, and other timid objectors, who shrink back appalled at the idea of the Government, as an employer, having to deal directly with the Miners' Federation of Great Britain, representing the combined strength of the whole eleven hundred thousand miners. We do not, merely by Government officials and Members of Parliament avoiding taking any trouble over the matter, get rid either of the present continual loss caused by the existing friction between coalowners and miners, or of the enormous occasional injury which is inflicted on the rest of the community when this friction results in a widespread stoppage. We do not even avoid the political influence which the mining electorate, concentrated in about twenty constituencies, can exercise upon Parliament. It is suggested that the transformation of the miners from wage-earners struggling in the competitive labour market into Government employees discussing their terms of service, would really be to the advantage of all parties.

The eleven hundred thousand miners of all grades and sections would, it must be said, gain a good deal. They would be promptly freed from a host of petty aggressions and injustices and the incessant nibblings at wages—even, sometimes, actual cheating or breaches of contract—each affecting, it may be, only a few individuals, by which pit

managers and under-managers are perpetually striving to keep down what they regard as costs per ton. These profit-making devices (which do not reduce the real cost of production), though they may be deemed legitimate in a capitalist system, receive no sanction from Political Economy and would not now be tolerated in any public service, and therefore could not be resorted to by a Government department under the supervision of a House of Commons, in which a vigilant Labour party, including a dozen miners' representatives, could make its voice heard. The miners, moreover, would no longer need to fear the reductions of wages that are at present forced upon them in any district in which they happen to be strategically weak; on the occasion of every local falling-off in orders, congestion at the pit-head or accumulation of stocks; and whenever prices are seriously reduced. They might expect, on the contrary, to get their working conditions and their average earnings levelled up and simplified, so as to make the lot of the employees of the Government Coal Department, grade by grade, in all the twenty-two districts, as nearly as possible equal to that of the best district. And whilst they would be virtually guaranteed (apart from national calamity) against any reduction in their present average earnings, they would have full opportunity to urge upon the public opinion of the community their claim to progressive increases with every advance in the common Standard of Life. What is of even more importance than a rise in wage rates to the real interests of the million mining households (in which—as we do not always remember—more than one-tenth of all the nation's children are being reared) would be the provision of decent healthy homes. The scandal of the appalling overcrowding and insanitary housing of so many of the mining villages could not fail to secure prompt attention if the miners were employees of the State. A Miners' Housing Fund, if only as part of a National Housing Scheme, would become imperative. No less important to family life would be the fact that the miners would all be

assured absolute continuity and regularity of employment. At present they are liable to be put off, or even to have the whole pit stopped, whenever it suits the coalowner temporarily to reduce production. A single colliery cannot always get a continuous flow of orders; from lack of its own trucks or from momentary deficiency of tonnage at a particular port, or from accidental congestion of a particular railway, or even a particular siding, it cannot always maintain continuous daily deliveries from the pit-head; from want of storage facilities and uncertainty as to the future course of prices it cannot go far in accumulating stock. But the Government Coal Department would have, in the aggregate, an absolutely continuous stream of orders; it would have all the nation's trucks at its disposal; at one or other port, to which supplies could be diverted by telegraph, there would always be tonnage available; there would be, for a long time to come, an absolute necessity, and at all times the possibility, of an accumulation of a large national stock of every kind and grade of coal in ample and widely distributed storage places. It should, therefore, be a fundamental principle of the Government Coal Department, both for the sake of reducing the average cost of production, and of affording absolutely uninterrupted employment to the miners themselves, that the working of all the 3300 pits in operation should, except for the rare stoppages due to breakdown of machinery, be continuous throughout the whole of each year.

Taking into account the reduction in the average cost per ton resulting from (*a*) this hitherto unknown continuity of working, (*b*) the absence of strikes, and (*c*) the systematic organisation of production made possible by a national unity of administration, it would probably be found that (i.) the relinquishing by the Government Coal Department of all the petty injustices and aggressions on the workmen, and the nibblings at their wages, that are now so common; (ii.) the abandonment of the present constant attempts at reduction of wages wherever and whenever the miners are

strategically weak; and (iii.) the levelling-up and simplification of the Minimum Wage Rates and conditions of service so as to equalise the terms in all districts, had not resulted in any net increase in the aggregate wages bill per ton of the whole output. The workmen would have, in the best way, received more, yet the community would have paid no more for the getting of its coal. An intelligent reorganisation of the industry would have increased both the yearly incomes and the amenity of life of the million miners' households without increasing the expense to the nation. In any case the net increase in the wage bill per ton due to these very great improvements in employment would certainly be trifling.

There remains the question of the fixing, and, as we must assume, along with a progressive rise in the common Standard of Life of the mass of the nation, the periodical raising, of the Miners' Standard Rate itself, together with such fundamental national conditions of employment as the length of the working day. The coal-mining industry is already distinguished above all others in the extent to which these terms are decided, not by the autocratic fiat of the employer, nor by the choice of the individual workman, but by highly organised Collective Bargaining and authoritative regulation by Act of Parliament.[1] It will not be difficult to provide for the continuance of this elaborate machinery; for its adaptation to the requirements of a Government Service; and for the admission of the workmen, organised in their own Trade Unions, to that participation in the direction of the industry that absorbs their working lives to which they are now beginning legitimately to aspire.

We may, for instance, visualise, as already indicated,

[1] These arrangements have often been described—see *The Labour Question in Great Britain*, by P. de Rousiers, 1896; *Le Trade Unionisme en Angleterre*, by P. de Rousiers and others, 1897; *Industrial Democracy*, by S. and B. Webb, 1898; *The Adjustment of Wages*, by W. J. Ashley, 1903; *History of the Durham Miners' Association*, by J. Wilson, 1907; *A Great Labour Leader: Life of Thomas Burt*, by A. Watson, 1908; *Memories of a Labour Member: Autobiography of J. Wilson*, 1910; *The British Coal Trade*, by H. Stanley Jevons, 1915.

the direction of all the collieries in each coalfield or coal district by a Local Council of Management, made up of the most experienced managers or directors of the neighbourhood, together with at least one representative of the National Coal Board, who might be appointed Chairman, all of them being, of course, salaried officers of the Government Coal Department. There should certainly be accorded seats on this Local Council of Management to representatives of the miners, who would naturally be nominated by the local Trade Union. But this Local Council would be occupied principally with questions of the technical administration of the extraction and delivery of the coal, under the direction of what we may call the National Coal Board, and it would probably be better for all questions affecting the earnings, hours or other conditions of employment to be relegated to a Standing Joint Committee dealing exclusively with such issues, on which a certain number of the members of the Local Council of Management would meet an equal number of representatives appointed by the local Trade Union.

The Local Councils of Management would, however, deal only with local administration according to the directions from time to time received from the National Coal Board; and the Standing Joint Committees for the several districts would equally have to confine themselves to the work—extremely important work it would be—of interpreting to the local circumstances and applying to particular cases the Standard Rates and other national conditions laid down for the time being. Experience shows that such a work of interpretation and application of a fully accepted Standard Rate by expert representatives not personally interested, and *both alike concerned only in the maintenance of equality between case and case*, presents no intractable difficulties; and disagreements would be unlikely.[1] The decisions as to national administration would be taken day

[1] There need, however, be no objection, *in this sphere*, to reference to an Umpire.

by day in the National Coal Board, a council sitting probably in London, and consisting of the ablest and most experienced heads of the several branches into which the Department would naturally be divided, together with a representative of the Treasury. Here, too, seats should certainly be accorded to representatives of the Miners' Federation of Great Britain, in order that the workmen's leaders may become cognisant of, and may share responsibility for, the government of the industry. But here again it would probably be preferable to relegate any such question as an alteration in the Standard Rate or the Hours of Labour for the whole kingdom to a National Joint Committee, in which a certain number of official administrators from the National Coal Board sat side by side with an equal number of representatives of the Miners' Federation.

With the elimination of the private employer, and the unification of the industry under a public administration in which the necessity for the co-operation of the whole body of workmen is recognised, there would, it is clear, be no longer any question of incomplete or partial Trade Unionism. In order not only to secure a genuinely representative organisation, but also to obtain from every workman his co-operation in the common control of his industry, the State would necessarily be led to make membership of the Miners' Federation of Great Britain, through its constituent Unions for the several coalfields, a condition of employment.[1]

[1] So nearly coextensive with the industry has the Miners' Federation become that—beyond the very important gain of avoiding numerous little strikes against tiny handfuls of non-unionists—little would be changed by making membership obligatory on all employed. It has actually been done in South Wales, where the coalowners agreed in 1916 to require all men at the pits, except officials, to be members either of the South Wales Miners' Federation or of the Associations of Colliery Enginemen or Winding-men. The Federation now includes about 800,000 members, out of a total (in 1913) of 909,834 of all grades employed underground, and of 218,056 above ground. It consists (including the Cleveland ironstone miners) of eighteen District Associations, two of these being themselves federal bodies comprising respectively the eight local Trade Unions of Scotland and the seven of the Midland coalfields. Its hold is strongest on the hewers and other underground workers, but its organisation is framed so as to include all who work in or about a coal mine. The colliery officials, deputies, overmen, mechanics, enginemen, firemen, cokemen, surface-

It is instructive to notice that the State already requires this universality of "Industrial Citizenship" in the small fraction of the administration of the pit in which the workmen at present participate. Thus, by the Coal Mines Act, whenever (on a vote of a majority of the men at work in a pit) a checkweigher is appointed, the appointment has to be made by vote of the whole body of men or of the committee whom they elect for the purpose, and the checkweigher's salary is found by compulsory deduction from the earnings of all the men in the pit, whether or not they have individually agreed to the appointment being made, to the candidate chosen, or to the payment.[1] The constant participation of the Trade Union, thus transformed into the legalised representative organisation of the manual working wage-earners in the industry, is, it need nowadays hardly be explained, really indispensable to the smooth working and efficiency of the administration. How otherwise than through the local Trade Union can the individual workmen secure attention to the innumerable petty grievances that are always arising, get a hearing for their perpetual complaints, or even be made to understand the meaning of the regulations under which they must work, and the somewhat complicated terms according to which their earnings are calculated? It is only by prompt and continuous attention to all these opportunities for friction, and the immediate removal not only of real hardships but also of the inevitable misunderstandings that are

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men, and day-wage men generally, have also about seventy societies of their own, nearly all local and mostly very small. Some of these are already included in the Miners' Federation by their membership of the district federal bodies; and there ought to be no great difficulty, with proper arrangements for the due representation of sectional interests, and the elimination of the coalowners' constant desire to play off one against another, in including the rest of them.

[1] Another instance is the right given to the whole body of miners in each colliery to choose their own examiners, to whom Parliament entrusts part of the duty of inspection of the mine to ensure its safety. Yet another is the statutory right given to the whole body of miners in each colliery to have pit-head baths provided, by a two-thirds majority vote, one-half of the cost being levied, by deduction from earnings, on all the men in the colliery, whether or not they voted for the measure.

constantly occurring, that any high degree of industrial efficiency is maintained.

Particularly in the coal-mining industry, with its necessity for a continual translation of the Standard Rate per day into the special tonnage rates and working conditions required by the circumstances of particular seams or workplaces, does the Trade Union find plenty to do apart from the more serious but also less frequent changes in the Standard Rate. But this, too, must be susceptible of change. It would, of course, be to the interest of the miners to enjoy ever-rising Standard Rates and more and more comfortable conditions of work. On the other hand, after the capitalist employers and private recipients of royalties have been eliminated, it will be, not any private speculator but the community itself that will be put to increased cost by any rise in the expenses of coal production. It is therefore suggested—to provide for the not improbable case of a divergence of view on the National Standing Joint Committee, between the higher employees of the Government Coal Department and the representatives of the rank and file—that any such difference should stand automatically referred to a Standing Council of Mediation, composed of universally known and respected citizens of distinction unconnected with coal production. This is not Compulsory Arbitration, to which neither the miners nor the nation would be prepared to agree. It is not suggested that the Council of Mediation should do more than examine the issue, hear the arguments, and make a public report for everybody's information. The decision on a matter so directly affecting the national pocket as an alteration in the National Standard Rate of a million of State employees—representing, it might well be, a charge on the common pocket, equal to nearly as much as the present Supertax—can be finally decided only by Parliament itself.[1] And, in order that the point at issue between the representatives of the miners and the representatives of the people at

[1] Parliament now keeps in its own hands the fixing even of the postage rates for letters.

large may not be obscured, if the proposal hereafter described of a uniform National Price for Household Coal is adopted, it ought to be enacted, once for all, that any alteration in the National Standard Rate of Wages must always be accompanied by an exactly equivalent alteration in the National Price of Household Coal, and corresponding additions to the prices for other coal supplied for home consumption—the sales for export, in which price is less easy to control, remaining unchanged. If the basis was a normal wage-rate of 8s. per day for hewers, when the National Price of Household Coal had been fixed at a shilling per hundredweight, each rise of 2 per cent on the wage-rate, involving an increased wage-cost on the whole output of £1,800,000, would take effect in an addition to the retail price of household coal and coal for other British uses of about 3 per cent, or say sevenpence per ton on household coal.

To this rule, however, there might, it is suggested, be one exception. It might be desirable to give all the million employees of the Government Coal Department, from the highest to the lowest, a direct pecuniary interest in effecting a new reduction in the real Cost of Production of the aggregate output, whether by economy in working, improvement of processes or superiority of organisation (apart from the wage-rate on the one hand, and the interest and sinking fund on the Coal Debt on the other). For this purpose the most minute account would need to be kept of every item of the cost of working, not only of the output as a whole, but also of each coal district and each pit; and these should be regularly considered, not only by the National Coal Board and the Local Councils of Management, but also by the Trade Unions concerned, to whom they should be periodically communicated with a request for suggestions and criticisms. The utmost attention would have to be concentrated on effecting genuine economies in the cost, as distinguished from changes in the rates of remuneration of the persons concerned. After making due provision for any additional

capital that had been required, the amount saved in the year by any lowering of the net cost of production per ton of the entire output might, it has been suggested, be divided between the whole nation of consumers and all those who co-operate in extracting the nation's coal—the employees' half being shared among the entire staff, from the highest to the lowest, in a proportionate addition of so much per cent to their salaries and wage-rates for the year next ensuing, and the consumers' share taking effect in an exactly equivalent reduction in the National Price of Household Coal; any balance undistributed being carried forward to the credit of next year's account for re-division in the same way. On the other hand, there are objections to the very principle of "Profit-sharing," to which this "Bonus on Economy in Cost of Production" would bear an outward resemblance; and the individual hewer or haulier could not be expected to see much connection, in so gigantic a service, between his particular acts of economy and the trifling addition that might come, long afterwards, to his weekly earnings. It might be better to lay it down, from the outset, that anything to be obtained for the men from this source should be devoted to making extra provision for amenities in their work, or additional provision for the widows and orphans.

VIII. The Nationalisation of Distribution

It would be a great gain to unify the management, systematically organise the production, secure unbroken continuity of delivery from the pit-head, and centralise the contract sales of the whole national output of coal, even if the local retail distribution were left undisturbed in the hands of the existing multiplicity of factors, dealers, shop-keepers and trolleymen. It would be quite practicable for the Government Coal Department to organise only the production, selling at deliberately fixed pit-head prices; and leaving the whole horde scrambling among themselves in

their assumed service of the public, at one moment cutting prices one against another, at another (and, we may expect, more usually) entering into more or less formal mutual arrangements to concert prices. But the full advantage of the reorganisation of the industry and the complete protection of the consumers would not be attained without the taking over, also, of the distributive business.

This, it is suggested, should be shared between the National Government and the Local Authorities on the following lines. The Government Coal Department, whilst determining the total national output at such a figure as would permit of the unbroken regularity of employment and the gradual accumulation of a sufficient national reserve, would necessarily have to undertake also considerably more than one half of the distribution, namely :—

(i.) The whole provision required for the Admiralty, the War Office, and, in fact, all the Government Departments ;

(ii.) The whole of the sales for export and the bunker coal for shipping ;

(iii.) The supply of the railways (whether or not under Government administration) ; and

(iv.) The supply of such enterprises as gas, water and electricity works (whether or not in municipal hands), of the coke ovens and the manufacture of patent fuel, and of other industrial undertakings taking more than a certain minimum quantity, or needing kinds of coal drawn from non-local or from various different sources,—perhaps leaving it to the option of the customer in each such case to deal either with the National or the Municipal Coal Department. These large orders, in most cases of known and stable quantities, from not more than a few thousand separate customers, many of them of public character, would probably account for more than three-quarters of the total output.

The other quarter of the aggregate demand, comprising the supply of the nine millions of British households, and of many of the smaller industrial users, ought, it is suggested, to be undertaken in each locality by the elected Local

Government Authority (over more than a prescribed minimum of population); in London by the London County Council; in other town areas by the Borough or Urban District Council; and in the country, either by the County Council or by the Rural District Council, as may be arranged between them. The Local Government Authorities[1] already supply their constituents with water (in over 1600 cases), with gas (in 342 cases), and with electricity (in some hundreds of cases). They run their own tramways in some hundreds of cases; they administer docks and harbours in several dozen cases; they have their own lines of ferry steamers in several cases; and one of them, at least, runs a not unimportant local canal. With these and many other enterprises—not to speak of the needs of their schools and other institutions—the Local Government Authorities are, in the aggregate, among the very largest consumers of coal in the country. The Glasgow Town Council alone buys a million tons a year for the use of its several departments, or probably as much as its million inhabitants buy for their domestic consumption. The total annual purchases of the Local Governing bodies of Great Britain are estimated at not less than fifteen million tons. The buying of these large supplies in a competitive market, in which the sellers have the advantage of superior technical knowledge and bargaining skill, is, at present, a task of difficulty and financial risk, from which the Local Authorities resorting to the Government Coal Department, with its fixed prices and public dealings, would be freed. What these Authorities have

[1] In Scotland, the duty might be undertaken by such Burghs over a certain population as chose; and elsewhere by the County Councils. Port and Harbour Authorities, Water, Hospital and Drainage Boards, etc., might all be allowed similarly to deal directly with the Government Coal Department for such supplies of coal as they required. Such great port authorities as those of the Thames, the Mersey, the Clyde, the Tyne, the Avon, etc., might themselves undertake the supply of bunker coal to shipping (as is already done by the United States Government at the Panama Canal).

Whether the trivial coal production of Ireland (82,521 tons in 1913) and the supply of the Irish consumers (perhaps 6 million tons) should be taken over by the Government Coal Department of Great Britain, or by that of Ireland, or left as it is, demands separate consideration.

now to add is (i.) a "coal order" business for the service of the domestic consumers, and, it may be, also the smaller industrial enterprises within their respective districts; (ii.) the necessary number of coal depots, usually at the local railway stations, for the retail supply of the smaller customers; and (iii.) a local cartage and delivery service—the whole business often amounting, in the Boroughs, to no more than a relatively small addition to the coal that the Town Council already buys for its own use; and being immensely facilitated by getting rid, once for all, of the difficulties and dangers of purchasing in a speculative capitalist market, always rigged against the buyer.

IX. Why not a Fixed and Uniform National Price for Household Coal?

One vast improvement on the present arrangements, and one which ought not to be impossible, would be the fixing of a "National Price"—a stable retail price for coal for each of a few standard kinds or qualities, which should be changed by Order in Council only at very infrequent intervals. There seems no insuperable difficulty in making such prices uniform over great zones of the country—perhaps over the whole of England and Wales and Scotland respectively, or even over Great Britain as a whole. With production systematically organised throughout the whole kingdom, working everywhere up to a common "margin of cultivation," there would be every justification for fixing uniform pit-head prices at all collieries for equivalent grades of coal, whilst there would be great advantage in recognising, by gradations of price, only two or three grades. With distribution also nationally organised, each locality being supplied, in the main, from the most convenient coalfield—coal being actually raised in fifteen out of the forty counties of England, four out of the twelve counties of Wales, and fifteen out of the thirty-three counties of Scotland—it would not be difficult to arrive at a uniform rate per ton that

would cover the aggregate cost of conveyance of the whole output in full truck-loads, from pit-head to any railway station in the kingdom, where it would stand at the disposition of the Local Authority. Each County or Borough Council could, in the same way, at any rate after a brief experience, calculate the additional charge per ton which would be required to pay for retailing in smaller quantities than a truck-load, and bringing the coal from railway depots to each customer's cellar (unless the customer preferred to arrange himself to fetch the coal from the railway station, and thus be freed from the municipal delivery charge). To stimulate municipal economy, as well as municipal enterprise in organisation, the Government Coal Department might even fix and publish an inclusive retail rate per ton for household coal, applicable uniformly to the whole country, and covering (*a*) pit-head price; (*b*) national conveyance by rail, canal, or coasting steamer to any railway station; (*c*) municipal retailing at the local depot; and (*d*) municipal delivery into every consumer's cellar; and then allow the Local Authority to retain for itself, out of its sales at this maximum price, a fixed sum per ton, out of which the Local Authority could pay for its own part of the service, with liberty to apply to its own purposes, practically in relief of the local rates, all the profit that it could make by good administration and skilful local management (though not by raising the price to the consumer).

The possibility, in practice, of establishing such a uniform "National Price" for household coal to the private customer depends on whether it could be fixed at such a figure as would not involve a serious rise in the price now paid by any large section of the population. The eleven hundred thousand workers in and about the pits could, of course, be allowed to retain their present privilege of taking away their own household coal either free or at a low rate. Nor need anything more than pit-head price be charged for any coal supplied from the pit-mouth to local residents; or, in fact, to any one who conveyed away the coal for his own consumption,

without availing himself of railway, canal or coasting steamer, the use of which the price would include. The export trade, and the supply of bunker coal ; the requirements of the railways, the gas and electricity works and the coke ovens ; the demands of the iron, steel, tinplate, copper and similar works, the textile manufactures and other industrial enterprises, like the needs of the Government Departments and the Local Authorities themselves, would be specially dealt with. The industrial demand, which is not for household coal, would in fact be outside the scope of the National Price. Moreover, in order to reassure the timid, it might be provided that any person or Local Authority, if such there should be, who had been during the preceding year actually supplied with household coal under contract at a figure lower than that fixed for the National Price, might be allowed to retain, for seven or fourteen years, the privilege of contracting with the Government Coal Department, for his own consumption exclusively, at a corresponding reduction. But subject to such exceptions as the above it would, we think, be found that practically all the domestic consumers of coal, even those in coal-producing counties outside a narrow radius from the pit-mouth, have latterly been paying not less than a shilling per hundredweight for their coal in retail deliveries, and usually a great deal more.[1] A fixed National Price for the best grades of household coal, delivered to cellar, of one shilling per hundredweight, and one pound per ton, free from the risk of a rise when the cold weather

[1] In 1912 it was found that "broadly, prices were lowest, averaging about 1s. to 1s. 1d. per cwt., in the Northern Counties, Yorkshire, Lancashire and the Midlands ; they were at an intermediate level, averaging about 1s. 2d. to 1s. 3d. per cwt., in the Eastern and East Midland Counties, Wales and Scotland ; and were highest, averaging about 1s. 4d. per cwt., in the Southern Counties of England and in Ireland. . . . The extreme variations were from 10d. to 11d. per cwt. at Nottingham, Wallsall and Wolverhampton, to 1s. 6d. per cwt. at Dover, Southampton and Limerick. . . . There were 27 towns in which the mean predominant price did not exceed 1s. per cwt." (Report on Working Class Rents and Retail Prices, Cd. 6955, p. xxxv). The tendency is to a levelling up of the low-priced districts. The 1912 prices represented an increase since 1905 of from 13 to 27 per cent, the greatest increases being in the Northern, Eastern and East Midland Counties. This tendency has continued in the subsequent rise of prices.

approaches, or on any other excuse (with a reduction of 15 per cent to those who prefer to fetch their coal from the municipal depot at the local railway station), would, after the experiences of the last year or two, be hailed by millions of families as a boon.[1] Such a National Price—assuming an agreed all-round rate of 2s. per ton for railway, canal or steamship freight (which is more than was paid in 1913), a municipal retailing allowance of 2s. 6d. per ton, and a municipal cartage charge of 3s. per ton for those who wish delivery to residence—would leave an average yield of 12s. 6d. per ton at the pit-head for household coal, and ought not to be beyond the reach of efficient national organisation of a public service.

X. The Terms of Expropriation of the Coal Dealers

The public does not love those who make a profit out of dealing in coal; but if the Government Coal Department thus reorganised distribution as well as production, it would have to make equitable arrangements with the distributive trade. Where what has to be dealt with is principally the interest of many thousands of persons—those in all grades who actually do the work—not in property but in the continuity of their respective livelihoods, and only to a minor degree the transfer of material wealth, the customary procedure under the Lands Clauses Consolidation Acts would, it is suggested, be neither equitable nor expedient. In the vast majority of cases, numerically, the persons concerned would but exchange a more or less uncertain and

[1] What should be done about grading must be left for expert consideration. There would be a great advantage in simplicity, and in ignoring distinctions which have arisen only from local fancies and the desire of dealers to confuse the consumers. It is suggested that only two grades of Household Coal need be recognised, one, the normal article, including all the fancy grades (such as Wallsend, Silkstone, etc.) down to and including Derby Brights or Nuts. A discount of 10 per cent might be allowed on Second Grade or "Kitchen" coal, including what is known as "Steam" or "Cobbles." Anything of lower quality, including "slack" or dust, cannot be said to pay for rail carriage, and should be treated at the colliery.

discontinuous employment, paid at varying rates which are frequently of a "sweating" character, for an absolutely continuous, certain and salaried service, with considerate conditions of hours, holidays, sick leave and superannuation. The Government Coal Department would need to organise its own staff for attending to the various public services, the shipping trade, the railways, and the other industrial enterprises that would be supplied under the direction of the central office. The various Local Authorities would need to organise their own staffs and to provide their own depots for local storage, retailing and house delivery. For all these purposes we ought to draw, to a very large extent, on the premises and plant, and on the managerial and operative staffs, from the merchants and dealers down to the coal porters and trolleymen at present engaged in the trade. What ought to take place, in fact, would be a general readjustment, all the present resources in premises, plant, horses and men, like the local stocks of coal, being taken over—except in so far as they were found unsuitable—and absorbed into the service either of the Government Coal Department or of the Local Authorities. It may be worth notice, in this connection, that the War Office will have 30,000 motor lorries to dispose of after the War. Could not these be converted into coal lorries, and handed over to the Local Authorities for their Coal Delivery Service? A small Executive Commission, with peripatetic sub-commissioners, should be appointed to make the required readjustment, in consultation, on the one hand, with the Local Authorities, which would specify and select what they severally required for their new services, and, on the other, with the existing staffs engaged in coal distribution, from proprietors and managers down to boys and labourers, for whom either suitable situations or else equitable compensation for disturbance of livelihood would have to be provided. Not much consideration need be shown to any person actively engaged in the trade, to whom a suitable situation was offered, at not less than his former earnings

for work done, and who chose to refuse such an offer. Such a person would be free to seek other employment. There would remain, to be paid for in a lump sum, the elements of rent, interest and profit, apart from the earnings of work or management—represented partly by the capital value of the premises, horses and stock and any other tangible assets taken over, and partly by what would probably have been called the "good will" of the various businesses. For the former items, at any rate, even though the Local Authorities had no need of them, it would be in accordance with our custom to pay substantial compensation. But the community ought not to be called upon to pay a capital sum down in respect of the assumed future profits (over and above rental value of premises, interest on cost of plant, and suitable salaries for all the work done) that some of the coal merchants might have made out of the needs and helplessness of the public. No one has a vested right in the continuance of the present organisation of industry.

What the total sum reasonably payable to the distributive trade would amount to it is, in the absence of the necessary statistics, difficult to compute; but a liberal estimate of what the items are worth in the market, apart from the assumed taking over at salaries of all the persons actively engaged in the business, puts the total at no more than thirty or thirty-five millions sterling. Such a sum would involve, for the same eighty-four years' term, and the same rate of interest at 5 per cent as for the purchase of the coal-mines, an annual payment for interest and Sinking Fund of less than two millions a year; or (on the whole supply of 287 million tons) not much above one penny per ton. If the total compensation came to twice that sum, or £70,000,000, it would involve a charge of only 3d. per ton. This charge might be borne by the Local Authorities to the extent of the value of the premises and plant actually taken over by each of them; and, as regards the balance, by the Government Coal Department itself as an addition to the cost of buying up the mines and royalties.

XI. Advantages of Nationalisation

Enough has been said incidentally of the very great advantages of a Nationalisation of the Coal Supply in the economies due merely to a public unification of administration, such as (i.) the lowering of average working costs to be secured by an absolute continuity of operation of each pit at its full output; (ii.) the further reduction to be produced by deliberately adjusting the working of each colliery, and even of each pit and each seam, up to a common "margin of cultivation," so as to produce, at the lowest expense, the predetermined aggregate national output for the year; (iii.) the saving to be effected by getting rid of the present needless multiplicity of separate proprietors, partners, boards of directors, merchants, dealers, agents and factors, and their unnecessary duplication of offices and clerical and managerial staffs; and (iv.) the annual surplus to be realised by the substitution, for the profits and royalties of a hazardous and fluctuating business, of the much smaller fixed interest and sinking fund that would be required when the credit, continuity and permanence of the British Government can be relied on. Enough, too, has been said in the preceding pages of the very substantial benefits that Nationalisation would bring to the one-tenth of the whole community that works in the mines; in (i.) the securing to them of absolute continuity of employment and full payment of the agreed earnings, free from nibblings from wages or attempted reductions of rate; (ii.) the assurance that all grievances would be effectively brought to notice, and remedied by an administration without pecuniary interest in reducing the miners' earnings, and responsible to public opinion; (iii.) the satisfaction of sharing by the elected officials of the Miners' Federation, henceforth completely inclusive of the workers employed, in both the local and the central administration of the service; and (iv.) the promise that any savings effected by improvements in production or economy in working should be divided equally between the miners' advantages and

a reduction in the price of coal to the consumer. And enough, also, has been suggested of the boon to both the industrial users of coal and to the nine million British households in (i.) being protected against either a temporary shortage of coal or speculative rises in the price of a necessary of all industry as well as of domestic life; (ii.) being guaranteed a constant supply of household coal at the fixed and uniform National Price of a pound per ton delivered to cellar; and (iii.) being secured the prospective advantage of half of all future economies in the cost of production. But there are other public gains implicit in Nationalisation on which a few words must be said.

(*a*) *Husbanding the Nation's Coal*

We cannot replace the coal that is consumed, nor make good the huge annual wastage. Though there is coal in sight for the needs of several centuries,[1] the seams that can be worked at anything like the present cost per ton are steadily approaching exhaustion, and it behoves us to husband our stock. Some kinds of coal, in particular, like the famous almost smokeless steam coal of South Wales, which exists in like quality nowhere else in the world and is invaluable to our ships of war, ought to be monopolised by our own Admiralty, so as not to give away to alien Governments—who may at any moment become our enemies—what is really a potent instrument of naval warfare. Just before the outbreak of the present war, the German Government, it is said, took extensive deliveries of Welsh coal, in order to supply the needs of the German fleet. Under a

[1] As to the probable date of exhaustion of our coal, the issue raised half a century ago by Stanley Jevons in *The Coal Question* in 1865 (3rd edition, 1905), and by John Stuart Mill in the House of Commons, the latest view is given in *The British Coal Trade*, by H. Stanley Jevons (the son), 1915. Two Royal Commissions, of 1871 and 1903–5 respectively, exhaustively investigated the question; and their conclusions are given conveniently in the fifth edition of *Our Coal Reserves*, by Professor E. Hull, 1905. As to the world's supply, see the report made for the Twelfth International Geological Congress, 1913 (3 vols.).

system of private ownership and capitalist exploitation of our coal-mines, such an export in times of peace cannot be prevented. The Government Coal Department would probably reserve all this coal for the use of the British navy, and dole it out carefully, in times of war, only to our allies. There is, moreover, a grave risk of the restricted area of the anthracite coalfield in South Wales—producing practically all the anthracite coal not only for the United Kingdom but also for Europe—being converted into a monopoly in the hands of a single trust or amalgamated company, as has several times been attempted. It is of great importance to husband this supply, and to ensure that it shall be always available for the purposes for which it is essential.

(*b*) *Maintenance of a National Reserve of Coal*

The uninterrupted daily delivery of coal all over the kingdom has become essential, not only to the comfort of ten million households in the United Kingdom, but also to the maintenance of our system of conveyance and transit, and to the continued employment of our people in industry. At present there is nowhere any considerable store of coal. The Admiralty has, at any moment, only a few weeks' supply for the navy ; the railway, gas and electricity works, whether private or municipal, keep only a small reserve ; the textile and hardware manufacturers rely, for the running of their works, on being able to replenish their stocks every week or two ; up and down the country the coal merchants keep only a few hundred tons in their yards ; the railway sidings that supply the factories and domestic coal cellars of the seven million inhabitants of the Metropolitan area would be emptied by a month's interruption of the couple of thousand trucks that nightly arrive from the north and west, whilst the Metropolitan gas and electricity works would be brought to a standstill by a fortnight's stoppage of the half-a-dozen colliers that daily reach the Thames. Such a method of living from hand to mouth in the matter of so indispensable

a means of industrial life is improvident.[1] As soon as war breaks out, the whole success of our arms is seen to depend on our coal-miners working continuously at high speed; and we are driven to stop recruiting among them. It becomes of such vital importance to maintain the mineral traffic on the railways that the rush of railway workers to enlist has to be checked. The Admiralty is driven to release shipping tonnage that it needs elsewhere, because the London gas and electricity works must be kept continuously supplied with sea-borne coal. Even in peace time the absence of any considerable stock of coal anywhere in the Kingdom puts us all at the mercy of any temporary ring of capitalists, and of any failure of colliery owners and miners to agree upon the terms of employment, because at all hazards the daily production of coal must not be interrupted. What is of more frequent occurrence is the hurried rise of price, to the unnecessary taxation of the community, whenever the sudden setting in of cold weather or the blocking of communications through snow or the breakdown of the railway line allows it to be said that the stock of coal in any locality is becoming exhausted, and enables the coal-merchants to play upon the fears of the public.

Coal does not appreciably deteriorate by keeping under cover for a few months, even if it does by prolonged exposure to the weather;[2] and it costs little to keep. At present, however, the perpetual fluctuations in price, and the risk of

[1] During the past two decades, since the great coal strike of 1893, most of the railway companies have increased their stock of coal, and a few of the companies may now have enough for two or three months. But as regards the majority of the companies, even a fortnight's stoppage would lead to a great restriction of train service.

The usual stock in the Metropolitan area apparently varies from 90,000 to 230,000 tons of household coal, and from 50,000 to 100,000 tons of other coal; or from three to five weeks' supply of the domestic consumer, and even less for industrial consumption.

[2] Long-continued exposure to all weathers apparently lowers the fuel value of coal; and it is said that the mountains of coal stored at Reading by the G.W. Rly., after the coal strike of 1893, were found, when used in 1912, to have deteriorated by 60 per cent. But storing for a year or two, *without exposure to sun or frost*, seems to have no appreciable effect. Storage under water is also being tried, with great promise of success.

having to sell at a season of slump, prevents any private person from accumulating any considerable stock. The capitalist sees no profit to himself in allaying the public alarm, in preventing the present panic rises of price, in saving the miners in particular collieries from periods of unemployment, or in increasing our national safety, at the cost to himself of losing the interest on the capital value of a coal stock. The Government Coal Department would, it is suggested, at once proceed to take steps to accumulate gradually a National Reserve of coal, stored in suitable places all over the kingdom, so as to ensure the Admiralty, the railways, the gas and electricity works, the innumerable factories that depend on coal for their power, and every one of our ten million households against any risk of interruption in their coal supply. It is not suggested that this vast hoard of coal should be, in any sense, "put away" in permanent storage. Each depot should be constantly delivering from its oldest coal, but should continually be so replenished as to have always the prescribed stock in hand. To the annually rising quantity that is expected to be consumed at home during the year, and purchased for export—say two hundred and eighty-seven million tons,—should be added a certain amount, say 10 per cent, making up the total output to be arranged for to three hundred and ten or three hundred and twenty million tons. The working plans of all the 3300 pits should then be settled on the basis of having to produce exactly this amount. This fixed quantity of coal should be extracted, irrespective of the fluctuations during the year of the home or foreign demand; and the surplus, whatever it is, should be put to the National Reserve. One of the objects aimed at being the absolute continuity of working of the pits, and of employment for the miners, the surplus produced for the National Reserve would be actually increased whenever the home or export demand fell off, and whenever the miners were in danger of having to stand idle and wageless.[1] Some

[1] When the present armies are disbanded, and 200,000 miners return to the pits, it will be of the highest importance to put them all at once to work. This

such surplus should continue to be produced until there is at least a year's supply of every necessary grade of coal, stored in universally accessible places, and thus constituting a National Reserve. The fixing of advance of the annual output, and the maintenance of a continuous level of employment should, even then, continue to be the policy of the Government Coal Department, though the amount of the output would gradually be approximated to that of the expected requirements of the year, which would by that time have increased.

(*c*) *Prevention of Accidents*

Though the number of lives lost per million tons of coal extracted has, during the past half-century, been steadily, if slowly, reduced, there are still far too many accidents in and about our coal-mines.[1] Some accidents, it must be recognised, there must always be. But it is scarcely creditable, either to our science or else to our humanity, that the coal-miner's occupation should be two or three times as hazardous as that of the community at large, and that we should, after more than a century of experience, get our annual supply of coal at the cost of 160,000 to 180,000 casualties—many more than our army suffered in the whole course of the Boer War! London uses, it is computed, about seventeen million tons of coal annually. This means that every week at least 250 miners are gravely injured, and about two are killed, in order to supply London alone.

The casualties among miners occur principally from (*a*)

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will not be easy unless there is a Government Coal Department aiming at building up a National Reserve of coal.

[1] In the mines under the Coal Mines Act there were, in 1913, no fewer than 178,621, and in 1914 160,081 casualties—each year more than all that occurred in the disastrous expedition to the Dardanelles in 1915! The deaths in 1914 were 1219, and the disablements lasting more than seven days were 158,862. In 1913 the lives lost numbered as many as 1753, and the injured 176,868. This was the highest casualty list ever known. The actual number of casualties shows no decrease for half a century, but the proportion to the persons employed, and per million tons raised, has greatly fallen, the deaths by about one-half.

explosions of fire-damp or coal-dust, happening only every few weeks in the whole kingdom, but occasionally killing men by hundreds; (*b*) falls of side or roof, principally at the working face—these occur, to somebody's grave hurt, at the rate of *nearly two hundred a day throughout the year*, accounting for 600 deaths and 62,000 serious injuries each year; and (*c*) shaft accidents, which take place two a day, killing on an average a couple of men a day, and gravely injuring two or three others. In addition, more than 25,000 men and boys are maimed or crushed annually (and over 200 killed) by being run over underground by trams or tubs, and over 75,000 more suffer injuries incapacitating them for over seven days (some 200 being killed) by accidents classed only as "miscellaneous." The liability to accident in the different coalfields varies considerably—partly, no doubt, by reason of differences in the character of the coal and the adjacent strata, but partly also, it cannot be disputed, by reason of differences in methods of working, in the precautions taken, and in the vigilance of the inspection. The South Wales coalfield has by far the worst record, not only for accidents from explosions and those from falls of side or roof, for which there may be some excuse,[1] but also for those from being run over by trams or tubs; the Yorkshire coalfield disputes the bad eminence of South Wales in the number of accidents from falls of side or roof; the Scottish coalfields vie with that of Yorkshire in being the worst for shaft accidents; whilst the Northern coalfield, which for geological reasons suffers least from falls of roof, comes out best at all points. Places of greater risk ought to be places of greater precaution. If all the coalfields of the kingdom could be made only as safe as those of Northumberland and Durham, the nation would *save*

[1] The hewer in South Wales has been aptly described as "having a tool in one hand and a prop in the other." At the working face he can rarely excavate two or three feet of coal without having then and there to put in a prop, whilst in his roadway he has to erect double timbers. In Northumberland, on the other hand, the hewer may usually do a whole day's work without erecting timber, leaving this to be done by another set of men in a following shift.

annually three or four hundred miners from death, and probably thirty or forty thousand from serious injury.

Such a reduction of accidents in coal-mines ought to be one of the principal objects of the Government Coal Department. For the evidence proves that a large proportion of the casualties are not due to accidents in the strict sense of the word. Doubtless a large proportion are due to the carelessness of the miners, but this, itself, often means that the managerial supervision which should ensure the observance of the rules is far from being sufficient. The Government inspectorate—only 90 men of all grades to oversee 3300 mines—is far from adequate. The preventive measures required by the regulations under the Coal Mines Act are, in many cases, not universally taken, very often because they would involve thought and cost money. At the Senghenydd Colliery, in Glamorganshire, there occurred, in 1913, the greatest disaster, in point of loss of life, in the whole history of British mining. An explosion underground causing 439 deaths was found at the official enquiry to have been made possible, or at least greatly aggravated, by quite illegal accumulations of highly inflammable coal-dust, the expense of removal of which had been saved. The owners, agent and manager were prosecuted for numerous breaches of the Act and Regulations, but very inadequate fines were inflicted—amounting to less than fourteenpence for each life lost—largely on the plea that these particular men were no more guilty than the owners and officials of other collieries, where no such disastrous accident had happened to occur. Altogether not more than between one and two hundred prosecutions of owners, agents and managers take place annually, the average fine imposed being about £2![1]

The fact is, that, with coal-mines run for private profit, with 1500 separate undertakings actively competing one

[1] See the official Report on the Senghenydd Colliery accident, Cd. 7346; Report of a Committee on Accidents from Falls of Ground, Cd. 4821; the five Reports of the Committee on Coal-Dust Explosions, especially the Fifth Report, Cd. 7132; and the Mines and Quarries General Report for 1913, Cd. 7721, Part II.

with another for the market, and with colliery agents, pit managers and deputies or overlookers keenly aware that the working costs must be kept down, it is impossible to secure sufficient thought or care, and sufficient expenditure on the stricter supervision and more adequate precautions that would prevent a large proportion of the casualties. The enormous number of accidents caused by insufficient use of pit-props to prevent falls of side or roof is very significant. Such mechanical appliances as automatic contrivances to prevent over-winding, detaching hooks and cage gates, are still not universal. The legally required clear spaces and refuge holes (for escape from being run over by trams or tubs) are still sufficient neither in number nor in width. There is still, in many collieries, nothing that can be called a systematic removal of the coal-dust now recognised as a serious cause of explosions: such systematic removal is, indeed, not always an easy matter, but there is still too great a shrinking from incurring an expense which would make for safety. The trams, too small for security, are habitually piled up with coal one foot or even two feet above the level of the top of the tram, which then scatters pieces and dust.

One of the first reforms introduced by the Government Coal Department would probably be the appointment, for every mine, of a special Safety Manager, free from any other preoccupations and duties than that of seeing that the precautions required by the Coal Mines Act were actually taken, and charged to make suggestions from time to time for a further prevention of accidents. If anything like the same proportion of casualties continued to occur under the administration of the Government—if 160,000 miners continued to be injured or killed each year,—if it was proved that, whether owing to failure to provide the means or failure to insist on their being applied by the men, the legally required precautions were not being taken—it may be supposed that the House of Commons would soon insist on improvement!

(*d*) *Revival of Canal and Coastwise Transit*

At present the railway companies, to which the transport of coal brings nearly £23,000,000 a year, or one-sixth of all their gross receipts, naturally do all in their power to discourage the use of any alternative means of transport. It would, however, be to the advantage of the Government Coal Department, for more reasons than one, to free itself, as far as practicable, from dependence on any one line of conveyance. Moreover, its policy of accumulating a National Reserve, and of working, at all times, on a predetermined plan, without waiting for urgent local demands, would render the duration of any one journey of the coal in many cases of little moment. We may, therefore, expect, as an incidental result of Nationalisation of the Coal Supply, on the one hand, and of the Railways and Canals on the other, some revival of the use, both of the canal system, which ought, in the widest national interests, to be put once more in working order; and of the coastwise traffic to and from the smaller ports, which has of recent years so much decayed. There would be more than financial reasons to cause the Government Coal Department to revive, and keep in going order, every alternative means of transport, to as many as possible different points of distribution. When war comes, as we now see, it is of great importance to be able to ease the strain on our railways; and even in peace the possibility of stoppages owing either to accidents or to other causes cannot be left out of account.

(*e*) *Technical Improvements*

One of the most important branches of the Government Coal Department would naturally be that for Scientific Invention and Discovery, and the Improvement of Processes. At present whilst some of our newest collieries are admirably equipped, and many of our ablest managers are scientifically educated and resourceful, a large part of our coal production

is still carried on by methods not much improved from those of a generation—sometimes even those of half a century—ago. The ignorance or apathy of those concerned, their lack of enterprise or of capital, and, above all, the difficulties with the workmen that are apprehended, greatly delay the adoption of up-to-date processes. Thus, only in about one-fourth of the collieries (626 in 1912 and 676 in 1913) have any coal-cutting machines yet been introduced, to be worked by compressed air or by electricity; and nine-tenths of all the coal we extract is still laboriously hewn by hand, just as it was a century ago. Yet, except for very soft coal, and in seams of high inclination, the use of coal-cutting machines appears to be commercially practicable *wherever the roof and floor are solid or properly protected*; with the advantage of not only sparing labour but also increasing the safety of the miners and greatly lessening the cost of working.[1] Once the coal is hewn or cut the method of hauling it from the face to the pit-bottom is usually as primitive as the method of hewing. In nearly all collieries the trams are still pushed some distance by the manual labour of pullers or trammers, at any rate from the stalls to the collecting sidings. Ponies—sometimes very cruelly treated—have been largely substituted for human traction. But in the best-equipped mines this secondary haulage is done by small engines driven by electricity or compressed air, and there seems no reason why this beneficial substitution should not be almost universally made. The main haulage from collecting siding to pit-bottom is now nearly everywhere done mechanically, by single rope, by endless chain, or by main and tail rope. Yet only very exceptionally in this country are compressed-air locomotives at present used for this main haulage, or electric locomotives taking their current from overhead trollies, though both are common in American and German mines. If the best scientific knowledge, now available only for the largest and best-equipped mines, were universally applied to the varying

[1] Report of Royal Commission on Coal Supplies, 1905.

local conditions all over the kingdom, and if the miners were assured that improved processes would deprive no man of regular employment at the Standard Rate, it is difficult not to believe that a Government Coal Department could, in a few years, revolutionise the processes of the backward half of the collieries, and effect a reduction alike in working costs and in casualties.

When the coal is brought to the surface, it needs—as the most successful collieries have discovered — to be elaborately prepared for the market, so as to get the highest aggregate value out of the whole output. For want of such treatment, which is everywhere adopted in the German mines, an enormous proportion of the output has, in the past, been wasted. Such waste—typified by the throwing away of whole mountains of small coal, to be eventually burnt as rubbish—is still going on in the more backward collieries. More general is the wasteful habit of working the better classes of coal only, leaving behind in the pits a vast amount of coal (estimated at 25 per cent of the output), on which a lower profit per ton could be obtained than upon the better kinds. A large proportion of this low-grade coal could, by suitable treatment, be made available for fuel ; and in view of the importance of husbanding the nation's store of energy, an attempt should be made to utilise what is now a waste product. If the elaborate preparation of the coal for market, already profitably carried on by the best, newest and largest collieries, were adopted by all of them, we should see the whole output, by ingenious mechanical appliances, (i.) sorted into qualities and sizes, and (ii.) washed so as to remove all dirt, stone and refuse, and produce a dustless coal. The coal-dust and small coal can be most advantageously turned into coke and the far more valuable tar, ammoniacal liquors, benzol and coke oven gas by means of bye-product recovery ovens, which are only very slowly being installed in connection with the collieries in this country, and number only half of those at work in the United States and Germany. Down to the end of 1915 only three

quarters of the coal was carbonised in these bye-product recovery ovens, and 5,000,000 tons in the wasteful "beehive" ovens, which have long ago been abandoned in Germany, and ought to be promptly replaced by the more productive processes. The coal-dust can be made into "briquettes" or patent fuel, which finds a ready market abroad (Germany makes ten times as much as Great Britain), but is hardly yet in use at home. The economical use of coal-dust and small coal is destined, said the Royal Commission of 1905, to render the working far more profitable than at present.[1]

When the coal begins its long and frequently interrupted journey to the consumer's coal-yard or cellar, it is amazing to note how seldom it is yet handled, at the various stages in its progress, by any but antiquated methods. Only at a few of the largest export quays do we find up-to-date cranes, and the means of transferring coal in bulk, without breakage and loss by dust, etc., and without laboriously shovelling through the whole mass, and lifting or carrying each piece by hand. The perpetual re-weighing or re-measuring necessitated by the present repeated changes of ownership involves, in itself, no small loss and expense. There is plainly much room, practically at all stages from the face to the cellar, for considerable economies and improvements in processes, even if the Government Coal Department effected no more, during its first decade, than to get adopted, for all the output, the processes and expedients of which the most successful men in the trade have already proved the profitableness.

XII. The Disposal of the Surplus

It will be seen that the disposable financial surplus to be derived from the Nationalisation of the Coal Supply arises principally — at the outset probably entirely — from the unification of administration and the reduction of the tribute payable to the present capitalist owners of the coal, made

[1] Royal Commission on Coal Supply, 1905.

possible only by the intervention of the State. The saving to be effected on the cost of distribution will, it is suggested, accrue gradually to the Local Government Authorities that organise and manage the local retailing and delivery. The advantage to the miners will come in the form of a guaranteed regularity of employment, the improved housing that must certainly be provided for employees of the State, participation in the administration of the industry by which they live, and the payment in full of earnings according to a uniform National Standard Rate at the highest level, which is never likely to be lowered and which will progressively increase with the rise in the Standard of Life of the community. The boon to the public will be the assurance of an uninterrupted supply of coal for industrial purposes free from any risk of stoppage or rises in prices and of household coal at the fixed National Price. What the Chancellor of the Exchequer has a right to retain, for the profit of the State, is the surplus gained by the substitution of the Government for the coalowners. The case is therefore essentially similar, as regards this disposable surplus, to that of the profits of the Post Office, to which it is argued that neither the public of consumers nor the employees have any valid claim.

What will be the financial position of the Government Coal Department? The data at our disposal do not permit of more than a tentative and hypothetical statement of receipts and expenditure. Among the outgoings the largest item will naturally be the cost of getting the coal and administering the mines. In 1913, as we have seen, this amounted to about ninety millions for wages and thirty-six millions for administration, including management, repairs and such provision for depreciation and expenditure on new plant as was included in the expenditure allowed in the Income Tax returns. To this sum we have to add the extra expense involved in an increase of production by 10 per cent in order to begin the accumulation of a National Reserve of coal. Taking this at 10 per cent of the present

cost, we raise the latter to one hundred and thirty-eight millions. We do not add anything for the increases to be made to the wages, in consequence of the general levelling up of rates and conditions to those of the best now in force, and for the cessation of all nibblings at wages, because we may fairly assume a certain economy of expense as the result of unification, especially through absolute continuity of working; and we think we are justified, tentatively and hypothetically, in setting off the one against the other. What we have to add is the cost of the National Coal Board and the central administration of its department; the cost of the present mines inspectorate, to be transferred from the Home Office; and the cost of the immediately necessary improvements to secure greater safety of working. Putting this all speculatively at one million a year, we raise the total cost of getting the coal to one hundred and thirty-nine millions.

We must allow something—it is impossible to compute how much—for the maintenance of the offices for export sales, and the necessary expenses incidental to shipment; although these charges, as well as the cost of dealing with the orders from the industrial consumers at home, might be deemed to be covered by the million reckoned for central administration. But let us, to be more than sure, add a couple of millions a year by way of margin for unforeseen contingencies, making the total one hundred and forty-one millions a year. To this we may add five millions a year for the Miners' Housing Fund, giving an outside aggregate, for outgoings at the colliery, of one hundred and forty-six millions. We have next to pay for the conveyance of the increased output of coal to its varied destination, part to the ports for shipment, part to the railways and the industrial users, part to the different departments of the National Government; and the remainder to the Local Authorities for their own use and for retail distribution. This conveyance costs at present, by rail, canal and sea, between twenty-five and twenty-six millions. The Government

Coal Department would doubtless make a single agreement with the State Railway Department for a single uniform rate per ton on the entire output by rail, canal or coasting steamer (including not only the conveyance of the 10 per cent proposed increase, but also the provision of trucks for the whole instead of only a fourth of the load); and this might well work out at thirty-five millions.

As seams are constantly being "worked out," and new pits and new workings are always being required, besides renewals of plant and improvements of machinery, etc., we set aside five millions a year—equal to 40 per cent of the net profits of the present colliery owners—for these new outlays of the nature of capital, this being, we are told, more than twice as much as is annually invested in such works, even in years of "boom."[1]

Finally, we have to provide for the annual charge for interest and sinking fund on the cost of expropriating all the present private interests in the production and distribution of our coal. We have seen that the capital cost may vary, including compensation to every one concerned, from the royalty owner and the colliery proprietor to the coal merchant and local dealer, from something like 195 millions up to something like 330 millions. Some considerable capital expenditure will be required to provide the necessary increased depot and office accommodation at all the railway stations, so as to permit of the storage of a year's supply, and the transaction of the municipal distributive business; and we must assume that unification of administration will demand some initial capital outlay. We therefore take the amount of National Coal Debt to be incurred at the hypothetical figure, not of 195 or 330, but of 400 million pounds, and on this the interest and sinking fund for redemption in eighty-four years, both at 5 per cent, would be less than 20½ millions per annum.

[1] The amount spent annually in pit-sinking is very carefully estimated at no more than £2,000,000 per annum; but to this something, perhaps 10 per cent, should be added for pithead buildings and machinery (*British Incomes and Property*, by J. C. Stamp, 1916, pp. 194, 203).

Charging to this ample Capital Account, as we well may, both the building of miners' cottages (which will yield direct revenue) and the sinking of new pits (which will increase the productiveness), the total cost of working stands at 195 million pounds.

On the other side stand the receipts from the sales of coal. The 77 million tons for export, sold at from 5s. to 17s. 6d. per ton in 1913, were valued, we are officially told, at an aggregate of £53,659,660; and the 21 million tons of bunker coal at the same average price would be £11,268,516—say, together, 65 million pounds.

The supplies to the railways, the Government Departments, the Local Authorities, the gas and electricity works, the coke ovens, the metallurgical plants, and all the various industrial users amounted in 1913 to about 150 million tons; and these must continue to be supplied without increase in price in any locality, and subject to the maximum of the price proposed for household coal. Taking them all together, the average cost in 1913, delivered to the nearest railway station or siding, was at least as great as that paid by the exporter, or 15s. per ton. Let us take it, to be on the safe side, at 14s. per ton, making 105 million pounds.

There remain the household coal for domestic consumption, which we may put at 36 million tons, and the pithead deliveries of, perhaps, 3 million tons. Adopting the suggested National Price of 15s., delivered to any railway station (leaving 5s. for municipal retailing and carting), and counting on a million pounds from the three million tons of deliveries from the pithead, we get receipts of 28 million pounds. Thus the aggregate price realised for all the 287 million tons of the 1913 output would, on these calculations, be 198 million pounds—less, we suspect, than the price actually paid in that year by the consumers and shippers by at least 32 million pounds—against an aggregate cost of 195 million pounds. The Government Coal Department ought, even after saving the consumers some 32 millions

on the last "peace prices," to have a clear surplus of several millions.

We do not pretend that the amount of the net surplus can be accurately calculated on the data available to us. But whether the private interests in the production and distribution of coal are bought out for £195,000,000 or £330,000,000; and whether the necessary additional capital for effecting the reorganisation of the industry is put at £50,000,000 or half as much again, it certainly does seem as if the Government Coal Department could guarantee fair and considerate treatment of the entire working staff, fixed and moderate prices to all industrial users of coal, and a uniform National Price of a shilling per hundredweight for Household Coal, and yet contribute enough to the War Loan Sinking Fund to pay off, by the year 2000, without recourse to the taxpayer, at least a large proportion of the War Debt.[1]

XIII. Summary of Proposals

It has been shown that the present arrangements by which the nation obtains its coal are neither systematically organised nor economically worked. The scramble of 1500 separate colliery companies and many hundreds of merchants, factors and dealers for individual profit does not result either in the most wisely regulated extraction of coal, or in its transport and distribution at the lowest cost—still less in the protection of the public against interruption of the supply or extortionate increases of price. If a new product

[1] No nation has yet nationalised all its coal-mines or all its coal-dealing. There are many precedents for Government coal-mining and coal-retailing. The German Emperor is, in fact, probably the most extensive coal merchant in the world, the Prussian Government working no fewer than 345 groups of coal-pits, principally for the State railways, but supplying for private consumption over twelve million pounds' worth of coal annually. The New Zealand Government provides one-eighth of the local supply. The Victorian Government has its own coal-pits, and the little municipality of Lethbridge (Alberta) works in its own mine all the coal that the city needs. Other nations in which the Government works coal-mines are Austria, Hungary, Serbia, Sweden, Russia, and Holland. (See Report of Fabian Research Department on *State and Municipal Enterprise*, 1915, price 1s.)

were discovered, of which two hundred and eighty-seven million tons had to be extracted and distributed to every factory and household in the kingdom, it is inconceivable that we should not make a better arrangement.

To buy out, on the basis of Stock Exchange values, all private interests in coal, from the royalty owner and colliery proprietor down to the little retailer and hawker, would cost no more, as a capital sum, than the consumers now pay for a single year's supply of coal.

A Government Coal Department, working through Local Councils of management and the present expert administrators of each pit, could organise production according to the ascertained requirements of the whole community for all purposes, together with the demand for export. But in order to ensure absolute continuity of working and provide against any possible interruption of supply, production would be arranged of at least 10 per cent in excess of the aggregate demand, until a whole year's supply had been accumulated in local storage.

Nationalisation of the production would be practicable without nationalisation of distribution, but such a measure would leave the public unprotected. It is therefore suggested that the Government Coal Department should organise the whole service—itself delivering the coal required for the Government Departments, for export, and for industrial purposes, at prices no higher than were being paid prior to the war. The distribution to the domestic consumer would be organised by the County and Borough Councils, to whose depots at all the railway stations the Government Coal Department would deliver at a fixed rate. It is proposed that there should be a fixed and uniform national price for household coal of 1s. per hundredweight delivered to cellar, subject to a reduction of 15 per cent if the consumer prefers to fetch it from the Municipal Depot.

The Government Coal Department would, by agreement with the State Railway Department, deliver household coal

to any railway station in Great Britain for 15s. per ton, and thus leave to the Local Authority a fixed allowance of 2s. per ton for the expenses and loss involved in retailing and 3s. per ton for cartage.

It is estimated that the Government Coal Department would expend, including interest and sinking fund, not much more than two hundred million pounds a year, and certainly not over two hundred and six millions; whereas its receipts, on the basis of the year before the war, would amount to at least two hundred and thirteen millions, which would enable a considerable amount of the war debt to be redeemed from the profits.

APPENDIX TO THE NATIONALISATION OF THE COAL SUPPLY

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CHAPTER IV

A STATE INSURANCE DEPARTMENT

CONTENTS

A STATE INSURANCE DEPARTMENT

I. Why a State Insurance Department is now called for

The Life Assurance system of the United Kingdom, in what is called the "Ordinary Branch," excites the admiration of the world. In a century and a half of experience the Companies have gradually built up an organisation which, for honesty and soundness of administration, and for adaptation to the needs of the middle and upper classes of this country, stands absolutely unrivalled. At a time when the individual found open to him no safe and convenient investment for his savings but Consols and mortgages, the Insurance Offices devised for him a means of thrift, and a form of provision for his dependants which still stand second to none in their manifold advantageousness. In one respect, in particular, Life Assurance forms a bright spot in the history of British commercial enterprise. It has never ignored its intellectual basis. By their incessant and disinterested exploration of the scientific foundations of their business, the British Insurance Offices have both created and endowed the actuarial science which has spread to all parts of the civilised world. In no branch of British Enterprise have those responsible for its management earned and deserved more praise and gratitude. The legislative settlement of 1870, with its combination of "Freedom with Publicity," has permitted the British Insurance Offices to pioneer, and to adapt themselves to new conditions, whilst keeping them free, for nearly half a century, from any

serious scandal. If, in the financial crisis brought about by the war, we turn for help to a State Insurance Department, this is not because the Companies have failed in their task. It is, indeed, their very success—the very strength of their organisation—that enables them, as we shall seek to show, to come most effectually to the help of the State, and puts them in the enviable position of being free—without anything in the nature of confiscation, without loss to the shareholders, and with nothing but gain to the policyholders—to render inestimable service to the Government in providing for the future disposition of the Great War Debt.

There are, as we shall see, weighty arguments in favour of the transformation of Life Assurance from a profit-making business into a branch of National Service. By taking over, on equitable terms of compensation, the existing Life Assurance offices, the Government would not only be able to save the community some expense, relieve existing policyholders of their anxiety as to the safety of their bonuses, and give both present and future policyholders the advantage of improved (and, indeed, of the most perfect) security; but could also organise satisfactory arrangements for making Funeral Benefit universal, and solve, in the most effective way, the somewhat serious social problems connected with the widespread system of Industrial Insurance. But what makes the matter urgent is the need for calling in aid the Insurance Offices to deal with the unparalleled burden of national indebtedness.

II. How the Nation now obtains its Life Assurance[1]

What is called Life Assurance—the issue, in return for one or more payments (called premiums), of contracts (called

[1] The statistics for Life Assurance are published annually as Parliamentary Papers; see H. of C. No. 49 of 1915, price 6s. 4d. Later statistics may be found in the Insurance number of *The Statist* (15th Dec. 1915). Particulars of

policies) covenanting for the payment of a sum of money, either at death or at some fixed date—is scarcely two centuries old, but it has become, all over the civilised world, not only an indispensable form of saving, but also, to the ever-increasing proportion of all classes of the population demanding financial security for the future, almost a necessity of life. And it has ceased to be the monopoly of any social class. In the United Kingdom nearly every family household in the land, from the richest to the poorest, now voluntarily subjects itself, at one time or other, to a payment varying from a few pence per week up to several thousands of pounds a year for premiums for Life Assurance. The yearly revenue from these premiums (including sums paid for annuities) now exceeds fifty millions sterling, being more than the nation spends on boots and shoes; nearly as much as it spends in railway fares, and in excess of the whole cost of education from kindergarten to university. In conjunction with the closely allied grant of annuities, Life Assurance thus supplies the social machinery for certain popular forms of saving and investment, viz. (*a*) the provision of the expenses incident on death, from burial up to Death Duties; (*b*) the provision of maintenance for survivors (*e.g.* widows and orphans); and (*c*) the provision for the insurer's own future, either by accumulation of an endowment or by the creation of an annuity.[1]

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the separate companies are best given in *The Post Magazine Almanack*, and Bourne's *Insurance Directory*. The history may be sought in *The History of Life Assurance in Great Britain*, by J. C. Macmillan, 1896, or *The Insurance Guide and Handbook*, by Cornelius Walford, 3rd edition, 1900. The Catalogue of the Library of the Institute of Actuaries serves as a convenient bibliography. For Industrial Insurance, see the Report of the Fabian Research Department, 1914, price 1s. (25 Tothill Street, Westminster).

[1] Life Assurance in this country is officially classified as "Ordinary" and "Industrial." The "Ordinary Branch" includes the issue of policies, nearly always for £100 or more, whether payable at death or at the expiration of a term of years, in return for premiums payable at intervals of not less than once a quarter, without being personally called for by collectors; together with all the annuity business. The "Industrial Branch" (subjected to special restrictions by the Collecting Societies and Industrial Insurance Companies Act of 1896) includes the assurances of less than £20, in return for premiums payable more frequently than once in two months, and received by means of collectors operating at a

This social function, which has been regulated by a series of statutes, is now conducted as a profitable business in the United Kingdom by upwards of a hundred and thirty joint stock companies and "Collecting Friendly Societies."[1] Many of these companies and societies are proprietary, and whilst they cede the greater part of their profit to the policyholders in one form or another, enough remains to render them, as a rule, very profitable to their shareholders. Most of them have no shareholders, and are run entirely for the benefit of the policyholders, present and future. But owing to their large numbers, their wide dispersion, and the absence of any knowledge of each other, the existing policyholders are quite unable to exercise any control over what is nominally their own enterprise; and such "mutual" societies and companies are, in fact, entirely in the hands of the little knot of paid Directors (who virtually reappoint themselves, and fill vacancies by co-option) and the managing officials. In practice, a policyholder finds no difference

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greater distance than 10 miles from the registered office. Taking the figures as the end of 1915 as compiled by *The Statist* (18th Dec. 1915), the total amount insured in the Ordinary Branch by the British Offices is no less than eight hundred and seventy-two millions, for which the annual premiums paid exceed thirty-two millions per annum, and the total annual charge for management and collection expenses is just over four millions sterling. The total number of policies in force (several on the same life) is over 3,194,000, and it is believed that at least 75 per cent of all the married men of the upper and middle classes, and many women (together with an increasing proportion of the lower middle and artisan classes) have thus made some provision for their families at their deaths. The total amount insured in the Industrial Branch is three hundred and sixty-three millions, for which the annual sum paid in premiums is eighteen millions, and the total charge for management and collection expenses is just under eight millions. The total number of policies in force is over thirty-eight millions (often several for the same person); but lapses are numerous. It may be estimated that, whilst the total paid annually in annuities, death claims, and surrenders exceeds forty-one millions sterling, including all ages, and both Ordinary and Industrial Branches, only about two persons out of every three died covered by any kind of Life Assurance, and that three out of four of the claims so payable do no more than cover the funeral expenses, making no provision for survivors.

[1] We leave out of account here the work of ordinary Friendly Societies and Trade Unions which, as an adjunct to their work in providing Sickness, Unemployment and other Benefits, often also provide Funeral Benefit. These Funeral Benefits by such Friendly Societies are not commonly regarded as Life Assurance, and do not come within the terms of the Act of 1896, because collectors are not employed; and they need not be interfered with.

in premium or in benefits, in honesty and economy of administration, or in fair dealing, between a joint stock and a "Mutual" Insurance Office.

III. What the Chancellor of the Exchequer would gain by the Nationalisation of Life Assurance.

The advantage to the Chancellor of the Exchequer of the Nationalisation of Life Assurance would lie, *not in any annual revenue to be derived from the service* (though this might well come with increasing business) but in securing control—at the cost of a Government guarantee that every individual policyholder, now or hereafter, shall be punctually paid, to the uttermost farthing, everything that he has contracted to receive—of several hundred million pounds' worth of good securities, together with the additional sum to be annually entrusted to him by the State Insurance Department for investment, a sum which may be expected steadily to increase.

What could be done with the assistance of these sums, without depriving any single policyholder of anything due to him, in the way of placing the burden of the War Debt in such a way as not to hamper either future borrowing or private trade? It would be unsound insurance finance, and would outrage the feelings of all the actuaries, and possibly disturb the minds of some of the policyholders—in view of the ever-increasing burden of claims on the policies now existing (notably the rapidly increasing proportion of Endowment Policies) which must be met as they mature without relying on "new business"—not to credit the account of the State Insurance Department with interest on the accumulated funds year by year, even if a sum equal to the whole amount of such interest, and even more than that amount, should presently be annually handed back to the Government for re-investment. Let it be made clear,

therefore, once for all, that full interest will be paid—and paid, moreover, at a rate which can be guaranteed to be, right up to the year 2000, not less than 5 per cent.

What might be done will be best realised by those in touch with banking operations on a large scale. We must visualise the formation of a strong State Insurance Investment Branch, under the control of the Treasury, but directed by the ablest of the investment experts of the Insurance World. It must not be supposed, however, that the assets that would be handed over—standing in the balance-sheets at over 550 million pounds—would be to any great extent immediately realisable by the Government. We may put aside 30 millions at once (though the amount could be reduced by unification) as representing working capital, agents' balances, etc. But in addition there is some 11½ millions invested in life interests and reversions, 48 millions in land and house property, no less than 114 millions in mortgages and 63 millions in loans to persons and public authorities. All this, accounting for nearly half the total, may be counted as not conveniently realisable. There remain about 280 millions of Government and Municipal securities, and debentures and shares of joint stock companies, most of which are saleable on the various Stock Exchanges on the world—it has been estimated that whereas in 1870 only 26 per cent of the Insurance Fund was in "Stock Exchange securities," the proportion is now over 56 per cent—though only a very small proportion could conveniently be realised otherwise than very gradually, or indeed until after the War.[1] Among them, however—notwithstanding the recent large sales of American securities in order to help the exchange—there are some that it would be possible for the Government to realise, in order to pay for the War, either immediately or gradually, as favourable opportunities occur. In return for every sum so realised,

[1] Possibly thirty or forty millions are already in British Government securities. The Insurance Offices, which had already six millions in British Government securities, are reported to have taken up eighteen millions of War Loan, and they have since exchanged many of their American securities for Government Bonds.

the Chancellor of the Exchequer would give Government Stock bearing 5 per cent interest. He would similarly give Government Stock, bearing such a rate of interest, for all the sums—probably 12 or 15 millions per annum—entrusted to him by the State Insurance Investment Branch. He would use both the sums realised by the sale of part of the existing securities, and the new moneys annually entrusted to him, to redeem the War Loan in the hands of the public. The result would be that, within 20 years, a very large sum, probably five hundred and possibly one thousand millions of War Loan, could thus be withdrawn from the private creditors of the State, and would be held immobilised by the State Insurance Department, which would, moreover, be continuing to absorb the War Loan then remaining in the hands of the public at the rate of 20 or 30 millions a year, or even more.

The Government has, in fact, the opportunity of offering a unique investment to its State Insurance Department, without trouble, without risk, and without demanding that ability in wisely investing the annually accruing funds which is, at present, one of the chief needs of an Insurance Office. The Great War Loan to be issued to the public, for which the Government will have to pay 5 per cent interest, can be made redeemable at par in definite quantities, annually or every few years, from, say 1925 to 2000, in such a way as to provide an ideal investment, at 5 per cent, for the annually accruing accumulations of the State Insurance Department, or of the Sinking Funds of other Government enterprises.

A further consideration of no little importance is that of the probable continuance, at least for many years to come, of the Income Tax at a relatively high level. In the present year, at the rate of 5s. in the pound, the existing Insurance Fund, with its income from interest of nearly eighteen millions sterling, is mulcted of 4½ millions, or actually much more than all the dividends to the shareholders and all the bonuses to the policyholders put together! The State Insurance Department would be free of Income Tax. The

Chancellor of the Exchequer would need to make up by general taxation for this loss of revenue; but the result would be, not only a considerable addition to the amount annually earned by the State Insurance Fund, and—what is of some moment—the removal from the actuaries and policyholders of their fear that a really drastic Income Tax—say one of ten shillings in the pound, continued for a series of years—might reduce their offices to insolvency. The Chancellor of the Exchequer would find his compensation for the loss of tax revenue on the income from the Insurance Fund in (*a*) the advantage of getting a free hand in increasing the Income Tax, unhampered by the danger of causing a widespread default of the insurance offices; (*b*) in seeing so much of the War Debt taken out of the hands of the public, and immobilised in a State Department.

IV. The State Insurance Department as Public Creditor

The nation may see with equanimity the gradual transfer of the War Loan from the individual investor (who will be paid off at par in accordance with the contract) to the State Insurance Department; because (whilst this excellent investment secures the policyholders) there is no likelihood of repayment of the capital sum being required at any period that we can foresee. During the past hundred years the aggregate Insurance Fund has gone on steadily increasing; and latterly the annual rise has been greater than ever. In 1895 the total sum insured in the Ordinary Branch was only 529 millions; by 1905 it had risen to 697 millions, or by an average of over 16 millions a year. Another decade has brought the total to no less than 872 millions, showing an average increase (notwithstanding the competition of the Industrial Branch which has also been growing by leaps and bounds) of over 17½ millions a year.[1] Life

[1] The premium and annuity income of the Ordinary Branch of the British Companies has risen continuously from fourteen millions in 1889 to 34⅓ millions

Assurance has been growing, in fact, during the whole decade, at between three and four times the rate at which the population has been increasing. During the last twenty years the accumulated funds have more than doubled; during the last thirty years, indeed, they have more than trebled.

It may, we suggest, be confidently predicted that this increase will continue. A rate of growth during the next thirty years equal only to that of the past thirty years would raise the total premium income from 50½ millions in 1915 to no less than 162 millions in 1945. Life Assurance stands, indeed, only at an early stage in its development. Apart from the mere provision of "Burial Money"—which is practically all that Industrial Insurance has, in its remarkable sixty years' growth, effected—Life Assurance, in the sense of any real provision for survivors, is still mainly a habit of the upper and middle classes. By the efforts of the Prudential, Pearl, Refuge, and other companies a beginning has been made in inducing the millions below the Income Tax level to take out policies of £50 or £100. Yet it is estimated that altogether only 1½ millions of persons hold policies in the Ordinary Branch. With the cessation of Industrial Insurance which we hereinafter propose, the setting free of no less than 18 millions a year hitherto paid in Industrial premiums, and the concentration of the army of insurance agents on canvassing for this new work, the business in small "Ordinary" policies would certainly receive an immense accession. There is every reason to suppose that—with the steady rise in the Standard of Life of all but the humblest classes, their increasing providence and thrift,

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in 1915, whilst their total income has risen from twenty-one millions to fifty millions. Their outgoings have similarly risen from fourteen millions for claims, cash bonuses, surrenders, and annuities in 1889 to thirty-three millions for the same items in 1915. Commission has risen in the same quarter of a century from £671,975, or 4.95 per cent of the premium income, to £1,640,905 or 5.4 per cent of the premium income; whilst management expenses have risen from £1,376,413 to £2,555,854, which is a decline from about 10 per cent of the premium income to less than 8 per cent.

and their steadily improving education—the Insurance habit will continue to spread. This will be promoted by the exemption from Income Tax (up to one-sixth of the income) of the sums paid for Life Assurance—an exemption which will certainly be continued, and will become increasingly important with a high rate of Income Tax and the sweeping in of an additional million or more of Income Tax payers by lowering the Exemption Limit from £160 to £130.[1] It is, indeed, remarkable that as yet (apart from Industrial Insurance) not more than 1½ million persons—only about three-fifths of the present Income Tax payers—out of the 24 million adults in the United Kingdom are insured in the Ordinary Branch; and these (with 3,194,000 separate policies) for an average of less than £600 each. If all the 20 million persons whom the census finds "gainfully employed" were to insure only for a minimum of £100—even if all the 11 million families would take out only one such policy each as a minimum—the total sum insured would be more than doubled. By the year 2000—only 84 years hence—it may confidently be prophesied that a population within these Islands of 70 to 80 millions—this is the best estimate that can be framed in view of the slackening rate of increase—will have its lives insured for an aggregate of at least ten times as much as the present aggregate in the Ordinary Branch of 872 millions—indeed, for probably not less than 10,000 millions sterling. This colossal sum of 10,000 millions sterling would mean only an average of one policy of £500 for each of 20 million families—by no means an excessive provision for survivors in any decently assured community. The accumulated Insurance Fund on such an aggregate of policies would be, not 551 millions sterling as on the present sum assured, but much more like 7000 millions sterling. It is towards this latter sum that we may expect the Insurance Fund during the ensuing

[1] An altogether new field will be opened for the operation of this inducement when (as is the case in various States) the same Allowance for Life Assurance is allowed on premiums paid for insurance of the taxpayer's children.

eighty-four years steadily to mount. We need therefore have no fear that the total invested with the State will fall off, or of any realisation of securities by the State Insurance Investment Branch being necessary. Yet, to satisfy the claims of strict finance, it would be desirable for the Government to arrange for paying off its own debt to the State Insurance Department, as to its other creditors. This it should do by providing an annual Sinking Fund payment, which on 500 millions need be, at the outset, only half a million sterling[1]—a sum which the Chancellor of the Exchequer would, for this as for the rest of the public debt, find from annual taxation.

V. The Advantages of Nationalisation

Can this ambitious and far-reaching scheme be realised? Let us notice, first, that—excellently as the British Insurance offices have served the community—there would be great advantages in their being all merged in a single State Insurance Department.

(*a*) *The Waste of Competition*

We have here, in fact, one of the most glaring examples of the waste due to competition. The hundred and thirty companies and societies compete strenuously with each other for new insurers. They maintain extensive offices and staffs; they expend vast amounts in advertising and other expenses; with the exception of four companies, they pay out large sums in commission on new business; they keep in the field something like a hundred thousand agents (perhaps three-quarters of them "full time"), all in order, really, to induce people to pay their premiums to this office

[1] An annual payment of £800 for 84 years at 5 per cent extinguishes a million pounds of debt in the year 2000. It would, moreover, probably be found expedient for the Government to give the State Insurance Branch fixed annuities terminating at different dates for each of its annual investments of surplus. Thus the State would create no permanent indebtedness.

rather than to that! It is true that the effect of this competitive advertising and solicitation is also to make a large number of people insure who would not otherwise do so at the time, and perhaps not at all; but much of this "forced business" is of very doubtful social value—in fact, seven out of every ten of the new policies thus obtained (principally those for the smallest amounts) are actually allowed to lapse! And though competition among the offices reduces their net profits to a point at which the life business is often said to be scarcely remunerative, it is not at all so effective in keeping down the price charged to the insurer. So intricate are the calculations and so varied are the conditions of the policies that the ordinary person is unable intelligently to compare one offer with another. Several hundred different life policies lie open to the choice of any would-be insurer in the United Kingdom, and are actually being sold every day at varying prices for their incomprehensibly varying advantages. To a skilled actuary the best of these offers seems to differ from the least advantageous to the extent of at least 30 per cent for "without profit" policies, and by as much as 50 per cent in the extreme range of policies "with profits." The continuance of business at such varying premiums proves that competition does not secure to the customer the cutting down of prices to the lowest possible figure.

The total cost of "Management," that is, of (i.) getting in the 50 million pounds of premiums, (ii.) of issuing some 10 or 12 millions of new policies annually, (iii.) of making the necessary investments, and (iv.) of paying fewer than one million claims, amounts to 12 million pounds a year. This —in comparison with the cost of the work done by the Inland Revenue or the Post Office—is an enormous sum. Calculated on the aggregate of the total receipts, on the total annual investments, and on the total payments for claims, amounting altogether to about 100 millions, it comes to something like 12 per cent on the cash transactions. It is much more than all the working expenses of our vastly

greater banking system, with its 10,000 branches in the United Kingdom. Out of every pound paid in Life Assurance premiums, no less than four shillings and ninepence disappears in expenses. There ought here to be an opportunity for a substantial national saving.

It is sometimes said that it is the eighty-four companies and societies doing what is called Industrial Insurance that have the heavy expenses; and it is true that, out of 18 millions a year paid in premiums in the Industrial Branch, 8 millions goes in charges of one sort or other, which is, relatively to the amount of premium income, three times as much as in the Ordinary Branch. But it is the method of solicitation and of collection of premiums in the Industrial Branch that is so extravagantly costly, not the administration. In the Industrial Branch the premiums are collected personally at the insurer's own home, mainly in pence, by a canvassing collector who calls weekly. In the Ordinary Branch the premiums are, for the most part, remitted to the office by the insurer himself, either quarterly or yearly, mainly by cheque.

But seeing that the business of managing the funds and making the investments is identical in both branches of Life Assurance, it is really the seventy British Offices doing business in the Ordinary Branch that seem open to most criticism for the amount of their expenses.[1] If we regard the business (after providing a reasonable sum per million pounds for managing the investments) simply as one in which so many separate payments have to be obtained from insurers, so many separate policies issued, and so many separate claims paid, we shall find that the Industrial Branch, which has, in the aggregate, nearly three thousand millions of such transactions annually, handles each of them, on an average, at a cost of less than one penny. The companies and societies doing Life Assurance in the Ordinary Branch, which have fifty or sixty million such transactions every

[1] A score of offices carry on both branches of Life Assurance, but the accounts have to be kept entirely separate.

year, are spending, on each of them, on an average, more than a shilling—which appears, by comparison, an absurdly high figure. The very heavy cost thus imposed on the "ordinary" insurer is due—

(*a*) Partly to the large amounts paid (in all but four exceptional offices) to solicitors, bank officials, and other agents, as commission, both on new business and on renewals—commission which, in face of the competition, no Insurance Office dares to reduce;[1]

(*b*) Partly to the dispersion of the business among different staffs, to the extensive multiplication of office premises, and to the embarking on expensive advertising in all sorts of ways;

(*c*) Partly to the fees taken by a quite unnecessary profusion of Directors—over 1500 in number—amounting, it is estimated, to something like a quarter of a million sterling annually, and to the salaries paid to the officers of the needlessly numerous separate staffs—*all these items being greatly swollen by the competition among so many companies and societies;* and

(*d*) Partly to the handsome dividends in the comparatively few shareholders' concerns, which are taken by the little knots of proprietors to whom they belong.

(*b*) *The Evils of Industrial Insurance*

A more serious question is the urgent necessity for putting a stop to the evils connected with the whole system

[1] A solicitor, bank manager, or insurance agent through whose hands passes a new insurance policy, say for £5000, involving an annual premium of perhaps £150, would receive a commission of at least £50 down (1 per cent of the sum assured)—sometimes as much as £75 or £100 being paid—and would, moreover, get a further sum of about £3 : 15s. per annum (being 2½ per cent) for ever afterwards, as long as the premiums continued to be paid, even if the policyholder pays them direct. It should be stated that, in an increasing number of cases, the new policyholder insists on getting the commission himself (and if he stands out, can nearly always extort it from the company under the threat of resorting to another office). In these cases it becomes a sort of discount—the reward of sharpness and persistence! The four British companies paying no commission are the Clergy Mutual, Equitable, Metropolitan, and London Life.

of Industrial Insurance. At present the great mass of the wage-earners (usually the wage-earners' wives) are persuaded, by the army of plausible agents, to pay 18 million pounds a year for insurance, almost entirely for "Burial Money." This heavy tax—twice as much as the wage-earners pay to the State for all the benefits of the National Health Insurance Scheme; more than is levied in Germany on all the parties concerned for a universal provision for sickness, accident, maternity, invalidity, old age and widowhood—is very largely consumed in costs. In round numbers, eight millions goes in expenses, three-quarters of a million in dividends to shareholders, and eight millions in claims; whilst the balance goes to increase the Insurance Fund, which provides for meeting future claims. The poor people are willing enough to insure, but they misunderstand the contracts into which they are persuaded to enter. Four-fifths of all the policies lapse in less than five years, without becoming claims. Though 10 or 11 millions of new policies are taken out each year, the number in force rises only by less than one million annually, and, though practically every person in the wage-earning class is insured at some point in life, at least 30 per cent of the deaths among that class are uninsured at death. Nor is there any possibility of preventing this huge cost, these incessant lapses, and this high proportion of deaths without "Burial Money"—still less any prospect of securing any proper provision for widows and orphans—so long as the matter is left to anarchical private enterprise and the tender mercies of the Industrial Insurance Companies and Societies. In the face of incessant competition they simply cannot dispense with their extravagantly costly method of personal canvassing and collection. The only possible remedy for the evils of Industrial Insurance is to bring in the power and the organisation of the State. This can hardly be done for Industrial Insurance alone.

VI. The Conditions of Nationalisation

What is suggested, therefore, is that the Government should take over compulsorily, by Act of Parliament, the whole business of Life Assurance, and conduct it, as a public service, by a State Insurance Department. Apart from various insurance schemes in connection with the postal service, such a State Insurance Department has been carried on, with considerable success, actually in the severest competition with the companies, by the New Zealand Government for 46 years, and has just been started by the State of Ohio. The Government of Italy, going further, has made Life Assurance a State Monopoly, and the Government of Uruguay has followed its example.

(*a*) *The Offices and Staffs*

Life Assurance is combined, in many of the offices, with other kinds of insurance (such as fire, accident, employers' liability, marine, fidelity, plate-glass, motor-car, burglary, sickness, etc.); but the life accounts and life funds are in all cases required to be kept entirely distinct. If, as is suggested, all the other kinds of insurance are left untouched, it would be easy for the offices (*a*) to transfer to the State only the Life Assurances and Annuity business and funds; (*b*) to arrange for the transfer of part only of their premises and staffs, and part only of their general reserve funds.

The Government would, of course, compensate fairly all those whose interests were adversely affected by the change. To the shareholders in the various joint stock companies might be paid (in Government Stock) the full market value of their shares. As the total sum drawn in dividends in 1915 was a million and a quarter, an average of 20 years' purchase would amount to about 25 millions, which would be more than the holdings would fetch in the market. (Most of the shares of Life Assurance Companies can be bought, when they come on the market, to pay from 6 to

10 per cent.) All the staffs of the societies and companies, other than those retained for carrying on all the other branches of Insurance (which are, as a matter of fact, those which the Insurance Offices find most profitable), including the Directors, Managers, Clerks, Superintendents, Agents, etc., from the highest to the lowest, could be guaranteed either situations in the State Insurance Department, not less advantageous than those they are now holding, or else full compensation for loss of income on the usual liberal scale. The staffs would, of course, continue at first to carry out their existing duties, under the directions of their immediate superiors, just as at present. Reorganisation would come only gradually; and it may well be that actual reductions in the staff would be made, principally, as vacancies occur.[1]

(*b*) *The Policyholders*

The Government would thus take over all the existing Life Assurance and annuity funds and revenues; and would, of course, at once become responsible for meeting all the obligations of the policies and annuities. This would be an immense gain to the policyholders, who would, without any new cost to themselves, obtain for ever the most perfect guarantee. They would continue to pay only their existing premiums, and would get, in return, a better security.

It would be possible to continue as a "closed fund" each of the Insurance Funds taken over from the several

[1] Besides the British companies and societies, there are 15 foreign or colonial offices doing Life Assurance business in this country. The amount of "new business" done by these offices in the United Kingdom during 1913 was small, amounting to only 3 million pounds "sums assured" (or less than 6 per cent of the whole new business). The total premium income during 1913, on business within the U.K., was only £1,744,384, which is less than 6 per cent of the whole of the premiums paid in the U.K. They do a larger proportion of the annuity business, of which they have nearly one-fourth.

If a State Insurance Department were established, these "foreign" offices might be given (as was done in Italy) a period of grace (*e.g.* 10 years), after which they might be forbidden to solicit or advertise for business in this country, or to maintain offices here; though it would be unnecessary actually to prohibit or make void any contract that might be made with them.

offices—not admitting any new participants, crediting the fund with whatever interest was earned on its own investments, and changing the circumstances only by substituting a fixed and uniform percentage charge for management, which would be appreciably lower than the expenses heretofore incurred by each office. As a set-off, however, for this saving, the policyholders interested in each fund would have to consent to be merged in a general fund at a date by which it can be foreseen that the survivors of some of the funds will have become too few for effective application of the principles of insurance. And it would not be otherwise than reasonable that, at a further date, the whole fund should be wound up, and the balance transferred to the State Insurance Department, the interests of the few ultimate survivors (subject to a reasonable maximum of bonus) being otherwise provided for.

The necessity of keeping distinct, for many years to come, all the separate Insurance Funds of all the existing Life Offices—required if the rights of the "with profits" policyholders are not to be varied—would be a serious clog on the future management of the State Insurance Department, and it ought to be avoided. An alternative plan, permitting an immediate merging of all the funds, would be to commute the right of all the "with profits" policyholders for a fixed scale of future bonuses so long as each policy continues. Policyholders are at present very uneasy in their minds as to what (under the stress of depreciation in the market value of the securities of the several offices, the heavy war claims and the enormous taxation in prospect) is going to happen to their bonuses. They would usually welcome a definite Government guarantee of fixed bonuses for the future.

Another and perhaps preferable form of this alternative would be to convert all the policies issued on the "with profits" system—and thus entitled to a periodical "bonus" dependent on the profits of their several offices—into policies on the "without profits" system. This would be a matter

for expert actuarial valuation in each case such as is not infrequently performed, the exact equivalent being given to each policyholder by an increase, once for all, in the amount of his policy, without alteration of premium. The Government would then be liable for this increased amount, in lieu of all future bonuses.[1]

(*c*) *New Policies*

Whatever is done about existing policies (which must, in one or other way, be absolutely maintained and guaranteed), all future policies should be issued by the State Insurance Department on its own revised conditions and scales of premium. What is suggested is not necessarily any reduction of premium below the lowest now prevailing, but an assimilation and simplification of rates and conditions. We may contemplate that, before the "appointed day" for the transfer of the business, there would have been issued a statement of these conditions and premiums, identical for all parts of the United Kingdom, in all the kinds of policies proved by experience to be desired by insurers; except that the new State policies would all be "without profits." The bewildering diversity of conditions and premiums now prevailing among the competing offices would disappear. The great gain of uniform conditions, including all the improvements and advantages now offered by the most progressive offices, would be secured. A new scale of premiums, based on the lowest rates now existing—taking advantage of the latest improved mortality statistics, and the present prospects as to the future rate of interest,—would be worked out. At

[1] About a score of the British offices (chiefly the Gresham, Standard, Norwich Union, London and Lancashire, Star, Commercial Union, Royal and North British) do new business abroad (apart from trifling exceptional cases), exclusively in the Ordinary Branch, to the extent of about 8 million pounds "sums assured" each year, the total premium income on such Foreign and Colonial business being less than 3½ millions, which is under 11 per cent of the total premium incomes.

It is suggested that the State Insurance Department should take over this existing business along with the rest, but that new business should no longer be sought abroad.

the same time, all the varieties of policy which now commend themselves to different sections of the community could be continued. With all these advantageous proposals, backed by the power of the existing agency staffs of the Industrial Branch (who would be freed from both collecting and canvassing for Industrial policies, reorganised so as to avoid the present overlapping, and concentrated exclusively on the Ordinary Branch), with the enormous relief that would be afforded to nearly all working-class households in being freed (as hereinafter explained) from their present burden of over three hundred thousand pounds a week (18 millions a year) for Industrial premiums—with the additional attraction of unquestionable Government security, and the incalculable advertisement that Nationalisation would give, and which all the resources of the Post Office, the schools and colleges and other public departments could be used to promote—we may fairly expect a tremendous rush of new business—not merely a continuance of the present rate of recruiting in the Ordinary Branch, but a great and progressive annual increase.

VII. The Abolition of the Industrial Branch

It will be seen that it is suggested that the whole system of Industrial Insurance, with its house-to-house collection of weekly premiums for policies not exceeding £20, should be abandoned and definitely abolished. We need not dilate upon its manifold drawbacks.[1] It is sufficient to say that no State Insurance Department could possibly justify or continue a system in which eight million pounds is spent annually in obtaining and managing a premium revenue of eighteen million pounds, and in which seven out of every eight policies lapse without becoming claims; especially when it can be shown that a cheaper, better and more popular method of provision for the expenses of funerals

[1] See the Report on Industrial Insurance, by the Fabian Research Department, 1915 (25 Tothill Street, Westminster, price 1s.).

is open to the State. To close up the existing system, the whole thirty-eight millions of Industrial policies should be individually exchanged (as is now done in hundreds of thousands of cases annually by some of the larger Industrial Offices) for fully paid-up policies, necessarily of vastly smaller nominal amount, but of exactly equivalent actuarial value. The sums thus assured without the necessity of continuing any premiums would be, in most cases, quite trivial; and some more adequate provision for Burial Expenses must simultaneously be made. We propose that this should be done in the most economical way; namely, by the addition of Funeral Benefit to the Benefits now given under the National Insurance Act, to be administered by the same machinery. This was intended by Mr. Lloyd George, and was originally included in his scheme; but he was driven to abandon any form of Benefit payable at death by the determined opposition of the Industrial Insurance Offices, which did not want their business competed with. If they are now bought out, their objection disappears. At the same time (analogous to the universal provision in most counties for the sufferers from tuberculosis by Sanatorium Benefit), the Local Insurance Committees should be required, on the application of parent, husband, wife, child or householder actually arranging for burial, to pay the same Funeral Benefit in respect of the death of any person within the area who had not come within the compulsory range of the National Insurance Act. The total cost of such a universal Funeral Benefit—say at rates varying from £2 for an infant to £20 for an adult—for the whole 650,000 deaths in the United Kingdom, would be about six millions annually, whilst the cost of administration, as a mere additional benefit worked by machinery already in existence, would be very small—certainly not as much as 5 per cent on the cash paid out, or only £300,000 per annum.

At the same time, the State Insurance Department, reorganising for this purpose the whole force of the existing 70,000 agents of the Industrial Insurance Offices (who

already obtain more than half in number of the new policies annually issued in the Ordinary Branch by all the British Offices put together), would push its new policies for £100, £50 and possibly even smaller amounts. The existing Post Office Insurance Department, which, owing to its inability to employ canvassing agents, has never had a chance of success, would be simply merged in the new State Insurance Department. But we may contemplate that this new Department would have, for its social function, the organisation of a widespread popular "Thrift Campaign" in all parts of the Kingdom, in alliance with the Co-operative and Friendly Societies and the Trade Unions; and would have at its disposal, in addition to its own machinery and that of the tens of thousands of Societies, Lodges, Tents and Branches of those organisations, also all the assistance that the ubiquitous Post Office could afford, such as the receipt of premiums by postage stamps, by automatic transfer from Savings Bank accounts, by a Post Office Debt Collecting service (like the French *service de récouvrements*) by sums being paid in without charge at any Money Order Office to the credit of the State Insurance Department (as now for taxes)—and all the gratuitous advertisement that the hundreds of Labour Exchanges and Mercantile Marine Offices, the 25,000 Post Offices and the hundred thousand State-aided schools and colleges could afford. The one thing that the State Insurance Department could not do would be to incur the huge and wasteful expense involved in a weekly domiciliary collection. It may be said that experience indicates that only by this weekly domiciliary collection can the great mass of wage-earning families be got to insure. Whether or not this is true the future will show. But the immediate answer is that such of them as will insure only in this way will insure only to the extent of Funeral Benefit, and that only in a form which is often illusory and always extravagantly costly, whilst a more economical and complete method of providing Funeral Benefit can be found for them.

VIII. What the State Insurance Department would start with

Assuming that Nationalisation took the form of either commuting future bonuses for fixed sums, or else converting all existing obligations into "without profits" policies, the State Insurance Department would take over an annual revenue from premiums on existing policies in the Ordinary Branch of $32\frac{1}{3}$ millions, and receipts for Annuities of nearly 2 millions. The net interest derived from the accumulated funds of all the companies and societies in 1915 amounted to $17\frac{1}{2}$ millions, and the Income Tax that was then deducted from it to over a couple of millions. Including miscellaneous receipts the total revenue on the opening day would therefore approach 53 millions sterling. On the other side would stand the claims and surrenders payable annually on the existing policies in the Ordinary Branch, say $30\frac{1}{4}$ millions, together with $2\frac{3}{4}$ millions for Annuities, or 33 millions in all. There would be payable on the fully paid-up policies substituted for the existing policies in the Industrial Branch a sum which it is difficult to calculate without inside information, but one well within the amount of the funds taken over from the Industrial offices—beginning, presumably, at something very much less than 8 millions in the first year (being the amount now payable for a year's claims and surrenders) and rapidly diminishing in succeeding years, when the present number of Industrial policies and total sum assured are no longer maintained by the annual issue of something like 10 million new policies. At the same time the existing extensive indoor and outdoor staff of the Industrial offices would have to be guaranteed their present emoluments of about 5 millions, nearly the whole of which might be expected to be provided by the commission on the increased rush of new policies in the Ordinary Branch that this staff would bring in, when relieved of their Industrial business, and concentrated exclusively on this work, for which they

have already shown so much aptitude. Moreover, their services would be available for other public duties to be hereafter indicated. The interest and sinking fund on the cost of compensating the shareholders, and also such of the directors and other officers as might be dispensed with, may be put at between one and two millions a year. The expenses of management of the new State Insurance Department, including such commission as might continue to be paid on the existing policies—allowing for some immediate saving in advertising and premises, an economy which it ought to be possible to increase as vacancies occur in the staff—may perhaps be estimated at 4 millions. In this way, a total revenue of 53 millions, plus an uncertain sum for premiums on the new Ordinary policies, would more than meet total outgoings which could not exceed 50 millions in the first year, and would (except for the claims on the new business) be considerably less in future years.

With regard to the six or seven millions a year required to pay for the new Funeral Benefit to be added to the National Insurance Scheme, as the only way of freeing the nation of its present incubus of Industrial Insurance, further consideration is required. This, of course, is a new Benefit, of universal application, for which the policyholders cannot be made responsible. How far this charge (equal to an average of a little over 2d. per week on the insured population) could be met by an increase in the weekly stamp revenue now raised from employers and wage-earners—how far it could be otherwise provided for in the now imperative overhauling of the National Health Insurance Scheme, which may result in disburdening that scheme of its present inadequate provision for Maternity, Tuberculosis and Venereal Disease—how far, on the other hand, it might be made, in part, a charge on the profits of the State Insurance Department we cannot now determine.

IX. The Position of the Insurance Agent

What the State Insurance Department may probably do is to discontinue the present extravagant commission arrangements with solicitors, accountants, bank managers and other persons—who are now paid, in substance, merely for leading willing insurers to choose one office rather than another,—but to retain and organise into a single non-competing staff all the existing full-time insurance agents, possibly 75,000 in number, with their existing Superintendents, Assistants, Inspectors and Managers. The present costly system by which a dozen rival insurance agents, each concerned only to get proposals for his own company or society, may meet in a single street, and may wear themselves out by overlapping journeys in the same area, will presumably be brought as quickly as possible to an end. The immediate abandonment of the whole Industrial business, and the substitution, for all the existing policies, of a fully paid-up policy for a small sum, together with an absolute right to Funeral Benefit in connection with the National Insurance Act, will afford ground for a visit of explanation to all the families on the books of each agent. This profitable and quite exceptional opportunity for canvassing for the new State policies among his own clientèle should clearly be left to each agent. But after that has been done, we may assume that there will be a systematic rearrangement and reorganisation of the entire staff, so that each provincial Manager has his own provincial or county area, each Superintendent his own district, and each Agent his own "block" of families, whom he only will visit for insurance purposes. Assuming that all the 70,000 full-time agents are thus taken over, and redistributed on the "Block System," which the Prudential and other companies are finding so successful, each would be solely and exclusively responsible for between 150 and 200 families, nine-tenths of whom would not yet be holding any policy in the Ordinary

Branch. The great majority of these would have been paying their weekly pence for Industrial policies, and with the cessation of that payment, and the concession of additional facilities for the premiums, there can be little doubt that the agents would immediately place a large number of the new State policies. It is, we think, not generally realised that already more than half of all the new Ordinary Branch policies at present issued in the United Kingdom—largely, of course, for sums of £50, £100 and £200—are placed by these so-called Industrial Agents. It should, we suggest, be stipulated that some guarantee must be afforded to the agents during the first or transitional year, that their present incomes should not be allowed to suffer, and also that compensation should be provided for each of them in respect of the cost involved in his removal to the new block assigned to him. How extensive should be each "block" after the first few years; how many of the existing agents will be dispensed with as vacancies occur; on the other hand, what other duties are likely to be found for such a valuable public officer in daily connection with a definite group of households, and what prospective advancement in the public service he may obtain are questions that we must leave to future experience to decide. It may be that a responsible public officer in constant touch with every 200 families would be a valuable adjunct to the Registrar-General in the registration of births and deaths (the existing imperfect organisation being merged).[1] It may be that such an officer would be useful to the Board of Education and the Local Education Authorities, in the more systematic registration of the non-adult population, throughout the years, not only of compulsory school attendance, but also of continuation school, apprenticeship and physical training, to which the nation must now inevitably give increased attention. It may be that such a geographically dispersed staff

[1] It is extraordinary that this country should be without an "État Civil" of its population—probably the only European State outside the Balkans without such a department.

of public officers is just what is needed in the impending reconstruction of the machinery of the National Insurance Act (in the administration of which, for Approved Societies, about half of the Industrial Agents are already employed). We may even see each "block" of families provided with the assistance and assigned to the care of a competent public officer, as regards the various branches of Social Insurance now being unsystematically supplied, including not merely the provision for sickness and death, but also that for industrial accidents and diseases under the Workmen's Compensation Act, and that for Old Age under the Old Age Pensions Act.

X. Life Assurance will always be required

The believer in a Utopian Socialism will ask whether Life Assurance is not merely a temporary incident of a competitive society, rooted in inequality of wealth, destined to pass away. This is a mistake. It can be shown from the Socialist standpoint that Life Assurance will continue for all time to be required to satisfy human desires and social needs, even in the fully developed Socialist State. Mainly through national or supernational, provincial or municipal government, but partly also through the democratically organised voluntary associations of consumers such a State would doubtless ensure for all its citizens whatever provision was commonly required at each of the contingencies of life. There would be, so far, no need for any payment of insurance premiums for the customary expenses of birth or sickness, accident or death, if we assume the cost to be borne by the general funds of the State, provided either from the profits of its own productive departments or by general taxation. We may equally assume that appropriate provision would be secured in the same way for all widows and orphans, and for old age. Yet so long as we are in the realm of Socialism as dis-

tinguished from Communism, with the very valuable freedom of personal expenditure that this implies, it must always be permissible for individuals to forgo immediate consumption of part of their incomes in order to be able to utilise this part in the future. The personal accumulation of a reasonable amount, not only in what may be called the Paraphernalia of the Home but also in a reserve for contingencies that may be termed the Hoard, is not excluded by the Socialist forecast. Such future use may be either for the savers themselves or for others in whom they are interested; and whilst inheritance will doubtless be very narrowly restricted in amount, it is difficult to imagine that (subject to Death Duties rising steeply so as to intercept any bequest beyond the specified maximum) either the Hoard or the Paraphernalia of the Home will not be devisable by will. Thus, whether for personal saving or for transmission to surviving relations, Life Assurance (including Endowments and Annuities) will remain a convenient method, and a useful social function. We may assume, however, that it will be entered into only for purposes for which full public provision is not otherwise made, or for some desired addition or alternative to such provision. That it will in each individual case be limited in amount—there will certainly be no policies for a quarter of a million or so, as when to-day a Rothschild dies—may safely be anticipated; but, on the other hand, it will, with other opportunities for the private investor closed, in a population substantially equalised in education, wealth and culture, be practically universal. If every head of a family in the United Kingdom to-day left, at death (apart from the Paraphernalia of the Home), a Hoard, on an average, of no more than £200, this would permit of the total sum insured being 2000 million pounds, or *more than twice the present total in the Ordinary Branch.* But even a Hoard of £1000 may be not unreasonable, still less a socially injurious accumulation for the average head of a family; and such a sum would, even in our present population, imply a total

insured of no less than 10,000 millions sterling. There will accordingly be, as it can be inferred, certainly no less scope for Life Assurance in a Socialist State than there is at present; but the aggregate volume of business, which is likely to be greatly increased, will be made up, not as at present, of a relatively small number of policies of large amount, but of practically universal policies of substantially equal amounts. As a mere matter of social economy, it is clear that the future of Insurance in the State of to-morrow will inevitably be that of a unified, State-guaranteed and publicly controlled department, free from the toll of the private shareholder.

XI. Why continue the Fund?

The question will be asked by some, why is it necessary to maintain the Insurance Fund at so high a figure, and to continue to pay interest upon it, when no payment from the Fund is ever required, and, on the contrary, year after year sees millions added for investment.

To answer this question, it is necessary to explain to those outside the Insurance world the nature of the Insurance Fund. In order to be able to fix a level annual premium throughout life, the new insurer (at any age above thirteen) is charged more than is required to meet the claims accruing annually from deaths of persons at that age. The surplus is accumulated at interest, in order to enable the claims to be met in the later years, when the annual premiums, though unnecessarily high at the entering age, become insufficient to provide for the rapidly increasing proportion of deaths as the age rises. Thus, the Insurance Fund is really only the accumulation of the unnecessarily high premiums charged during the early years of insurance, in order to avoid the prohibitive premiums that would otherwise be required in the later years. In the case of each policyholder, *on an average*, all that has been saved up for him will be required, with the compound interest calculated

on, to enable the amount of his policy to be paid when it matures.

The opposite plan—of charging for each year exactly the premium which that year's deaths require—is termed the "natural premium basis," and involves what the Insurance world denounces as the "vice of assessmentism." It has been repeatedly tried, and has (wherever insurance is voluntary) always broken down. *The policyholders always refuse to go on when they find the premiums rising*; the healthy let their policies lapse; and "young lives" begin to shun the office that is depending on their premiums to postpone its inevitable insolvency.

Hence the present proposal of the Nationalisation of Life Assurance—leaving, as it does, Life Assurance entirely optional, allowing the voluntary lapsing of policies, and dependent on the individual decision of each policyholder to insure and to continue in insurance—in no way dispenses with an actuarially complete Insurance Fund.

It may be said, indeed, that some offices have got from their Insurance Funds incidental advantages that a State Insurance Department would not require. An Insurance Company wants to convince us of its solvency. To the man or woman who parts with a lump sum in return for the promise of an annuity, it is vital that the Insurance Office should certainly continue to be able to pay its debts. To the person taking out a Life Assurance or Endowment policy, it is essential that when the policy becomes a claim, the Insurance Office should still be in existence, and able to meet its obligations. Many disastrous failures of Insurance Companies and Societies in past years—some revelations of reckless dealings with insurance funds even in our own time—have left a feeling of painful suspicion. It is partly in order to overcome that suspicion and to give the necessary security that every Insurance Company or Society makes parade of its imposing accumulation of funds, which (although the figures afford no real indication of its financial position) it advertises as affording a substantial reason for the trust

that it invites us to place in its solvency. The funds thus accumulated are not wasted, because the interest earned on such investments swells the annual revenue. Yet it may be, that in order to keep up with competing offices, the fund becomes a fetich, and is, by ultra-cautious valuations and hidden resources, piled higher and higher in this endeavour to impress the public. To the extent to which unnecessary accumulations are made with the object of producing an impression of solvency, the withdrawal of sums that would otherwise have remained with the policyholders is equivalent to an unnecessary expense, due solely to the private nature of the enterprise and incurred only because we cannot trust a joint-stock company or society of private individuals not to go bankrupt. The Government can give the most perfect security without making the same parade of accumulations. British Government annuities, whether Consols or Post Office, have no collateral investments behind them; they stand exclusively on the faith in the issuing department: yet their security is esteemed more highly than those granted by the wealthiest joint-stock Insurance Company.

There is a second reason why a multitude of competing Life Assurance Companies and Societies have to accumulate rather larger reserves than a single Government Insurance Department would find necessary. In any given country, with a population becoming steadily more provident, and with a death-rate continually falling owing to improved hygiene, the total receipts from premiums year by year constantly exceed the total payments in expenses and claims. A Government Insurance Department can take advantage of this fact, and—whilst it would, as a matter of book-keeping, keep a separate Insurance Fund, with its own easily realisable investments to meet any sudden excess of claims—it would find it unnecessary either to provide so much working capital, in proportion to its liabilities, or such an extensive reserve to meet an exceptional rush of claims. It is far less likely to have to realise any of its investments than any one company. The hundred and thirty competing companies

and societies in the United Kingdom, are perpetually striving to deprive each other of business. In fact, no one of them can have any assurance that it will continue to get new business at all. And seeing that a large proportion of policies are taken out on level premiums, at relatively healthy ages, and that, after age thirteen, the chances of death increase year by year, every private Insurance Office (dealing, as it does, only with a small and uncertain fraction of the community) finds it necessary to keep its investments in such a form that it can realise a proportion of them at any time, to provide for the contingency of its having to meet, actually out of the Insurance Fund accumulated for that purpose, the claims of its steadily ageing policyholders, at a time when there has been a cessation of new business, and therefore a lack of new accumulations to be added to the Fund.

XII. Summary of Proposals

The objects with which the Nationalisation of Life Insurance is here proposed are diverse and of varying weight and urgency.

At present the business is carried on, alike in the Ordinary and in the Industrial Branch, at a heavy cost for commission and management, which is unnecessarily increased as a result of the rivalry of a hundred and thirty competing offices. The Industrial Branch has evils of its own, which call for the abandonment of this form of business, and the substitution, on the one hand, of a universal Funeral Benefit, and, on the other, of a general effort to get taken up policies securing a real provision for the survivors. This can only be effected by the State taking over the whole business.

The position of all the Insurance Offices is somewhat critical, not in view of the war claims and the depreciation of securities, both of which can be met, even if with some sacrifice of bonus and some impairment of shareholders' dividends; but in view of the probable need for a much

higher rate of Income Tax, which might presently sweep away half their income from investments. The Chancellor of the Exchequer to-day finds himself impeded in dealing with the Income Tax, as an indispensable source of revenue, by consideration of possible disastrous results of the solvency of the Insurance Offices.

The taking over of all the Life Assurance business of all the British Offices, with complete guarantee to all policy-holders and full compensation to the shareholders, would involve no payment of cash, or Government loan. The new State Insurance Department would start, even after dropping the whole Industrial Branch, with a revenue of 53 millions a year, with which to meet outgoings which would certainly fall short of that sum; and would take over 550 millions of cash and securities, which is increasing at the rate of at least a million a month.

The State Insurance Department would convert all existing "with profit" policies into actuarially equivalent "without profit" policies, but would otherwise continue them unchanged. New policies would be issued on simplified terms, equal to the best of the offers of the superseded Companies.

The Industrial Branch would, in view of its unsatisfactory nature, be simply abandoned and the business prohibited for the future, all existing Industrial policies being converted into their exact actuarial equivalents in fully paid up, non-participating policies. The much smaller sums assured by such policies, on which no future premiums would be payable, would serve only as trifling supplements to a universal Funeral Benefit of from £2 to £20, according to age, which would be added to the Benefits payable under the National Insurance Act.

The entire staff of full-time Agents (including Managers, Superintendents, Assistants, Inspectors, etc.) would be reorganised as a unified, non-competing hierarchy, each agent being exclusively responsible for a group of between 150 and 200 families, and concerned, at the outset, merely with

canvassing for the new "Ordinary" policies of the State Insurance Department, the payment of the premiums being facilitated by extensive developments of the machinery of the Post Office and otherwise.

Every existing Insurance official, from Director or Manager down to the youngest clerk or agent, would be guaranteed either a situation on the staff of the new State Insurance Department, which would aim at taking over the whole of the present staffs, and finding them places not less advantageous than those now enjoyed; or else liberal compensation for loss of office or impairment of income. The extensive staff of the new Department would probably be used for other public services, and might possibly become the nucleus of a reorganised and consolidated system of Social Insurance generally.

The Government, in taking over the assets and liabilities of the Insurance Offices, would find itself in possession of over 550 million pounds worth of investments, about half of which could gradually be realised on the Stock Exchanges of the world. It might also expect to receive annually for investment a steadily rising sum, representing the yearly increase of the Insurance Fund. For these sums it would give its own securities, thus gradually withdrawing from individual holders the Great War Loan, the periodical redemption of which by annual or other instalments will, it is assumed, be provided for. Thus, within a few decades, practically the whole of the greatly swollen Insurance Fund would be invested in British Government securities. It may be assumed that, besides paying interest, the Government will set aside from general taxation a Sinking Fund for the eventual redemption of the National Debt.

What the existing policyholders would gain—and that without cost to themselves—would be the raising of their policies to the most perfect and best possible security, the unconditional guarantee of the British Government.

What the Chancellor of the Exchequer would gain would be the gradual absorption by the ever-growing

Insurance Fund of more and more of the Great War Loan, the whole unredeemed portion of which would probably, within the next few decades, be completely immobilised in the hands of the State Insurance Department, and be thus taken off the market, setting the individual investor wholly free to put his capital back into industrial development or to subscribe to a new loan should a national emergency require it.

CHAPTER V

A REVOLUTION IN THE INCOME TAX

CONTENTS

A REVOLUTION

IN

THE INCOME TAX

I. Introduction

"The Income Tax," observed the Chancellor of the Exchequer in 1909, "intended originally as a temporary expedient, is now in reality the centre and sheet-anchor of the National Budget."[1] As his predecessor had said in 1907, "It must now be regarded as an integral and permanent part of our financial system."[2]

To an ever greater reliance on the Income Tax all

[1] Hansard, 1909, vol. 4, p. 506.

[2] *Ibid.* 1907, vol. 172, p. 1198.

The facts as to the Income Tax (including Supertax) are best found in the Annual Reports of the Commissioners of Inland Revenue (a full history of the past in the 28th Report, 1885); the latest report is Cd. 846 of 1915. These should henceforth never be used or cited without recourse to the valuable work, *British Incomes and Property*, by J. C. Stamp, 1916, in which all the pitfalls for the unwary are described. See also the Reports and Evidence of the Departmental Committee on Income Tax, 1905 (Cd. 2575); of the Select Committee on Income Tax, 1906 (H.C. 183 of 1906); of the Foreign Office on Local Taxation of Personalty abroad, 1904 (Cd. 2004), and on Graduated Income Taxes, 1905 (F.O. Misc. No. 2), and 1913 (Cd. 7100); and of the Colonial Office on Graduated Income Taxes, 1905 (H.C. 196), with which should be read the article by S. E. Minnis on "The Income Taxes of the Self-Government Dominions" (in *Journal of Comparative Legislation*, January 1916). An elaborate history of taxes on income in all countries, with extensive national bibliographies, is given in *The Income Tax*, by Edwin R. A. Seligman, Macmillan, 1911. See also the same author's *Essays in Taxation*, 1895; and *Progressive Taxation*, 2nd edition, 1908; and for the budget changes since 1862 the trilogy, *Twenty Years of Financial Policy*, by Sir S. Northcote (Lord Iddesleigh), 1862; *Finance and Politics*, by Sydney Buxton (Viscount Buxton), 1887; and *British Budgets, 1887 to 1912*, by Bernard Mallet, 1913. *The Nature and First Principle of Taxation*, by Robert Jones, 1914, gives other information. For the case-law and practice on points of doubt see *Guide to Income Tax Practice*, by A. Murray and R. Carter (6th edition, 1911).

political parties have, in fact, by financial necessity, been driven. However superficially attractive may be other taxes, however much they may for other than fiscal reasons be desired, successive Chancellors of the Exchequer have been compelled, sorely against their inclination, to depend more and more on direct taxation, and in particular upon the direct taxation of income,[1] whenever they needed any really substantial increase of revenue. They have been forced to put their faith in the Income Tax as Napoleon did in his Finance Minister "le bon Mollien," on the ground that where others produced projects and excuses he yielded solid cash. In the financial stress that will continue long after the conclusion of Peace, when the annual revenue of the State will have to be more than twice what it was before the war, it is as clear as the sun at noon that—make what excursions we may into "fancy" taxes—nothing will serve, in the main, to rake in a sufficient sum except a stupendous Income Tax (including Supertax).

II. The Yield of the Income Tax

So vast is the income of the United Kingdom, and so highly perfected has become the machinery of assessment that the Income Tax already yields, to use the words of the Departmental Committee of 1905, with "a minimum of friction and a maximum of result"[2]—at a trifling percentage of cost and with no more hardship or complaint than any other impost—a prodigious annual revenue. The following are the statistics for the past decade:—

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[1] Even the Death Duties, of late years so productive, have, through the widespread habit of Life Assurance covering the sum payable, to a large extent become, in effect, an additional annual tax on the incomes derived from property—thus, in substance, removing the objection that used to be made against the unfairness of charging such temporary incomes as those from annuities, leaseholds, mines and other "wasting" property at the same rate to Income Tax as incomes from permanent investments.

[2] Cd. 2575 of 1905.

STATISTICS OF INCOME TAX (INCLUDING SUPERTAX) FROM 1904–5 TO 1914–15, WITH ESTIMATES FOR 1915–16 AND 1916–17

Year.	Nominal rate per £.		Net Produce of the Year's Income Tax.	Net Receipts from Supertax in the Year.	Total Net Produce of Income Tax and Supertax.
	s.	d.	£	£	£
1904–5	1	0	30,966,404	...	30,966,404
1905–6	1	0	31,601,237	...	31,601,237
1906–7	1	0	32,002,412	...	32,002,412
1907–8	1	0	32,380,000	...	32,380,000
1908–9	1	0	33,408,754	...	33,408,754
1909–10	1	2	37,679,902	...	37,679,902
1910–11	1	2	38,344,767	2,891,345	41,236,112
1911–12	1	2	39,631,630	3,018,388	42,650,018
1912–13	1	2	41,574,277	3,599,706	45,173,983
1913–14	1	2	43,523,345	3,399,008	46,862,353
1914–15	1	8	59,423,831 *	10,121,023	69,544,854
1915–16	3	0	...	...	128,320,000 †
1916–17	5	0	...	...	195,000,000 †

* Net receipt in the year: produce of assessment of the year not yet published.
† Budget Estimates (approximate).

In addition, we ought to include as Income Tax the additional Mineral Rights Duty, yielding a third of a million annually, and also the strictly temporary Excess Profits Tax which scarcely began in 1915-16, but is estimated to yield (together with the sums handed over by Controlled Establishments) no less than 86 millions in 1916–17, making a total of no less than 281 millions sterling. No single tax in any country at any time has ever produced anything like so great an amount. Yet we have only just begun to use it for getting really large sums.

III. OBJECTIONS TO THE TAX

Looking back over the voluminous literature of denunciation of the Income Tax[1] since its first imposition by Pitt in 1798, when it lasted only until 1816, or since its revival by Sir Robert Peel in 1842,—though we object nearly as vehemently as ever to taxation as such—it is

[1] Professor Seligman's volume, *The Income Tax*, affords a graphic summary.

remarkable to what an extent the special objections to this particular impost above all others have dwindled away. We see that it has not, as was once feared, led to any meticulous control over our lives by a tyrannous bureaucracy. Though we still strive to conceal the amount of our incomes from our neighbours as a primitive savage hides his real name, we are no longer impressed by the childish objections to revelation to a discreet official. We realise now that a tax on income is no more (and also no less) "confiscation" than any other form of taxation of equal severity. We still dislike actually paying money to the tax-collector, even if we realise that indirect taxation involves a larger though a less noticeable contribution; but this dislike of visibly parting with money applies no more, pound for pound, to the Income Tax than to the Inhabited House Duty or the Land Tax, or the Taxes on Male Servants, Carriages, Armorial Bearings or Dogs. On the other hand, we realise —it is noticeable how much this reflection does to reconcile us—that, only by means of the Income Tax (including as it now does the Supertax) can our richer neighbour, who is manifestly a much more fit subject for taxation than ourselves, be made annually to contribute to the Exchequer anything like proportionately to his undeserved wealth!

(*a*) *Its Inequality*

A more serious objection used to be the flagrant inequality of an ostensibly equal demand—the unfairness of exacting an equal poundage rate, from large incomes and from small, from fathers of families and from the childless, from those with precarious incomes dependent on continuous work and from others enjoying incomes of permanence and security independent of life, health or employment. No economic sophistry can make the sacrifice of £1000, out of a bachelor's income of £20,000 a year derived from urban ground rents, seem at all commensurate with that of £10 out of the £200 salary of the consumptive clerk who is the father of a young

family. This objection still retains some of its force. But its validity has been greatly diminished by (*a*) the development of the system of Abatements up to £700; (*b*) the allowance as a deduction of Life Assurance premiums up to one-sixth of the income; (*c*) the allowances for children of £25 a year each; (*d*) the concession of a lower rate, up to £2500 a year, for "earned" than for "unearned" incomes ("differentiation"); (*e*) the recently introduced concession of lower rates on unearned incomes under £2000; and, above all, (*f*) the graduation effected by the addition of the Supertax for all incomes over £3000 at rates now rising, but only very slowly, and only up to £10,000, according to the total amount of the income.

(*b*) *Is it a Premium on Dishonesty?*

Most objectionable of all, to John Stuart Mill and other moralists, was the feature that made the Income Tax, as they feared, a "premium on dishonesty." When the assessment was dependent, in the main, on the contributor's own statement of what his income was—a statement which the great mass of little agriculturalists, jobbing craftsmen and small shopkeepers are still usually incapable of correctly computing—the procedure put a strain upon veracity and honesty, under which ordinary human nature gave way. This is the rock on which most of the systems of direct taxation—notably the property taxes of the United States—have come lamentably to grief, so as to be now, among economists, a byeword and a reproach. It is not to be denied that the British Income Tax is still, to some extent, open to this criticism. But most of those who make it the basis of their objection are apparently unaware of the extent to which the ground has, by a steady perfecting of the machinery of assessment, already been cut away beneath them. By the adoption, as the basic principle, of "stoppage at the source," practically all opportunity for dishonesty is removed from the ordinary contributor, so far as concerns

the vast mass of "unearned income," such as rents, mortgage and debenture interest, dividends and annuities of all kinds, together with salaries and pensions payable by the Government or other public authorities. The rapid transformation during the past generation of private businesses into joint-stock companies, of which there are now no fewer than 50,466 assessed, where the profits are distributed as dividends, has greatly extended the area over which stoppage at the source prevails, independently of any statement or return by the contributor himself. In fact, it is computed that not less than three-fourths of all the British Income Tax is thus automatically deducted before ever reaching the taxpayer. At the same time, this growth of joint-stock companies, the contemporaneous increase in size and complexity of most businesses, and the elaboration of partnerships, have led, to an ever-increasing extent, to a greater publicity, to the preparation of the accounts by independent Public Accountants, and frequently to independent audit. All this has not only tended to relieve individual contributors from the invidious task of themselves declaring the amount on which they are to be taxed, but has also made more difficult any "misunderstanding" or deliberate deceit.[1] In the case of the agriculturalist, the device of accepting a proportion of the rental value of his farm as the measure of his profits saves him alike from book-keeping and from temptation; and now that the whole rental value is so taken instead of only one-third, it is supposed that, on an average of years, rough justice is done. The temptation to make a dishonest return applies, in fact, almost wholly to a relatively small part of Schedule D, which is itself only one out of the five

[1] Under Schedules D and E, where there was most scope for dishonest returns, no less than 350 million pounds out of a total of 816 millions income assessed in 1913–14 was that of Public Companies, whilst twenty-eight millions was that of Local Authorities, and 177 millions that of employees, whose salaries are either taxed by deduction or else have to be independently reported by their employers. Over fifty millions was deducted on payment of coupons. Only 120 millions is left to be returned by individual traders, great and small, and ninety-two millions by private firms; and of these totals at least a third is returned by concerns of magnitude, whose accounts are elaborately kept and independently audited.

schedules under which the tax is collected. The small shopkeepers and other independent profit-makers are now very closely scrutinised by the Surveyor of Taxes, who has his own auxiliary sources of information, and who is able to form a fairly accurate presumption as to the usual income of each family from its Standard of Life as regards house accommodation, etc. What has been of the greatest assistance is that practically all persons with incomes under £700 a year (that is to say, more than three-fourths of all the Income Tax payers)—together with the greater number of those between £700 and £2500 a year—nowadays voluntarily come to the Surveyor of Taxes, prepared to be cross-examined as to their means, owing to their desire to be allowed either an Abatement, or the Allowance for Children, or that for Life Assurance, or the concession of the lower rate on some part, whether "earned" or "unearned," of their total receipts. At the other end of the scale the forty or fifty thousand persons whose incomes are suspected to exceed £2500 a year, find, owing to the diligent scrutiny of the Special Commissioners at the centre (who are independently informed by the Death Duty returns, by the rental value of residences, and by the publicity of nearly all large salaries), exact statements insisted on of all their sources of income, in order that the 30,000 of them who are discovered to be enjoying £3000 a year and upwards may be precisely assessed to the minutely graduated Supertax. The result is that the British Income Tax now combines, with extraordinary success, the two apparently opposite principles of "stoppage at the source," by which three-fourths of the whole yield is automatically obtained; and the scrutiny and separate official assessment of each individual income, to which more than nineteen twentieths of the taxpayers, including all the smaller ones, and on the other hand, all the larger ones, and among them those most liable to make a defective return, now have to subject themselves. This individual scrutiny and separate official assessment of each person's liability, ought now to be made absolutely universal. We ought all

to pay an annual visit to the Surveyor of Taxes, as a matter of course, for exact adjustment of our Income Tax, as some people do to their doctor or dentist!

There is still evasion of the British Income Tax, but it can be shown to be confined to a very small class, to be mostly less than is popularly supposed; and to be, in all probability, not proportionately more than in the case of any other tax.[1] These evasions ought to be prevented, as so many others have been, and we shall make suggestions to this end. But to object nowadays to the Income Tax because it is sometimes evaded is like objecting to railway travelling because of the jolts.

(*c*) *Where the Income Tax is still Defective*

Now that we have to rely on the Income Tax as a permanent part of our financial system, and must contemplate its not only remaining indefinitely at something like the present high rate, but also being actually increased, it becomes of much greater importance than ever to get rid of the last of its defects. A maladjustment which at threepence or sixpence in the pound was only an annoyance, becomes, at five or ten shillings in the pound, an intolerable hardship. The outstanding defects of the British Income Tax to-day, notwithstanding all the recent improvements, are (i.) its unfair inequality of incidence as between the single and the married, and between the childless and those who have their quiver full, together with the anomalies to which these inequalities, and the closely allied refusal, still only slightly mitigated, to recognise a wife as a person give rise; (ii.) the uneven and inadequate steepness of the graduation resulting from the haphazard combination of Abatements, Allowances, the concession of Lower Rates and the Super-

[1] It must be remembered that, in a large number of the cases in which people wholly or partially avoid payment in one way or other, they equally fail to get allowed to them one or other of the deductions, abatements, allowances, or concessions of lower rate to which they would have been entitled on full assessment, so that their gain, and the Government's loss, is far less than is supposed.

tax; (iii.) the failure to prevent both lawful avoidance and unlawful evasion by foreign investments and accumulation, bankers' deposit interest, discount on Treasury Bills, the use of Endowment Policies and the purchase of reversions as tax-free investments, the profitable redemptions of securities at a premium, profits disguised as sales of capital assets, "in and out" dealings in stocks so as to avoid drawing the taxed dividends, etc.—avoidances and evasions varied and interesting, but far less than is commonly supposed.

For these and other defects remedies will be subsequently suggested.

IV. "Half our Incomes"

Meanwhile we have to contemplate taxation that will sweep away, as the Secretary to the Treasury (Mr. Edwin Montagu) has significantly intimated, something like half our incomes. We cannot here go into the details, even speculatively, of the first or, possibly still more important, the second or third "Peace Budget." We cannot yet know either the expenditure to be met or what other sources of revenue can be found. But it is altogether too optimistic to suppose that the huge Government expenditure can be suddenly reduced down to a Peace level, even if the War were to stop during 1917. We can, in fact, already see that the nation will have to face (i.) a fixed annual charge for debt increased from little more than 20 millions in 1913–1914 to probably 200 millions by the end of 1917–18; (ii.) the necessity (in order not to be financially defenceless should we be again attacked) of beginning at once to pay off this debt at the rate of, possibly, 100 millions a year; (iii.) new charges for war pensions possibly amounting to 30 millions a year; (iv.) an increased annual expenditure on defensive armaments which can hardly fail to amount to at least 50 millions a year. Towards this we may perhaps count on 50 millions for interest on loans to our Allies. Even if the War is over sometime in 1917, the Chancellor

of the Exchequer for 1918–19 ought to raise, by one or other device (*in addition to the* 200 *millions obtained in* 1913–14), certainly 300 and possibly 350 millions sterling; and will be able to look for no diminution of the annual burden for many years to come. Peace, in fact, will call for a revenue of two and a half times the pre-war figure. Such a staggering amount cannot be obtained from any one source. The temporary aid of the Excess Profits Tax will be withdrawn. The long-standing controversy of Direct versus Indirect Taxation will seem even ludicrously obsolete. Both forms of taxation will need to be resorted to in a manner and to a degree never yet contemplated. We make no attempt here to discuss the manner or the amount of the Indirect Taxation to which we may be driven. When the Chancellor has taxed every commodity and service, every taste and habit, that he can profitably reach, to the extent that it can possibly bear without causing the resultant revenue actually to decline, he will still find yawning before him the gulf of a colossal deficit. Nothing can meet the need but the maintenance at a rate heretofore regarded as impossible of the direct tax on incomes.[1] Lord Courtney of Penwith has already warned the House of Lords that the wealthier among them may have to give up to the State 80 per cent of their incomes.

Let us tentatively proceed on the assumption—unfortunately only too likely to be well founded—that the Chancellor of the Exchequer, *after putting on all the specific taxes he can think of*, will still require from the Income Tax something like two hundred and fifty millions sterling. He may then very likely need, as we shall find, an Income Tax at twice the nominal rate fixed for 1916–17, or what we shall call ten shillings in the pound. We may assume that the Abatements and Allowances will remain unchanged, and

[1] It must be remembered that taxes on "land" or mining royalties (meaning on the ownership of land), or on "capital" (meaning all investments) or on "diamonds" (meaning on those possessing jewellery) are essentially only forms of assessing a tax on incomes—methods of bringing into assessment the incomes selected for taxation, and of graduating or differentiating the levy.

that the present concession of lower rates for earned incomes up to £2500 and for unearned incomes up to £2000 a year will be continued; also that these will be in corresponding proportion—thus, when the tax is nominally 10s. in the pound, that on earned incomes not exceeding £2500 will vary from 4s. 6d. to 8s. 8d. in the pound, and that on unearned incomes not exceeding £2000 from 6s. to 9s. in the pound. We will take the Supertax, regarded as a mere addition to the Income Tax payable on the higher incomes, at substantially its present rates but with an extension and regraduation subsequently to be described. The real incidence of the combined tax would then vary, from a little over 4½d. in the pound on an earned income of £131, up to just short of 16s. in the pound on an income of £100,000 a year—or nearly the 80 per cent asked for by Lord Courtney of Penwith! The amount payable by the man with an earned income of £131 would be (apart from allowances for children and life assurance) £2 : 9 : 6; that by him with £100,000 a year would be (apart from allowance for life assurance) £78,107—leaving the latter still with nearly £22,000 a year to live on. Such a tax, if we could assume it to be assessed in the same way as at present, on a total assessment remaining unchanged, with exactly the same exemptions, abatements and allowances, might at first sight be expected to yield nearly three times the amount derived from the three-and-sixpenny tax of 1915–16, or twice the five shillings tax of 1916–17, which would be much more than the two hundred and fifty millions that we assume to be required.

Such a prospect is, however, delusive. To begin with, no such unprecedented Income Tax could be imposed without remedying or mitigating the existing unfairnesses;[1] and

[1] The Chancellor of the Exchequer (Mr. M'Kenna) gave this inequitable basis as the one reason against a substantial raising of the Income Tax. On 1st March 1916 he said:

"Our income tax must be taken at an equitable rate from people who enjoy incomes of the same size. The law can hardly discriminate nicely between the different charges of different individuals. While one man can pay two, three,

this necessity will involve, as we shall see, a considerable reduction of what would otherwise be its total yield.

V. The Recognition of Family Responsibilities

The grossest unfairness in the Income Tax as at present assessed is the penalising of the married as against the single, and of the childless as against those who are parents.

(*a*) *The Penalising of Marriage*

We have first the anomalies resulting from the refusal of the Inland Revenue, notwithstanding nearly half a century of the Married Women's Property Acts, to recognise the wife, if living with her husband, as a separate person. For Income Tax purposes the rule has always been to assess the husband, and to deem him to be possessed of his wife's income as well as his own. And the Income Tax authorities can take account only of legally valid marriages. Thus, if a man and woman, each enjoying an income from investments of exactly £130 a year, decide to combine their housekeeping without going through the ceremony of marriage, they both remain exempt from Income Tax. The Surveyor of Taxes has no concern about their domestic arrangements, if only they do not commit matrimony. If they get married—in Scotland it suffices for them to give themselves out as married, without going through any ceremony, or even effecting any registration of what, to persons without legal impediment, duly domiciled in Scotland, constitutes a legal marriage—

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four, or five shillings in the pound with no great loss to himself, to another such a charge of income tax becomes almost more than he can bear."

It may be observed that it is very bad statesmanship to maintain unreformed a basis for the Income Tax so inequitable that it prevents, in a national emergency, proper use being made of this impost. Moreover, such a confession implies a callous indifference to the hardships now being inflicted by a five-shillings rate. A cynical comment would be that the wealthy are utilising the injustice inflicted on the middle class in order to stave off a higher rate! But the Chancellor of the Exchequer pledged himself, in April 1916, to a full enquiry into the whole Income Tax after the War.

they are, this year, immediately fined (with the Income Tax at 5s. in the pound) *no less than* £20 : 12 : 6 between them, or nearly 8 per cent of their joint means ; and this fine will be repeated year by year as long as they live together, that is to say, until they get divorced or judicially separated, or until one of them chooses to desert the other and dwell apart. With an Income Tax nominally at 10s. in the pound, the fine would be £41 : 5s. a year, or nearly one-sixth of their joint income. Legal matrimony would become prohibitive. A substantial premium would even be put on desertion.

The refusal of the Inland Revenue to recognise the wife's separate existence leads to other anomalies. If a little shopkeeper, making £130 net profit from his shop, has a woman manager whom he pays wages of £2 a week, he and she will both be exempt from Income Tax. It will be the same if they live together as man and wife. But if they go through the ceremony of marriage they will have to pay to the Inland Revenue (nominally at 5s. in the pound) £12 : 16 : 6 per annum for the privilege, this annual fine continuing all the rest of their lives. With a 10s. in the pound Income Tax, the fine would be £25 : 13s. per annum—a sum which many small shopkeepers would find too high for domestic legality. *If the man deserted the woman he had married and took another to live with him, he would save this amount annually.*

If a married couple set up a little business, the wife co-operating with the husband, and if their joint efforts manage to make as much as £250 a year profit, down comes the Inland Revenue upon them for £14 : 12 : 6 annually. If, however, the wife is engaged as assistant at £2 : 10s. a week by a neighbouring shopkeeper in like circumstances, and his wife similarly goes as assistant at £2 : 10s. a week to the former one, no money need pass, but neither couple will then be liable to Income Tax, and each couple will save £14 : 12 : 6 a year. With an Income Tax at 10s. in the pound such exchanges of wives by

small shopkeepers would become financially twice as advantageous.[1]

With the extension of professional employment among married women the anomalous position of the wife's income for Income Tax purposes has become steadily more glaring. If, as is not uncommon, two doctors marry, and carry on their practice in partnership, whilst earning £600 a year each, they suddenly find themselves liable for an increased Income Tax to the extent of £55 merely by reason of their committing the imprudence of marriage, which deprives them of both the Abatements to which they had been severally entitled, and makes them pay an extra sixpence in the pound. If the two doctors do not make between them more than £700 a year, they will, by going through the marriage ceremony, lose one of these two Abatements, and also have to pay threepence more on every pound of their joint incomes. It is hard to understand what the Bishops are about, and the leaders of all religious denominations, to permit such a deliberate penalising of lawful matrimony.[2]

(*b*) *The Penalising of Parentage*

Even more important is the penalising of parentage. It did not occur to Sir Robert Peel—it never entered Gladstone's head—to make any distinction between those who were

[1] In 1897 a very partial mitigation was afforded, upon a claim for exemption, relief, or abatement, by permitting the wife to claim separately in respect of her own earned income, and the husband to claim separately in respect of the rest of the total income—and even this only (i.) where the combined income is under £500, (ii.) where *both* husband and wife carry on business, unconnected with each other, and (iii.) where application is made before 6th May in each year.

[2] In the Income Taxes of other countries some concession to married couples (apart from concessions in respect of children) is now very general, either by way of Abatement in respect of the wife, or by a higher Exemption Limit for married couples than for single taxpayers, or by relegation to a lower class in graduation of the rate. Such concessions to the married find a place in the Income Tax systems of most of the Swiss Cantons and many German States, in that of Austria, and in what may be considered the most highly perfected model, the Wisconsin Income Tax Law of 1911. See Cd. 7100 of 1913.

childless and those who had ever so many children.[1] Both were assumed to be equitably liable to bear the Income Tax in exact proportion to their incomes. It seemed equally fair, if a curate or clerk had £200 a year, to make him pay, say, £2 to the State, whether he was unmarried, a childless husband, or the father of half-a-dozen boys and girls. Yet the sacrifice in these three cases is manifestly far from equal. Nor is the case essentially different when the income is as high as one or two thousands a year, as between the bachelor in London Society and the professional man struggling to send all his sons and daughters to good and unfortunately terribly expensive schools, until they can, at still greater cost, proceed to the Universities, or compete for army commissions. Whilst the British statesmen continued to ignore the question, the Abatement for Children, or some equivalent concession, was being introduced into nearly all the Income Taxes of Europe.[2] Not until 1909 (when the fall in the birth-rate had already been continuous for thirty-three years!) does it seem to have come home to the British Government that this penalising of parentage by taxation was not only unfair but also distinctly "dysgenic." In that year an allowance from the income was permitted, but only of £10 in respect of each living child under 16. Even this was limited to parents whose combined incomes from all sources did not exceed £500. In 1914–15 the allowance was increased to £20,

[1] All the arguments by which in 1853 Gladstone justified the Allowance for Life Assurance, up to a maximum of one-sixth of the income, apply equally to the insurance of the children's lives; yet the allowance was not made on their insurance. At that time, however, the insurance of the lives of children was not common. At present there are probably as many policies in existence on children as on married men, though nearly always for much smaller sums. Yet this country recognises, as being savings, only the insurance on the taxpayer's own life, or on that of his wife (including Accident Insurance if fatal accidents are covered), to the exclusion of other dependents. In Prussia and Austria, and nearly everywhere else that an Allowance for Life Assurance is made, policies on the lives of any members of the taxpayer's household are eligible. In Australia and South Africa it is usual not only to concede the Allowance on life assurances on any member of the household, but also on accident or sickness insurance, and occasionally on payments to any Friendly Society; and even (in Western Australia) on "other provision for wife and children."

[2] See Cd. 7100 of 1913.

and in 1915–16 to £25, but subject to the same limitation.[1] These allowances are, of course, in no way commensurate with the expense necessarily and properly incurred in respect of children under 16. Moreover, no concession has, even now, been made in respect of children remaining dependent over 16—just when the need for a wide extension of secondary and University education, and of superior vocational training, is more than ever manifest—and none at all, in respect of children of any age, to parents having over £500 a year.[2] And this is what we call statesmanship! The fall in the birth-rate still continues. The "dysgenic" influences are still at work.

(*c*) *Why not Family Incomes?*

The question inevitably arises whether, if we are to have high rates of Income Tax, the time has not come to sweep away the unfairness of treating alike, as equally able to bear a given tax, the single and the married, the childless and the parent. We need imperatively, as a community, both to be rearing more children, and to be spending on the rising generation in nurture and education a larger and not a smaller proportion of the national income. It is consequently the height of folly, as well as the depth of unfairness, to

[1] The Allowance for children was made, in 1913–14, in respect of about 625,000 children (this is not the whole number in the families, as in some cases the Allowance would, if made for all, exceed the tax payable)—a total to be compared with the number of incomes not exceeding £500 on which an Abatement was allowed, viz. 828,959. As the number of children claimed for has increased year by year since 1909, it is probable that the right to the Allowance is, even now, not yet universally understood, and that the full number has not been reached. We may perhaps take as a probable outside estimate one living child under 16 for each income brought into assessment.

[2] Adopted children are not recognised, nor yet illegitimate children (except in cases in which the parents have subsequently contracted a legal marriage, although in England and Ireland, almost alone in the civilised world, such a marriage still leaves the children illegitimate). In the new French Income Tax law "enfants recueillis" are in the same position as others. The Abatement for children usually ceases when the children attain the school-leaving age, but in Bavaria it is continued for children above 15 *whilst preparing for a profession*, or performing military service in the course of such preparation—a useful precedent.

penalise either those who marry, or those who become parents, or those who by a prudent expenditure strive to do the best for their children. The essential inequity, and the fatally "dysgenic" influence, of taxing parents as heavily as those who remain single—let alone the evil consequences of penalising matrimony as such—cannot be cured by any limited concession of petty allowances for the children of the lower middle class. What is required is a frank and full recognition of the essential difference between the income of the single man or woman, and that of the head of a family. The one is normally at the owner's own disposal, to expend as his tastes direct. The other inevitably becomes the more or less definitely allocated budget of the little community which it has to maintain; and its disposition properly passes to a very large extent out of the sphere of the personal tastes of its nominal owner. The "free margin available for taxation," of which the economists speak, can hardly fail to differ enormously from the one case to the other.

What is suggested is that, so far as incomes not exceeding £2500 a year are concerned, whether earned or unearned, it should be open to any person assessed to ask that all the taxable receipts of all the members of his family, living in the same household with him and sharing in its expenses, or maintained elsewhere wholly or partially at his expense, should be aggregated for assessment as a Family Income; and that Family Incomes so arrived at should, for Income Tax purposes, be divided by the number of members of the family (husband, wife, children, stepchildren, father and mother or grandparents only) *actually maintained therefrom.*[1]

[1] Illegitimate children, or adopted children, if actually maintained, should not be excluded.

It may be said that, by allowing children to count for as much as adults, whereas usually much less is spent on their maintenance, an undue favour would be shown to parents, as compared with the unmarried or the childless. This is deliberately suggested, partly in order to encourage parentage and to discourage both celibacy and childlessness; and partly in order to encourage the expenditure, on the children's proper nurture and training, of a much larger proportion of the Family Income than is at present usual. But it would be quite practicable, if desired, to let two children under 14 count only as one person.

There could then be allowed from the combined Family Income, in respect of each of the persons maintained therefrom, whatever Abatement each portion of such income would justify if it were that of one person only.

The result would be that a bachelor or spinster, living independently, and apart from his or her near relations, would normally pay Income Tax as at present. A married couple without children might apply to have their combined aggregate of incomes divided by two; and if this brought these halves below £700 each, they would be entitled to two of the Abatements allowed on such incomes. The father of a family of four children might apply in the same way, aggregating all the incomes of himself, his wife and his children, and dividing the sum by six. This might bring him six Abatements instead of one (or possibly none). In the extreme case a Family Income of £2500 might conceivably be allowed as many as sixteen Abatements of £120 if as many as sixteen members of the family were being maintained therefrom—in exactly the same way, in fact, as if the income were legally divided among all these members of the family, and they had to make separate returns for taxation. Possibly a prudent Chancellor of the Exchequer might put a maximum to the number of Abatements even for the largest family; and might even make this vary with the income; allowing perhaps a maximum of six Abatements to Family Incomes under £1000 a year; and a maximum of four Abatements to those over that amount.[1]

[1] It is interesting to find this conception of Family Incomes embodied, not only in most of the older Income Taxes of Central Europe, but also in the new Wisconsin Law of 1911 and in the newly established French Income Tax. The French "loi de finances" of 15th July 1914 (to be put in force during 1916), printed in *Journal des Économistes*, January 1916, provides (i.) that each head of a family shall be chargeable in respect not only of his own income, but also of those of his wife and other members of his family living with him; (ii.) that deductions shall be allowed, (*a*) of 2000 francs in respect of the wife, (*b*) of 1000 francs in respect of each person maintained in the family up to a total of five; (*c*) of 1500 francs in respect of each such person beyond five (allowed for this purpose are all ascendants being either 70 years old or else infirm, and all descendants or adopted children being under 21 years old or else infirm). If these deductions bring the taxable income below 5000 francs, total exemption is allowed.

Official opinion has always resisted any consideration of the needs of the household as likely to create insuperable difficulties in assessment and collection. But these difficulties, it is submitted, would not be found by the plan now proposed of taking for assessment the Family Income if (*a*) it is made dependent on being claimed in each case; (*b*) if the liability to individual assessment of other members of the family remains unaffected unless and until their incomes are specifically aggregated in a Family Income; (*c*) if the tax in respect of all the incomes so aggregated is made payable by the head of the household making the claim. It would, of course, be necessary to give to the head of the household thus paying the tax a legal right to recover a definite proportionate sum from members of the family enjoying independent incomes which had been aggregated for this purpose. The Inland Revenue would incidentally even make a slight gain as a set off to the additional Abatements by (*a*) the diminution in the number of separate assessments and collections; and (*b*) the bringing into taxation, by aggregation in the Family Income, of the small incomes of children and other members of the household which would otherwise have been under the Exemption Limit.

(*d*) *The Practical Extension of the Exemption Limit*

The adoption of any such conception of Family Incomes would, especially if it were allowed to confer total exemption when the quotient was below £130, result in many more people than at present paying nothing at all in Income Tax —a consequence which calls for consideration. We have, indeed, to a small extent ever since 1853, in the Allowance for Life Assurance, and to a very great extent since 1909, in the Allowance for Children, enlarged the practical limit of exemption.[1] Thus, taking first only the combination of

[1] Technically neither of these Allowances ever brings Exemption—herein differing from the new French Income Tax Law—but the contributor, though charged with the Tax, is credited with the Allowance; and may thus pay nothing. The French (and many of the German and Swiss) laws logically allow the concession to constitute exemption.

Abatement and Allowance for Children, the father of children or stepchildren under 16 is to-day excused all payment of Income Tax if (having one child) his income is earned and does not exceed £145; if (having two children) it does not exceed £170; if (having three) it does not exceed £195; if (having eleven) it does not exceed £395. A clerk or clergyman at £500 a year, having no other income, will be thus freed from all payment if he has living sixteen children or stepchildren under 16, *whether or not he is actually maintaining them*; or if he has fourteen such children and is prudent enough to pay £50 a year for Life or Endowment Assurance on the life of his wife or himself (not being more than one-sixth of his income or more than 7 per cent of the sum assured).

If the system of Family Incomes already described were adopted without other change—existing Abatements and Allowances for Life Assurance continuing unaltered—this practical enlargement of the Exemption Limit would, for all but single men and women, be carried much further. Whilst the bachelor or spinster begins to pay Income Tax at £131 a year, a married but childless couple would pay nothing up to £240; with one child nothing up to £360; with ten children nothing up to £1440; or if a maximum of six Abatements were allowed nothing up to £840, and if Life Assurance premiums are paid, even conceivably up to £1000, in a case in which six or more members of the family are maintained, and the full amount of one-sixth of the income is spent in Life Assurance.

Whilst there is every reason for taking, from the shoulders of parents of moderate means, the burden of taxation which now presses upon them with so much weight,[1] it is perhaps undesirable that even as many persons as at present should be entirely freed from the payment of Income Tax, though of a small sum only. The assessment of their incomes and

[1] German, Swiss and Scandinavian Income Taxes often specifically allow a higher Exemption Limit to (*a*) married couples, and (*b*) parents of families, than to single persons; and occasionally a higher Exemption Limit to widows with children.

the examination of their claims involves a very considerable expense, which is now immensely swollen by doubling the numbers brought under review, owing to the reduction of the Exemption Limit to £130. Moreover, there is undoubtedly value in enforcing some direct payment to the State on as large a proportion of the citizens as it is practicable to reach. We suggest, therefore, that all Abatements and Allowances, whether old or new, that are made to the Income Tax payer, should be subject to the proviso that nothing in them should be allowed to reduce the tax actually payable below the minimum of, say, a penny in the pound on the income prior to the deduction of any Abatement or Allowance. Thus the man with £131 a year would anyhow pay a minimum of 10s. 11d.; one with £500 a minimum of 41s. 8d., however many in family he counted, or whatever premium he paid for Life Assurance.[1]

It is difficult, without statistical data known only to the Inland Revenue, to estimate, with any accuracy, what would be the amount of the concession to married couples and to parents that this plan of Family Incomes would involve. The best estimate within our power puts the total income that it would excuse from tax, at rather more than twice the sum of the Abatements and Allowances for Children in 1915–16.[2] This is the measure of the new encouragement

[1] Such a system of Minimum Payment exists in various European Income Tax systems, alongside of liberal and varied Abatements and Allowances. Thus, in Neuchâtel and other Swiss Cantons, no person gets off with a payment of less than a franc or two—usually charged on each adult—however many Abatements and Allowances he may be entitled to claim. In Tasmania in no case must the amount payable be reduced below half-a-crown.

[2] It may be estimated that the total number of incomes over £160 but not exceeding £2500 is about 1,100,000, of which 907,506 were actually allowed Abatement in 1913–14 as being under £700. The reduction of the Exemption limit to £130 may make the total number brought into assessment between £130 and £2500 well over two millions, of which all but a couple of hundred thousand will be entitled to Abatement as being under £700. Taking (i.) the children under 16 as averaging a little under one per assessment, and (ii.) wives, dependent children over 16 and other actually dependent members of the family as averaging between one and two per family, we may estimate the number of Abatements that the plan of Family Incomes would involve as averaging possibly nearly three per Family Income dealt with, or approximately six millions; in lieu of 907,506 Abatements in 1913–14, and probably nearly two millions in 1915–16, besides

to marriage and parentage. The Chancellor of the Exchequer will, of course, not like to "lose" the tax on so large an amount. But it would not really be any "loss" to the Exchequer. The basis of assessment would merely have been changed, so that any desired amount of revenue would be obtained only by an increased nominal rate in the pound. Moreover, if this measure of fairness in assessment to married couples as compared with bachelors and spinsters, and to parents as compared with the childless, is, as Mr. M'Kenna has himself suggested, the only practical way of getting the Income Tax up to 10s. in the pound, and so raking in many additional millions, it will prove that justice is also profitable expediency.

(*e*) *An Alternative Method*

An alternative method, less logical but possibly more easily practicable, is not to supersede but merely to extend the system of Allowances for Children introduced in 1907. This needs to be made (i.) to include the wife,[1] in order at least to mitigate the present severe penalty on marriage; (ii.) to include sons and daughters up to 21, provided that their education is being continued, and possibly other dependent members of the family, such as parents of either husband or wife, if actually forming part of the household; (iii.) applicable to incomes up to £1500 or £2500, instead of as at present only to those not exceeding £500; and (iv.) larger in amount, that is, raised from £25 to at least £50. On the other hand, in contrast with the practice for the present Allowance, there seems no reason why the Allowance should not be limited (as it is in Australia and New Zealand) to children or other members of the family who are actually being wholly or partially maintained out of the income under review; and why the separate incomes of all the said

650,000 Allowances for Children in 1913–14 and probably a million and a half in 1915–16.

[1] The concession of an Abatement in respect of the wife is made in France and Wisconsin, Hamburg and Wurtemberg, and many of the Swiss Cantons.

members of the family, however minute, should not be brought into review, and, if they would otherwise have been exempt, subjected to taxation as part of the family aggregate.

What seems clear is that some such effective mitigation of the present severe incidence of the Income Tax on the parents of children, as well as some such alleviation of its present effect in penalising marriage, will become imperative if the tax-rate is to be increased, or even maintained at its present high level.

VI. The Slightness and Unevenness of the Graduation

The next difficulty in the way of raising the nominal rate of the Income Tax is the slightness and unevenness of the present graduation according to the amount of the income. At present our nominally uniform poundage rate is graduated by (i.) the varied Abatements allowed when the total income is under £400, £600 or £700 respectively; (ii.) the Allowance of £25 for each living child under 16 being confined to incomes not exceeding £500; (iii.) the specific graduation of the tax on unearned incomes when the total income does not exceed £300, £500, £1000 and £2000 respectively, and on earned incomes when the total income does not exceed £500, £1000, £1500, £2000 and £2500 respectively, at between 6d. and 2s. 9d. in the pound less than higher incomes; and (iv.) by the addition of a Supertax on incomes over £3000 a year, at rates varying from 10d. in the pound on the first £500 in excess of £2500, up to 3s. 6d. on every pound over £10,000.[1] These complicated and not entirely consistent methods of treating incomes of different amounts result in a graduation which

[1] A further graduation is incidentally produced, not strictly as between particular incomes, but substantially between the great mass of incomes not exceeding £2500 and those above that amount, by the differentiation in rate between earned and unearned incomes, and particularly by this differentiation being confined to incomes not exceeding £2500.

rises (with the 1916–17 tax of 5s. in the pound) from a virtual rate of 2.3d. in the pound on an income of £131 entirely earned, up to one of 99.7d. in the pound on an income of £100,000. The graduation is so far progressive that (except as regards the differentiation between earned and unearned income), at no point in the scale does any income pay at a higher poundage rate than an income of superior amount. But there are at some points skips and jumps, and at others long "rests" in the progress of the virtual poundage rate. For the smaller incomes this virtual poundage rises very steeply—for instance, more than doubling itself for earned incomes between £131 and £150; again doubling itself between £150 and £200; jumping by 30 per cent between £200 and £250, and only by 6 per cent between £350 and £400. On the other hand, for large incomes the rise is very slow—from £6000 all the way to £10,000 the rate increases by less than 13 per cent; all the way from £20,000 to £100,000 by less than 11 per cent; on unearned incomes from £2001 to £3000 not at all!

The practical objection to any systematic and direct graduation of the Income Tax has always been its apparent incompatibility with the principle of "stoppage at the source," which must at all costs be adhered to, as the very essence of the effectiveness of the system. But now that 99 per cent of all the incomes pass subsequently under separate review, and are made the subject of individual official assessment,[1] this objection is seen to be without weight. It

[1] This has come about (i.) by the subjection to Supertax of all incomes over £3000; (ii.) by the concession of a lower poundage rate to earned incomes not exceeding £2500, and to unearned incomes not exceeding £2000, which necessitates a return of total income wherever any part of it is unearned; (iii.) by the Allowance for Life Assurance being limited to one-sixth of the total income, necessitating a return of total income wherever it is claimed; (iv.) by the Abatements necessitating returns of total incomes in all cases not exceeding £700. The only incomes not individually brought under review and made the subject of assessment, are (i.) those derived exclusively from investments, amounting to between £2001 and £3000 a year, belonging to persons who have not insured the lives of themselves or their wives; and (ii.) those derived from investments of any amount under £3000 a year, in which Abatements or Allowances, or the

is quite possible, as the last few years have shown, to combine a complete maintenance of "stoppage at the source" with a separate survey and an individual assessment of each income. Out of the two million and a half incomes that will probably be brought into assessment for 1916–17, *all but a few tens of thousands will have to be separately dealt with by the Inland Revenue authorities.* It is high time that the practice was rendered universal. It should be made the duty of every person enjoying an earned income above the Exemption Limit, and of every person in receipt of even the smallest dividends, to report once a year to the Surveyor of Taxes—if only to ensure on the one hand that all sources of income are brought into assessment, and, on the other, that all proper Abatements and Allowances are made. If all unearned incomes were thus passed individually under review and were made the subjects of separate assessments, and if due adjustment were effected in each case between the amount stopped at the source and the total tax due, it ought to be possible, not only to ensure that every taxpayer was assessed for every item of his income, whatever the source, and that every one got the benefit of all the Abatements and Allowances and Concessions of Lower Rates that were legally due to him,[1] but also to levy the

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concession of the lower rate on any separately assessed earned income, to which they are entitled, are not, in fact, claimed. It is believed that these two classes probably do not include as many as 20,000 incomes, out of a total which now approaches 2,500,000.

[1] At present the taxpayer in innumerable cases loses these Abatements and Allowances through ignorance, and through neglect to claim. It has been estimated that in the current year, with the number of taxpayers doubled, at least 50,000 Abatements will be unclaimed; that only half those entitled to the Allowance for Life Assurance claim it; that there are probably over 200,000 children for whom the Allowance of the tax on £25 is due, but for whom it is not claimed. Even at 5s. in the pound these losses (largely by the smaller taxpayers) come to four or five millions sterling. With the tax at 10s. in the pound they would be eight or ten millions; and it should be the duty of the Government to prevent, even to its own loss, so considerable a hardship. It is, of course, not really profitable to the Government for its taxpayers to suffer loss, even by their own neglect.

Mr. Stamp estimates the unclaimed Abatements in 1903–4 to have numbered 83,000, but that these had been reduced in 1911–12 to 20,000 (*British Incomes and Property*, by J. C. Stamp, 1916, p. 301). To this figure must be

tax upon him at whatever rate was appropriate to his particular income.

We do not perhaps need to be so pedantic as to insist on the rate of graduation rising evenly at all points in the scale.[1] We have become so accustomed to the system of Abatements (which dates from 1864), and Allowances (which dates from 1853), that we may leave undisturbed the existing graduation that they effect as regards the $2\frac{1}{4}$ millions of incomes not exceeding £700 a year. Nor need we go back on the existing differentiation between the rates on unearned and earned incomes not exceeding £2500 a year, or the extra graduation introduced for unearned incomes not exceeding £2000 and for earned incomes not exceeding £2500. But the total arrest of graduation on unearned incomes between £2001 and £3000, together with the extremely slow rise in the rate on incomes above £20,000, call urgently for remedy. There is much to be said for the inclusion in the Supertax of all incomes over £1000 a year, —which might add fifty or sixty thousand to the thirty thousand incomes now dealt with in this way—at the rate of 3d. on the last £300 up to £1000, 6d. on the next £1000 and 9d. on the next £1000. At the same time the graduation should be continued beyond its present limit of £10,000. Thus, a more equitable scale for the Supertax of the future would be something like the following:

All incomes in excess of £1000 from all sources to be liable to Supertax at the following rates:

For the first	£700	nil.	
,, next	300	3d. in the £.	
,, ,,	1,000	6d.	,,
,, ,,	1,000	9d.	,,
	3,000		

added those from the million and a quarter persons newly brought into Income Tax by the reduction of the Exemption Limit from £160 to £130, which will presumably be high for the first few years.

[1] This has been strongly urged, however, by Sir Leo Chiozza Money.

For the next		1,000	1s. in the £.
,,	,,	1,000	1s. 6d. ,,
,,	,,	1,000	2s. 0d. ,,
,,	,,	1,000	2s. 6d. ,,
,,	,,	1,000	3s. 0d. ,,
,,	,,	1,000	3s. 6d. ,,
,,	,,	1,000	4s. 0d. ,,
		10,000	
,,	,,	10,000	4s. 6d. ,,
,,	,,	10,000	5s. 0d. ,,
,,	,,	10,000	5s. 6d. ,,
,,	,,	10,000	6s. 0d. ,,
		50,000	

and for every £1 over £50,000 6s. 8d. in the pound.

With an Income Tax nominally at 10s. in the pound, a Supertax at the above rates would make the actual rates of taxation on unearned incomes from £2001 to £10,000 (which now, with an Income Tax at 5s., rise only from 60d. to 78.7d. in the £) rise more evenly from 123d. to 142d. in the £. On incomes from £10,000 to £100,000 the actual rate (which now, with Income Tax at 5s. in the £, rises only from 78.7d. to 99.7d.) would rise very steadily from 142d. to 187d. in the £ or just short of the 80 per cent urged by Lord Courtney of Penwith.

VII. The Prevention of Evasion

One of the results of any considerable increase in the Income Tax is to stimulate evasion. It is therefore essential, in making so great a jump as from 5s. to 10s. in the pound, to stop up the last remaining loopholes.

(*a*) *Investments abroad*

By far the largest amount of income now escaping assessment is believed to be that remitted to this country

to firms and individual proprietors from investments overseas, including the Isle of Man and the Channel Isles (where there is no deduction of Income Tax), all the British possessions, the United States, Central and South America, the Far East, the Pacific Islands and the different European countries. The amount actually assessed for Income Tax from such investments, so far as identified, has steadily increased (from 44 millions in 1886–7 to 118 millions in 1913–14). It is often argued that the fact that our oversea property is estimated to be worth 4000 millions, yielding certainly 200 millions a year, proves in itself that a large portion escapes assessment. This is a fallacy. What is forgotten is that much of the estimated income of 200 millions is already included in the returns under Schedule D, in respect of concerns having their seat of management in this country, or administered partly in this country (such as mines, gasworks, waterworks, tramways, breweries, plantations of tea, coffee and rubber, nitrate grounds, oilworks, land and financial companies, telegraph cables and shipping[1]); together with the investments (in real estate, mortgages and loans) of banks, insurance companies and financial firms, duly assessed for all their profits. Nevertheless, though the bulk of the 200 millions derived from overseas investments is undoubtedly now taxed, some not inconsiderable portion still escapes.

Perhaps the easiest way of violating the law and escaping the Income Tax for wealthy persons is to invest in securities, whether mortgages or landed property, or stocks and shares, on which the interest is payable abroad, and to have it paid regularly into a current account at a local bank. Coupons payable at Paris or New York may be treated in the same way. Cheques drawn in London on the growing balance in such a bank are readily negotiable in this country. It has always been a violation of the law, and a fraud on

[1] This "probably exceeds £50,000,000, when all the rubber, tea, oil and mining companies are included" (*British Incomes and Property*, by J. C. Stamp, 1916, p. 232).

the Inland Revenue, not to make a return for assessment of income thus brought to this country without deduction of tax; but it is to be feared that such a return is not always made. The number of firms or persons domiciled in this country having also accounts at banks in New York, Paris, Buenos Ayres, etc., must run into many hundreds. An even simpler device is to cash coupons on bearer-bonds on a visit to France, Belgium, Holland or America.[1]

But such undeclared income from foreign securities does not always escape the Income Tax. When returns of all property have (in order to secure transfer of title) to be made for Death Duties, securities abroad (though not necessarily bearer-bonds) are revealed. For a long time the Inland Revenue authorities made no use, for Income Tax purposes, of the information actually in the hands of another branch of their own office, but this has been done for a quarter of a century. Enquiry is now made in each case as to whether Income Tax has been paid on such foreign investments; and if this has not been done, a demand for arrears is made on the Executors. A slight change of practice would make this check even more effective than at present. Though the "Probate" of a will or the Letters of Administration disclose the amount at which the estate has been "proved," and on which the Death Duties have been duly paid, *no schedule of the separate investments making up the total is (in England and Wales) attached to the Probate or Letters.* On circulation of the Probate or Letters among all the companies

[1] The common practice of investing in unregistered bearer-bonds, the coupons on which are cashed without enquiry on presentation, has long presented a serious difficulty to foreign Finance Ministers. Such incomes very largely escape the Continental Income Taxes and Death Duties. The difficulty is less felt in this country, as (*a*) any authority or company domiciled here, which issues such securities, is itself taxed on the whole of the coupons that it pays, and left to recover it from the persons presenting the coupons; (*b*) any person purchasing such coupons, or paying them in this country as agent, is now required by law to make a return of the sums so paid, is assessed upon the total, and is therefore careful to deduct the tax. Evasion of the Income Tax is practicable only by obtaining payment abroad, as mentioned above. Evasion of the Death Duties on bearer-bonds, which is of course illegal, remains theoretically practicable, either by gift *inter vivos*, or by seizure after death, without inclusion in the Estate Duty accounts. It is believed not to amount to much in this country.

or authorities in which the deceased person had investments, all that the secretary or registrar has to see to is that the sum transferred in the case of his company or authority is within the total value of the estate. There is accordingly nothing actually to prevent the transfer of registered securities which have not been included in the affidavit. It is suggested that the Probate or the Letters ought to be accompanied (as the corresponding Inventory is in Scotland) by a complete schedule of all the securities; and the obligation put on companies or authorities not to transfer anything not therein specified.

(*b*) *Income not brought to this Country*

Down to 1914 Income Tax was not chargeable on income from investments outside the United Kingdom which was not brought to this country regularly as income. It was therefore lawful for persons domiciled here to receive such income abroad, and let it accumulate there, or promptly reinvest it there, without returning it for assessment in this country. Large accumulations of tax-free income were made in this way by insurance companies, financial firms and wealthy individuals. Since 1914 all such income accruing to persons domiciled in the United Kingdom, whether brought to this country or not, has, by law, to be returned for assessment. But it is to be feared that this is not always done; and we do not see the Inland Revenue authorities suing for penalties. In the case of firms, which do not die, there is not even the ultimate check afforded by the return of property made for the purpose of Death Duties.[1] In 1914

[1] The "double Income Tax," to which persons are subjected who own property in Australia but are domiciled in the United Kingdom must certainly be remedied. Australia, Canada and other countries cannot be expected to give up their right to tax incomes produced there, least of all because it is owned by "absentees." This country will not forgo its right to tax all persons domiciled here, wherever their property may be situated. The only practicable remedy seems to be, by mutual agreement between different Income Tax administrations within the British Empire, to allow any person finding himself subjected to double taxation of the same income, to appeal in the country in which he is domiciled;

the income thus reinvested abroad was officially estimated at 20 millions a year.

(*c*) *Selling Securities "Cum-dividend" and buying "Ex-dividend"*

The evasions so far described are contrary to law, and involve a liability to legal penalty. Those now to be described (which should be termed avoidances rather than evasions) are not illegal, and need statutory remedy. One hazardous and troublesome device to escape the tax is that of avoiding the receipt of a dividend—this being subjected to tax deduction—by selling out stock just before the dividend date, when the price is "full of dividend," and buying in again "ex-dividend" a few days later. With securities of international character, having coupons or dividends payable also in Paris or New York, the price is (other conditions remaining unchanged) apt to vary by the full amount of the untaxed coupon or dividend. The Inland Revenue loses nothing, as the tax is duly deducted from the dividend; but speculators believe that they can themselves escape bearing the tax. There is the brokerage to pay, and the jobber's turn or profit, besides the risk of prices changing considerably

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and to claim repayment to the extent of the lesser of the two taxes—this being strictly confined to taxes specifically on incomes, not imposts on land, shipping, inhabited houses, etc. The cost of making the refund should be shared between the two administrations concerned, in some equitable proportion, perhaps each losing proportionately to the amount of its tax in the particular case.

Hitherto the Treasury has turned a deaf ear to the complaint, explaining its reasons by reference to a letter to the Royal Colonial Institute of 27th May 1906, which argued (i.) that all incomes coming to this country must be taxed; (ii.) that it was only reasonable that incomes spent and enjoyed here should be taxed here; (iii.) that there was nothing inequitable in a person who obtained protection from two administrations being compelled to support them both; (iv.) that any concession would be unfair as between incomes derived from different countries, each having its own duly balanced system of taxation, in which a tax on income might or might not form part; and (v.) that the concession would cost this country half a million a year!

In April 1916, however, Mr. M'Kenna so far recognised the need for concession as to provide that no additional tax would be levied (in respect of the increase from 3s. 6d. to 5s.) on any taxpayer who showed that his income was subjected to double taxation within the British Empire.

in the brief interval, so that the operation is favoured only by habitual operators. It might, however, become tempting in an active market with an Income Tax of 10s. in the pound.

(*d*) *Treasury Bills*

At present a very favourite investment is a Treasury Bill, on which no interest is paid, but which is issued at a discount and bought and sold at a price below par, varying according to the period that the bill has still to run. Just now the Government is paying what is equivalent to interest of over thirty millions a year on Treasury Bills, and no Income Tax is (or could be) secured on this amount by any process of deduction. The theory of the Inland Revenue authorities is that these Bills are mostly held by banks and other finance houses, which ought to include their gains through dealing in Treasury Bills (as in other bills of exchange) in their general returns of profits. Private investors holding Treasury Bills ought, it is suggested, to include in their returns whatever profit they make from dealing in them, although, as they are not required to include any profit they make by occasional deals in other securities, such a return is not always, perhaps not even usually, made.

(*e*) *Realised Accessions of Capital Value*

When shipowners sell ships and realise profits on such transactions—when securities are paid off at or above par to the profit of the owner—when a patentee disposes of an invention for a lump sum[1]—when on amalgamations of banking, railway or insurance companies the shareholders of one or other of the merged companies receive a substantial

[1] Curiously enough, an author or composer or painter or sculptor selling a work of literature or art for a lump sum is made to pay Income Tax on the amount, on the argument that he can turn off such products annually! See Cd. 2575 of 1905. An isolated transaction of the sort, by a person not following the profession or vocation of author or artist, would apparently not be chargeable, as not being in the nature of an annual gain.

increment of value—when stocks are redeemed at par after being issued at a lower price, or after sinking to a lower price in the market,—these incidental accretions are not charged with Income or any other Tax,[1] although they may, in some cases (as with an inventor's sales of patents), constitute a recurring source of income, and in others (as with securities redeemable at a fixed date) are regularly counted on as a periodical surplus, justifying acceptance of a lower rate of interest.

One of the oldest ways of evading the Usury Laws was, not to charge interest for a loan but to receive, when it was repaid, a gratification or present. The purchase of reversionary interests, the advance of a small sum on a promise that a larger sum will be repaid at a future date, the taking out of an Endowment Policy securing payment of a fixed amount some years hence—all these practices are already largely resorted to, partly with the object of lawfully avoiding the Income Tax, and would be still more frequently adopted if the tax were further increased.

In the case of land similar accessions are, since 1911, chargeable with a special "Increment Value Duty," assessed whenever the windfall is realised, either on transfer, or on a change of lease, or on passing by death. In 1914–15 such duty was assessed in 9937 cases, and £95,607 was actually collected. In 1916 the principle was further recognised by making liable to Income Tax the profit derived from the sale of capital assets (exclusively ships). The premiums on debentures redeemed above the price of issue are already charged with Stamp Duty. There seems room for a general "Accession Duty" in the cases in which—as in the sale of patents, securities redeemed above the price of issue or previous market value, the falling in of reversions or Endow-

[1] Profit on sales of capital is, however, now chargeable to Income Tax, if (as in the case of a land company or mining syndicate) the making of profit on such sales is the very business of the concern. A person who habitually buys land, securities, ships, antiquities, pictures, etc., with a view to making a profit by reselling them, is, even now, legally liable to Income Tax on the profits thus made. It is suggested that all such realised profits should be chargeable.

ment Policies, and the shares of companies augmented in value by amalgamation—nothing is obtained for Income Tax from actually realised accessions of value.[1] Collection might be made by requiring a declaration whenever any such accession has accrued, both from the recipient and from the payer; and by making a separate assessment in each case.

(*f*) *Deposit Interest*

A large amount of interest is paid or credited by banks, building and co-operative societies, and many other concerns receiving money on deposit (including some large retail shops). The interest thus paid, amounting each year probably to some tens of millions sterling, is not subject to deduction of Income Tax; and, it is to be feared, is usually not returned by the recipients for assessment, especially where they do not need to claim Exemption, Abatement or Allowances for children or Life Assurance.[2] An attempt to compel deduction in 1915 was successfully resisted by the bankers, apparently on the grounds (*a*) that such deduction would be very troublesome, and also detrimental to their business; (*b*) that the greater part was credited to financial and business firms who might be assumed to include it in

[1] Foreign Income Taxes sometimes include all such windfalls, or occasional accessions, as income. In Hamburg and Bremen, for instance, the profits (being excess of price over original cost plus any sums expended on the property) of even isolated sales of ships or land or other property are taxed as income. In the Canton of Basle City even increases in value of property not sold, whether securities or land, are assessed and taxed as income.

In Australia and New Zealand such incidental gains as cash prizes in lotteries, stakes won at horse races, profits on resale of lands and securities within a term of years, fines or premiums on the grant of leases, and a percentage of sums received under Endowment Policies or in commutation of pensions, or as gratuities on retirement, may be taxed as income ("The Income Taxes of the Self-Governing Dominions," by S. E. Minnis, in *Journal of Comparative Legislation*, January 1916.)

[2] The number of assessments on "Other interest" increased from 33,141 in 1900–1 to 46,872 in 1906–7; and then, as a consequence of the concession on earned income, and the new inducement to declare all sources of income, to as many as 102,361 in 1910–11. In spite of a rise in the rate of interest, the amount assessed increased only from £1,876,306 in 1900–1 to £2,351,048 in 1910–11 (*British Incomes and Property*, by J. C. Stamp, 1916, p. 229), indicating a sweeping in of fifty or sixty thousand items averaging five pounds.

their profits; and (*c*) that another large part, comprising the numerical majority of the transactions, was credited to small depositors who were frequently below the Exemption Limit, or were at any rate entitled to Abatement. Such reasons —really the power of the banking community over the Chancellor of the Exchequer—may continue to prevent the enforcement in these cases of the principle of "stoppage at the source." But they appear to afford no sufficient justification for exempting those who pay such interest from the obligation of making a report to the Inland Revenue every half year of the names and addresses of the persons to whom it is paid. Such a periodical report would enable the Surveyors of Taxes to satisfy themselves that the amounts were duly included in assessment; and would, it is suggested, reveal no small amount of petty evasion.[1]

(*g*) *Persons who escape Assessment*

There may be still a few people who escape assessment altogether, but these must be very few. It is often supposed that people living in hotels and boarding-houses, or constantly travelling about, or residing habitually abroad, evade the tax. This, however, is for the most part, a mistake. Their incomes are, in practically all cases, taxed at the source, by assessment at its head office of the business in the profits of which they participate, or by deduction from the interest or

[1] We make a supplementary suggestion of some importance. Without putting any credence in "hidden millions," we urge as a plain measure of public security, that all banks, co-operative societies, building societies, and Friendly Societies (together with all persons with whom any analogous deposit has been made) should be required to transfer to the Public Trustee (i.) any balances of current or deposit accounts on which there has been no transaction for five years; (ii.) any securities left for safe custody, of which the owner has not been heard from for ten years; (iii.) any box or package as to which no instructions have been received for twenty years. The Public Trustee might enquire and advertise, and after a certain interval transfer unclaimed property to the National Debt Commissioners, subject to liability to repay at any time to a claimant establishing his right. A similar obligation should be put upon all joint-stock companies or building societies in respect of debentures or shares on which the interest or dividends have been neither paid nor claimed over a long period; and on all offices paying annuities for terms of years which remain unclaimed.

dividends that they receive. Those who escape must be people who are actually themselves making or receiving an income in the United Kingdom, but who are not salaried employees of firms or persons in this country (whose names have to be reported by their employers), and have no office or business address, as well as no settled residence; or people whose income, derived from abroad, is paid to their credit abroad in the way already described, and drawn by them to this country. There may be among them some habitual operators on the Stock Exchange, who frequent City clubs and their stockbrokers' offices; there may be gamblers of other descriptions; there may be among them part-time employees getting salaries (each under the Exemption Limit) from several firms, or paid entirely by commission; there may be some salaried agents of firms or persons outside this country, or of foreign governments (whose recognised diplomatic staffs in this country are legally exempt). There are (obtaining incomes of very different nature and amount) a certain number of novelists and other writers; here and there a worker in the Fine Arts; and possibly even an occasional practitioner in the professions. The "earned incomes" thus altogether escaping assessment are, however, for the most part small, and they would usually be entitled to Abatements. More important may be the incomes drawn from abroad in the manner already described, and, to a smaller extent, interest on money lent, and deposit interest. It would not be difficult to require every hotel and boarding-house keeper to make, when required by the local Surveyor of Taxes, a return of inmates of his house; and for the Surveyor of Taxes then and there to require each person thus reported to make a return of his income from all sources.

(*h*) *Foreign Agencies in the United Kingdom*

A growing form of evasion is seen in the habit of foreign manufacturers who maintain a branch in this country for the sale of their produce. This now takes the form, so far as

the accounts are concerned, of a mere agency, to which the goods are invoiced at little below the price at which they are sold, affording no more "profit" in this country than suffices to pay the working expenses. It is difficult to impose any tax in these cases, as the foreign producer is really in the same position as if he were supplying the British Market through a mere commission agent, as he is quite entitled to do. The only remedy would be a special tax on the turnover of agencies importing goods for sale in this country. This is open to some objections.

(*i*) *Methods of Prevention*

Evasion has already been very largely stopped by the closer scrutiny of the Surveyor of Taxes, made possible by a progressive enlargement of staff. For a long time after 1874—really down to the close of the nineteenth century, marked by the Boer War—the Treasury seems to have cherished an idea that the Income Tax was destined to be only a temporary impost, and to have grudged any accession to this branch of the Inland Revenue staff. This has, during the past decade, been remedied, and a far more stringent administration is now established. Statutory changes have brought into assessment a much larger amount of incomes from abroad, and the systematic use of the Estate Duty Accounts has revealed much more. The most experienced Income Tax officials do not believe that unlawful evasion applies to as much as 1 per cent of the whole taxable income. Mr. Stamp demonstrates that it must anyhow be much less than seventeen millions a year.[1] Personal knowledge of a few cases (and these exaggerated) produces an undue impression of magnitude. Even if 10,000 people in the United Kingdom escaped assessment, this would not be as many as one-half of 1 per cent of the total number of taxpayers—implying probably a much smaller proportion of leakage

[1] *British Incomes and Property*, by J. C. Stamp, 1916, p. 324.

than that involved in smuggling. Yet, large or small, the leakage ought to be stopped.

We ought, to begin with, to make it both legally and practically obligatory on every person, who either occupies a dwelling-house over £20 a year in rental value, or who is employed at a salary or on commission exceeding £100 a year, or who is carrying on a business or profession of any sort, or who has any investments yielding interest or dividends, however small in amount, or who has an income from any other sources whatever of as much as £100 a year, to make a return of his income once a year. At present this is, in practice, required only when there is any income to be declared for taxation; and it is said that two-thirds of the yellow forms that the Surveyor of Taxes sends out at random from Post Office Directories and other published lists of addresses, in order to catch persons accidentally omitted from assessment, are not even returned to him. It might at least be made effectively obligatory on every person who receives a form to return it filled up. This might be done by the Inland Revenue authorities being enabled to prosecute, with success, whenever they prove that the form has been duly posted and has not been returned to them. At least, the onus should be on the recipient to prove that he is not in default.[1]

But merely to enforce the filling up of forms as to income is not enough. Nearly all the methods of evasion above described—together with others that would doubtless

[1] At the same time there should be a more stringent enforcement of the obligation of employers to return the name, address and salary of their employees; and this should be made to include (*a*) all persons receiving even £100 a year, in order that enquiry may be made as to "other incomes"; (*b*) all travellers, agents and other employees working for more than one firm or to whom any remuneration is paid in the form of commission. When the bankers and building societies return the names to whom they pay Deposit Interest, it would not be unreasonable to ask publishers to return the names of the authors to whom they have made payments — this was attempted in 1915, but successfully resisted by the publishers—the theatres to return the names of the dramatists for whose plays they have paid performing rights, and even the stockbrokers the names of those to whom they have paid "differences" on speculative operations! No one ought to be able to claim that the Government should be kept in ignorance of his possibly taxable receipts.

be invented if the Income Tax were doubled—depend for their success principally on the secrecy in which we allow everybody to envelop, not only his income, but also the nature of his investments. That secrecy may be respected, so far as the inquisitiveness of neighbours or the newspapers is concerned. But just as we have come to realise that we must reveal our income to a Government official, so we may as well submit to reveal in the same way the sources of our income. We do so now, incidentally, in most of our returns for Income Tax and Supertax. We do so, specifically and completely, whenever we have to make up the Estate Duty Returns on any death. What is now suggested is that we should be required to do so annually, as a matter of course, in connection with all the Income Tax returns. There would be no harm, and much incidental advantage, if every person under an obligation to make a return under the Income Tax Acts, and every one actually making any return of income, were required, once a year,[1] to reveal, in confidence, all the property that he possesses apart from his furniture, clothes and other "paraphernalia of the Home" (real estate, mortgages or other loans, deposits, securities of every kind, and every other capital or investment yielding interest or profit). From such annual returns of capital the Inland Revenue authorities should compile a universal register of property ownership, classified by persons, localities and

[1] The present system of charging the tax on incomes under Schedule D (including most salaries, but not salaries under Schedule E) upon the average of the three preceding years—in the case of mining profits, of the five preceding years—should be abolished; and each year's income should bear its own tax (or rather the tax on the income of the last completed year). On the whole this might not increase the aggregate received by the Exchequer, but (i.) it would prevent many anomalies; (ii.) remove the illogical difference made between salaries charged under Schedules D and E; (iii.) obviate much discontent among taxpayers who find themselves required to pay on more than they are actually receiving (*Income Tax Anomalies*, by T. Hallett Fry, 1903). The "three years' average"—almost unknown on the Continent of Europe—was adopted for the South Australian Income Tax in 1884, but was abandoned in the very next year ("The Income Taxes of the Self-Governing Dominions," by S. E. Minnis, in *Journal of Comparative Legislation*, January 1916). Its abandonment in the United Kingdom was tentatively recommended by the Departmental Committee of 1905 (Cd. 2575 of 1905).

investments. Such a universal register would be a useful check on the periodical Death Duty returns (which are now increasingly evaded by gifts *inter vivos*), and could be itself periodically verified and corrected from these. The annual return (*thus known to be compared with previous returns, and destined to be eventually checked by the Estate Duty returns, which have to be complete*) *would automatically reveal property held abroad, investments known not to be taxed at the source, and securities or loans yielding interest not included in the Income Tax returns.* If an income-yielding security disappeared from the return in a future year, the contributor would be invited to explain whether this was merely an accidental omission, whether the investment had been changed, or whether its capital value had been spent or given away. By the universal register made up from such returns of property and investments, very useful information would be obtained by the Government as to what securities were held in this country, and by what classes. And such annual returns of property, together with the returns of income to be periodically required from boarding-house residents and other transients, would, it is suggested, go a long way, in practice, to stop all the more important of the present evasions of the Income Tax.[1]

VIII. The Capital Tax and the Citizen Tax

But even an Income Tax at ten shillings in the pound—even if augmented by every kind of indirect taxation that the ingenuity of the Chancellor of the Exchequer can devise—may possibly not suffice to make both ends meet in that momentous first or second Budget of Peace. Such a mass

[1] Some minor statutory amendments are required such as (i.) the specific inclusion, among persons liable to assessment, of minors without parents or guardians; (ii.) the inclusion, among profits liable to assessment, of the gains of habitual operators on the Stock Exchange equally with stockjobbers, of backers of horses and gamblers at bridge or other games equally with bookmakers—perhaps only so far as these pursuits are lawfully followed; (iii.) the inclusion of prizes won in lotteries and sweepstakes where lawfully conducted; and of the stakes and prizes won at horse-racing and other competitions.

of new and additional indirect taxation—producing, it may be, fifty or even a hundred millions sterling—and such an Income Tax, which would, when amended as is here proposed, yield more than a couple of hundred millions—may perhaps suffice to meet the heavy debt charge; the war pensions; the inevitable growth in our civil expenditure on Maternity and Infancy, Education and Vocational Training, Housing and Public Health generally; and the necessary increase in our defensive armaments. But not even this unprecedented taxation, using, as some may think to the uttermost, the resources both of direct and of indirect taxation, may prove adequate to our needs. With a public debt raised to the hitherto unthinkable total of nearly 4000 millions, involving an annual charge for interest alone of not far short of 200 millions a year, it is imperative for national safety that a very large amount should be repaid within a few years. We cannot, unfortunately, regard ourselves as safe against another great war, within a decade or two, in which the very existence of the Empire would be at stake. We cannot afford to have such a war sprung upon us whilst saddled with a National Debt of 4000 millions. We shall have drained dry during this war nearly all the money loanable to the Government in an emergency; and though we may hope that the springs of industry and saving will quickly be flowing abundantly for the replenishment of this reservoir of private wealth, we must compel sufficient retrenchment of private expenditure to enable the Government, not only to meet its current expenditure, but also to pay off a large part of its debt within a decade. We venture on the opinion that not less than 1200 millions sterling—this being probably under a third of the whole—must, for financial security, be discharged at once. How can this be done?

We have seen that all the known sources of revenue will have to be strained to the utmost to meet merely the annual charges. War would therefore throw back the Government on the loan market. But, as already suggested, we cannot

hope, without early repayment of a large part of what the Government has absorbed, that the reservoir, from which the Government would need again to draw huge sums in sudden loans, can, within the next few years, yield enough for another great war. This is essential for national security, not merely as a measure of finance. A perfectly herculean repayment of debt is literally a part of National Defence—actually a measure of security for the life and property of every citizen of the United Kingdom. We must regard such a repayment not as a tax, but as an insurance premium—as something that we must defray from whatever resources we have, as a means of preserving the remainder from destruction.

At first sight it may seem that we might look to the Death Duties, taxes on capital from which the Government now obtains 30 millions a year, as the appropriate source from which to raise additional funds to discharge a capital liability. The total value of the property passing by death each year, and made subject to these taxes is now over 300 millions, so that the State already takes, on an average, nearly one-tenth as its share.[1] Even to quadruple the existing Death Duties, so as to take, on an average, four-tenths of the whole estate, would scarcely produce as much as is required. Such a stupendous increase would be felt to be an intolerable hardship. Moreover, as what is needed is a special effort during the next ten years, it would be unfair to make this quite exceptional burden fall on those families only—probably only one-third of the whole—in which the property-owner happens to die within this particular decade. Such an arbitrary limitation of the necessary levy to a small

[1] The 300 millions worth of property of all kinds that usually passes by death each year, and is subjected to Death Duties, is held by about 75,000 persons, of whom 33,000 leave estates worth less than £500 each and totalling nine millions; 38,000 estates from £500 to £10,000, totalling 90 millions; and 4500 estates over £10,000, totalling about 210 millions. Of these vast sums, land and houses stood for less than 90 millions; stocks and shares for 130 millions; loans and mortgages 20 millions; trade stock, etc., 17 millions; insurance policies 13 millions; furniture and clothes 8 millions; cash in house and bank 20 millions.

section of the property-owners would be in the last degree inequitable.

Similar considerations of equity negative any proposal to get the necessary funds by any tax falling exclusively on the owners of land, whether yielding agricultural or building rents; or by confiscating the railways or the coal-mines. We must not, in this great emergency, cast any heavier burden on the owners of one kind of property than on the owners of other kinds.

We suggest that, if so heroic a measure of prompt redemption is thought necessary, as an entirely exceptional measure, not to be repeated, all the property-owners of the United Kingdom having as much as £100, on the one hand; and (exempting only the poorest) all the adult inhabitants who are not to this extent property-owners, on the other, should be called upon to provide a special repayment of War Debt to the extent of 1200 million sterling, in order that the whole nation may obtain financial security. What would be required would be, *once for all*, a lump sum contribution—a Special War Levy—of 10 per cent of the capital value of all private property.[1] Deducting the property of various kinds belonging to the different departments of Government and Local Authorities, and to recognised corporate charities, and omitting all furniture, clothes and other "paraphernalia of the Home" (perhaps up to a maximum of one or two thousand pounds in each case), the capital value of all the property in the hands of private individuals, at the present much depreciated valuations, may be estimated as worth in the market between eight or ten thousand million pounds. We must ask the owners to cede 10 per cent of this capital value in order to secure the rest

[1] The German Government in 1913–14 raised a special "Defence Levy" in this way, in order to put the army in a higher state of efficiency. In making this levy, the German Government, although always extremely rigorous towards evasion of tax, announced "a general pardon" in respect of previous evasions, provided that people revealed *all* their possessions, but intimated that it would deal most severely with any failure to disclose these fully. The result was to reveal the existence of a much greater amount of taxable property than had been estimated. Our Inland Revenue administrators may here find a useful hint.

against being held to ransom by a conqueror, not to say looted by an invader. It may prove to be that there is no other way. Every owner of property in excess of some small minimum—say £100—must then be called upon to make a statement of all his property, and to realise one-tenth of its value for the State, whether by selling such portion of it, or by finding the equivalent out of his already severely taxed income, in return for the concession of being allowed to retain his lands, houses or securities intact. *We may well make this colossal sacrifice as easy as we can by calling up only* 1 *per cent in each of the ten years*; and on the other hand, by allowing a discount of the full 5 per cent per annum that the Government will save in interest charges in return for prepayment of the whole or any portion earlier than the due dates. But one-tenth of the value of all private property the Government must, it is suggested, appropriate within the first decade after Peace comes for this supreme national purpose, if this is deemed necessary in order to be able effectively to protect the rest.

It would, of course, be invidious to put the burden on the property-owners alone. Every inhabitant of the United Kingdom has the same interest in National Defence, lest he and his be exposed to the fate of the Belgians, the Poles and the Serbians. Just as we ask the property-owner for one-tenth of his wealth, so we might fairly ask every man and woman registered as electors and not possessing (and therefore not paying the Capital Tax on) £100 worth of property, to contribute for these ten years a special Citizen Tax, to be devoted exclusively to the same purpose of freeing the State from one-third of its debt—say, a poll-tax of ten shillings per head per annum. There must, in practice, be a limit below which such a tax could not be collected without actually impinging on the means of life itself. The very existence of such low earnings is a national disgrace and disaster, which we ought to remedy as quickly as possible. Meanwhile, we must, in order not to create more liability

than we discharge, limit the Citizen Tax to adults earning not less than, say, thirty shillings per week.

Such a Capital Tax, assuming it to be paid by equal instalments throughout ten years, accompanied by some such Citizen Tax, would yield about 100 millions a year; and such a sum continued for a decade would extinguish 1200 millions sterling of debt.[1]

IX. Will such Taxation cripple Industry, or drive Capital out of the Country?

Any proposals for taxation, whatever they are, will always be met by two stock objections. It is invariably said that the tax will destroy or cripple the industry of the country, or some part of it. It is alleged with almost equal persistence, that the tax will drive out of the country the capital without which industry cannot be carried on. These charges are certain to be brought against the heavy taxation now required.

With regard to the allegation of crippling industry, it must be pointed out that—whatever may be said of taxes on particular commodities, on particular tastes or habits, or on particular imports—*the Income Tax has no crippling or injurious effect on industry.* Unlike taxes on commodities, it does not raise the cost of production of any article. Unlike Excise Duties, it in no way hampers or interferes with the process of manufacture or the course of trade. Unlike taxes in proportion to the output of industrial concerns, whether by stamps or on wages, it does not fall on the man who is making a loss, or who is just struggling to pay his way. Unlike any system of licences, it prevents no one from starting a new business, or from extending an old one. Unlike duties on raw materials or components, or excise on products, it involves no increase of capital, and demands no advance before a profit accrues. It comes in

[1] See a paper in *The Economic Journal* for December 1915, by Mr. A. Hook, making much the same suggestion.

merely after the business has been done, after the product has been paid for, after the profits have been made. Moreover, it is less than any other known tax liable to being "passed on" to employees or customers. What the Income Tax does (and this is really why we dislike it) is to intercept, after it is made, a portion of the income that we were intending to spend for our own purposes, in order to divert this portion to the service of the State. No method of taxation can possibly be more free than the Income Tax from the accusation that it cripples or hampers industry.

The proposed additional levy, within the next ten years, to be made on the capital of all property at the rate of 10 per cent once for all (which, however, might be payable at the rate of 1 per cent a year), has the same advantages as the Income Tax. But it may have the drawback, in the case of persons engaged in manufacture or trade, of compelling them to encroach on the capital necessary for the conduct of their business. It may be observed that this part of the value of property is not very great. Out of the 300 millions taxed each year on passing by death, only 17 millions were represented by "Trade Assets, *i.e.* Book debts, Stock, Goodwill, etc.," and only 20 millions (much necessarily belonging to non-traders) by "cash in the House and in Bank." It does not seem as if as much as one-tenth of the Capital Tax would fall on the liquid business capital on which it is specially inconvenient to encroach. Moreover, this would not be encroached on so long as its owner had any other property that he could realise or mortgage; and few business men could not find enough money invested in securities to enable them, by realising, to pay a 1 per cent tax annually for ten years. It is true that, in so far as the Capital Tax renders it necessary to realise by sale some portion of the property, this will take place in a bad market, at a time when many others are selling. But this is part of the burden of the levy, not to be helped. Moreover, in the great majority of such cases owners would be led to economise in order to avoid the necessity of selling—in

itself a good thing; and, if the worst came to the worst, the sales would be spread over a whole decade. Finally, it is objected that any tax on Capital is economically objectionable—including the existing Death Duties—because it may involve a using up of the national capital as income. This objection does not apply to the case, such as that now contemplated, in which the Government will be using the whole of the Capital Tax, and more, for essentially "Capital" purposes, namely the repayment of National Debt.

It is a very different objection that taxation of the magnitude now proposed will "drive Capital out of the Country." Doubtless the idea will cross the minds of some property-owners of the possibility of escaping the increased taxation by transferring their property or themselves to other lands. But they will find this in nearly all cases impracticable.

To begin with, no transfer of capital to other lands, no diversion of investments to American, or South American, or Polynesian securities or plantations will avail to escape taxation *so long as the owner is domiciled in this country.* The Income Tax and the Capital Tax, like the Death Duties, will be levied just as inexorably and collected as inevitably on capital thus "sent out of the country" as on that invested in the United Kingdom. The much-feared diversion to other countries of the fluid investments of the British capitalists is not influenced by the severity of British taxation, because *they have to bear it equally wherever they invest their money.*

But the capitalists may flee from this heavily taxed country, and take their wealth with them? They certainly may, if they like, abandon their domicile in this country; sell off their houses and parks; and go to live elsewhere, as happened in 1915 in one notorious case of a merchant and shipowner, engaged in the international dead-meat trade. But where will they go to live? All over Europe and the colonies and dependencies of the European countries they will find similarly heavy taxation. It may be in the United

States that they will take refuge (where, by the way, there is already an Income Tax). But it must be remembered that on all property that they retain in the United Kingdom they will still be liable for taxation. The land and houses, the railways and factories, the machinery and plant of this country—which represent four-fifths of its wealth—cannot be taken away. At most, only such capital as is represented by overseas investments, and only such fraction of that as belongs to persons who chose actually to expatriate themselves, could possibly escape British taxation. The one case in which there is any appreciable danger of specially heavy direct taxation injuriously affecting the profits accruing to this country (and this is not, strictly speaking, a case of "driving capital out of the country") is that of the merchant or shipowner doing business not in England at all, but in or between other countries, where the "capital" employed is already out of England, but where the head office of the management happens to be in London, or the owner to be domiciled in this country. In this instance, it may be admitted, if the capitalist chooses to expatriate himself, and to give up the advantages that caused him to centre in London the management of his overseas business, he may migrate, and thus exchange the British taxation for that of the country to which he expatriates himself. An analogous case is that of a doctor or musician, who might choose to migrate to New York, where his professional earnings would perhaps not be so highly taxed. The danger, in fact, is not so much in driving away "capital," as in inducing a migration of men obtaining exceptional incomes from their own exertions, whether in business or otherwise. To the extent, however, that these men consume, by way of personal expenditure of themselves and their families, the economic equivalent of what by their skill they produce—and this is to no small degree the case—the actual economic loss to this country of any such diversion of their activities is lessened. This country did not gain by what they consumed, and would not lose by their consuming it elsewhere. It

gained by what they saved and usefully invested in this country; and our financial loss by their migration would be practically limited to the extent that it caused them to divert more of their savings to investments elsewhere than in this country.

To sum up, there is nothing in heavy taxation of income or capital that can be shown to "drive capital out of the country," except possibly to the limited extent in which, not capital in this country, but overseas investments, or businesses conducted in or between other countries are concerned; and then only when the owners of such capital (which is already "out of the country") elect to expatriate themselves. *This they might equally do from fear of taxation of the same degree of severity if it were levied in any other way.*

There is, however, another objection to heavy taxation, which is often used as an argument against any serious Income Tax, namely that it prevents saving among the rich, and thus restricts the creation and profitable investment of new capital, which is advantageous to the community. We are asked, in effect, to leave untaxed the big incomes of our landlords and capitalists, on the plea that these big incomes are the source from which comes the greater part of the new capital on which a borrowing Government or company pays interest, or out of which our additional ships and new mills are constructed, our yearly increment of dwelling-houses are built, and our tramways and electricity works are extended. Now, it may at once be admitted that all heavy taxation, whatever its form, tends to restrict the margin available for saving, and (though to not quite the same extent) to lessen the actual saving. We may go further, and admit that taxation falling severely on the incomes of the wealthy, like a graduated Income Tax, is likely specially to lessen the large proportion of the creation of new capital that arises from the almost automatic savings and investments of the Rothschilds and the Grosvenors, and all the others whose incomes actually surpass their spending capacities. This is, as things are now organised,

undoubtedly part of the evil result of having to levy such heavy taxation. But when heavy taxation becomes necessary, the use of this argument by or on behalf of the wealthy amounts to a plea that the poorer members of the community may be compelled *to pay heavier taxes than would otherwise need to be imposed on them*, in order that the wealthy may be relieved of a portion of the burden. There is good ground, in abstract theory, for exempting from Income Tax any portion of the income devoted to public objects. There is even an argument for confining assessment for Income Tax to such part of the income as is not saved and permanently invested as new capital. But seeing that such exemptions are (with the exception of the amount spent on Life Assurance) not found administratively practicable, and are denied to the relatively poor as well as to the wealthy, there is something rather mean in the wealthy claiming to have the whole of their vast incomes lightly dealt with on the plea that many of them (but not all) save a large portion of these incomes, whilst still expending hugely more than the average citizen on their household expenses and amusements. The saving that comes from abstinence remains, in fact, far more easily open to the rich man, even after he has been supertaxed, than it does to the poor. It is only the saving out of surplus income (for which he has hitherto been able to get the "reward of abstinence"!) that the rich man fears may be impracticable to him, if taxation be further graduated against him. It does not seem profitable to forgo any equitable taxation on the incomes of the wealthy—involving, as this would, an actual increase of the burden on their poorer fellow-citizens—merely in the hope (not always realised) that the wealthy will save and usefully invest a part of these incomes. Such large savings by a wealthy class have an inherent evil: they increase and perpetuate a functionless, tribute-levying class of *rentiers*, which is already a dangerous element in the State. If there proves to be any substantial check on saving, and if the supply of additional new capital falls short

of our requirements, the State itself can supply the capital (as is already done by nearly all foreign and most colonial governments) for investments held to be in the public interest (such as agricultural development, housing, new scientific applications to industry, etc.), obtaining it by loans, or by Death Duties or other taxing—to that extent, in fact, making saving compulsory on the taxpayer. More immediately relevant, perhaps, is the consideration that the form of "saving" and the particular "investment" which is of the greatest importance to any community—the devotion of a larger portion of the annual product to the nurture and training of the rising generation—is at present hampered and restricted by the present unfair incidence of the Income Tax. We should, in this way, do more to promote the form of "saving" that is of the greatest importance to the State by having a ten shillings Income Tax, assessed on Family Incomes as herein suggested, than by limiting the Income Tax to five shillings or even to half-a-crown in the pound, and assessing it in the present way, now so penalising to parents. The former might interfere more with the automatic accumulations of the great financiers, but the latter stands in the way of a better education for hundreds of thousands of young men and women on whom the future production will depend.

Finally, those who think such an Income and Property Tax as is here proposed to be very objectionable, are invited to produce any other form of taxation, less open to objection, *that would yield the required amount.*

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THE END

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THE FABIAN RESEARCH DEPARTMENT

25 TOTHILL STREET, WESTMINSTER

THE FABIAN RESEARCH DEPARTMENT is an association of persons interested in social, industrial and political problems, and co-operating to promote investigation and research. Whilst the Department had its origin in the Fabian Society, to which many of those connected with it belong, it has, from the start, had its own funds, administered by an Executive Committee annually elected by its own membership by postal vote. The Department, which is thus entirely independent and autonomous, is not committed to any theory or dogma, and requires from its Associates, whether workers or merely subscribers, no adherence to any view or party. Among them, indeed, are men and women of diverse opinions, agreed only in the pursuit of knowledge. In the same spirit the Department assumes no corporate responsibility for the conclusions to which any of the investigators or researchers may come, whose work it assists, or whose reports it may publish. In the investigations it initiates it leaves each person, or group of persons, entirely free to arrive at whatever results the research may lead to.

The work undertaken by the Department varies in character. At all times it is answering enquiries on the most diverse topics (such as employment, public health, drink, education and industrial organisation)—it may be for Trade Unions or other Labour Organisations, it may be for foreign or philanthropic use, it may be for Members of Parliament or Government Departments. The War has widened the range of this service, whilst sweeping off to the Colours nearly all the younger male workers. Nevertheless five separate Committees of Enquiry are (June 1916) actively at work, each with its own group of researchers, investigating respectively: (a) *Women in Industry*—the conditions under which women are now working in the manufacture of munitions of war, and in other trades; (b) *How to Pay for the War*—the way in which, when Peace comes, the heavy financial burden may best be borne, so as neither to depress the Standard of Life nor cripple industrial enterprise; (c) *Trade Union Organisation and Regulations*, which evidently need a great deal of development and reconstruction; (d) *International Agreement*—the new organisation for the adjustment of differences between States, and for international legislation, by which future wars may perhaps be prevented; and (e) *Professional Organisation*—the means by which the various brain-working professions control and direct their several vocations.

Other subjects are taken up (i) as they seem urgent; (ii) as groups of researchers can be organised; or (iii) as they are pressed for by subscribers. For instance, in 1915 a special Committee, acting in conjunction with the Parliamentary Committee of the Trades Union Congress and the Labour Party, prepared gratuitously the whole 700 pages of *The Labour Year-Book*, which was published at one shilling. A special report on *Trade Unionism in Germany* was published in January 1916 (7d. net). Elaborate reports on the *Working of the National Insurance Act*, *Co-operative Production and Profit-sharing*, *the Co-operative Movement*, *Industrial Insurance*, *State and Municipal Enterprise*, *Suggestions for the Prevention of War* and *English Teachers' Professional Organisation* were published in 1914-15 as Supplements to *The New Statesman.*

Appeal for Workers and Funds

Additional volunteer workers, trained or untrained, men or women, able to give whole time or only a few hours a week, are urgently needed to replace those called to the Colours. There is no work more truly of National Importance than social investigation. Many of the enquiries cannot wait until the War is over: if they are to be in the least useful they must be undertaken now. If we delay we shall fail to get the information which is necessary when reconstruction has to follow wreckage.

Research cannot pay for itself, any more than it can be conducted by money alone. The Department is kept going by its 250 members and associates, who are mostly busy workers in different professions, and who give their gratuitous services in the various enquiries, and do a vast amount of the patient drudgery that research entails. Such of them as can afford it do not confine themselves to the minimum subscription for Department membership, but also contribute substantially in money. But this does not nearly suffice. Hard cash for office and other commercial expenses to the extent of at least £500 per annum is required. Indeed, to carry on the work without a lamentable waste of the time of first-class workers on third-class work within the capacity of the humble typist demands a great deal more. The slenderness of the Department's financial resources not only compels it to husband them in a way that is really wasteful, but forbids extensions to fields yet untouched.

Subscriptions, or any enquiries, may be sent to G. P. Blizard, Hon. Secretary and Treasurer; or to L. Arnot, Acting Secretary, at 25 Tothill Street, Westminster, S.W.

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