

We can also complete this broad view of the century by considering the second fifty years in two periods, which carry the movement of 1850 forward by separate steps.

The first quarter of the nineteenth century has already been described as a period of everything done wrong. So far as there were definite policies affecting industry they were either based on a protectionist conservatism or on an unconscious application of the teachings of Smith and his school, and so far as affected many sides of the life of the people there was a want of definite policy and an ignorance of economic causation, whose results were of the most disastrous kind.

At the opening of the century the standard of wages could be maintained in one of two ways. The Justices of the Peace could, if appealed to, fix fair rates for certain trades, or the apprenticeship regulations, which still held good, could govern the supply of labour to skilled trades, and so maintain the standard. Much use had been made during the eighteenth century of both these means, but the power of the Justices was taken away in 1813 and the apprenticeship condition in 1814, labour being thus left without any measure of legal protection at all. This would have mattered less if, at the same time, the right of

self-help had been granted, but the unconscious individualism which appears in the repeal of the legal means of protection shows itself also in the law of 1799 forbidding combinations of workmen for any purpose whatever. The working classes were thus thrown into a system of promiscuous individual competition, whose effects were quite clearly realized in the teaching of Ricardo as to the tendency of wages to fall towards a level of physical subsistence. The "iron law" of wages was both the teaching of the time and the only possible effect of the legal system. At this time, too, it was, of course, impossible for the working classes to obtain redress by their own direct power over Parliament, and the result of the individualism which was forced upon people in the competition for wages appears in an appalling amount of employment of women and children in the rising mills and factories of the great cities. Again, the social circumstances surrounding such competition were also without regulation and control. No factory laws worth speaking of held good during this period. There is, perhaps, no more remarkable indication of the spirit of the time than is shown by the fact that only after twenty-five years of agitation were the hours of a

child of nine in a factory limited to sixty-nine a week by the law of 1825, and no revelations at a later stage startled the nation or touched its conscience more fully than those regarding the employment of children. Even the Poor Law children, to whom the State was foster parent, were thrown into the field of employment with practically no knowledge or care of the treatment they received from the employers to whom they were sent in gangs for hire. It must be remembered, too, that the city had grown before the nature of city life and its problems were at all realized, and it was not until 1835 that any corporate control existed over the conditions of life as distinct from labour. The nation had forgotten to live in the country long before it had learnt to live in the city.

It is significant of the condition of public life at this time that the Statute Book contained no general law of sanitary supervision. Even in those towns which had obtained private Improvement Acts, health was not one of the main purposes of these Acts. Up to the beginning of the reign of the factory practically no intelligent public interest existed in this question. Disease was simply taken as an evil which accompanied growth of city life. It required the example of the

cholera epidemic of 1831 to 1833 to stir up public attention; and the Poor Law Commissioners thereafter took up the question of health and the prevention of disease in relation to pauperism. In the beginning of the Forties startling reports were issued on the sanitary condition of the labouring classes in towns, and the first inquiries of a public kind into this question are those of the Committee of the House of Commons of 1840, and the Royal Commission of 1843, but we had to wait until 1848 for any general public provision for health in its most elementary aspects—the cleansing and the draining of cities. The first medical officer of health was appointed in 1847. The condition of the people in the cities during the first quarter of the century may be inferred from facts of this kind.

The financial measures which were in force during this period also bore with great severity upon the people. There was, for most of the time, a misunderstanding as to the regulation of the money system, which has given the period the name of the "Dark Age of Currency." The high prices which prevailed were due in part to the depreciation of the standard of currency, which was the effect of the policy of the Bank of England. Taxation was carried on on the basis that every commodity

and every process and transaction upon which a tax could be laid was to be taxed. The system was not only complicated and wasteful, but it meant that the charges for the revenue were laid not upon wealth which had been accumulated already, but upon the processes by which wealth and savings are created, so that the people's low wages were made still lower when account was taken of the prices of goods of all kinds, whether necessaries or not, whether directly used by the people or indirectly.

There were no less than fifteen hundred articles in our tariff in 1800. The import of some articles of food was entirely prohibited. Aided by the "colonial system" and the Navigation Laws, mercantilism was still keeping a strong hold upon the foreign commerce which might have helped to reduce prices at home.

The most important and almost the most severe of the influences of taxation on the working classes was that which was due to the Corn Laws. England began to have a balance of imports over exports of wheat just before the beginning of the war with France, but it was part of the policy of the time to protect the agricultural interest in the hope of making this country self-sufficient as regards its food supply. Even up to a

late stage in the nineteenth century great economists held the view that a nation like England could not expect to derive adequate supplies from abroad. Malthus based many of his gloomy predictions on this assumption, that the growing population would exceed the power of the land to satisfy their wants, and even Porter, who is our chief authority for the first half of the century, did not foresee the great changes in transport and discovery of foreign resources which afterwards took place. He thought that only an "inconsiderable state," and never a numerous people, could safely lean on food supplies. The agricultural interest was at this time, of course, in a specially close relation to political power, and the city population had to pay a severe price for the high protection which, on either national or private grounds, was given to agriculture. An estimate of the effect of the Corn Laws may be got from the fact that the quarter of wheat which now stands at about 30s. reached, on five occasions in the first twenty years of the century, an annual average of over 100s. During the first ten years it averaged 84s. 8d., during the next ten years 91s. 5d.; and the policy of the Corn Law of 1815, which may be taken as typical, was that of prohibiting the sale of foreign grain in this country until

the price stood at 80s. at least. In view of the position of wages in this period, prices of this kind could only mean intense privation and the denial to the working classes of anything more than the bare necessities of life.

In another branch of national finance, the administration of the debt of the country, there was also a misunderstanding of economic causation, which added to the burden which the country was carrying. It was the policy of Mr. Pitt, before the war began, to lay aside each year a fund which should be applied to buying up the National Debt, which stood then at about 240 millions. His plan worked well for a few years before the war broke out, but such a plan is of no use when the revenue of the country fails to come up to its expenditure. No financial ingenuity can bring it about in such circumstances that the debt of a nation is being reduced. But the successors of Pitt endeavoured to continue his Sinking Fund during the war. Since the expenditure of the nation was greater than its revenue, the money required for the Sinking Fund had, of course, to be borrowed. In spite of many criticisms of this system, the Sinking Fund was continued. If it had been possible to incur a new debt of a million for every million

which was paid to the Sinking Fund no harm would have been done, although the process would have been useless towards debt reduction, but, in fact, the times were so difficult that in order to obtain the money required for the Sinking Fund new money had to be borrowed on very disadvantageous terms. It was not unusual for the Government in borrowing at this time to create a debt for nearly double the amount which it obtained. Thus in 1798, $14\frac{1}{2}$ millions were borrowed, but the new debt created by doing so was 28 millions. In 1806, $22\frac{1}{2}$ millions were borrowed, the terms being that for every £100 lent to the Government the lender received stock of the value of £172, so that the new debt created was $38\frac{1}{2}$ millions. The result was that the debt was actually being increased by the system which maintained the pretence of always giving a certain sum to debt reduction; and between the beginning and end of the war the Exchequer had borrowed already 566 millions by creating debt to the extent of 881 millions, upon which 30 millions per annum of interest had to be paid. The burden of finance of this kind bore upon the people through its effect in maintaining the system of taxation.

One effect of the Corn Laws was, of course, to

bring large areas of land into better cultivation at home, and in fact the area of cultivated land which was enclosed at this time amounted to several million acres. It might seem that the extension of agriculture in this way would give an outlet to city population, and that this would help to keep up industrial wages, as happens in new countries where land is easily available. But this did not take place in England, because any extension of the area of cultivation was accompanied by the system of Enclosure of the open fields in and around the villages, and the effect of Enclosure was, on the whole, to create a surplus of labour in the villages, so that the labour required for any new areas had not to be drawn from the cities; the movement of the people was towards the cities and not away from them.

This period was also one in which the principles of giving relief to the poor were entirely misunderstood, especially in country districts. Poor Law relief had come, in many places, to be regarded as a right and was given without proper regard to the tests of ability to work, which ought to accompany Poor Law administration. The country was being turned into a school for paupers, who were not even disciplined into a desire either

to work or to live prudent lives, and the report of 1834 showed how intense the demoralization of some districts had become.

There was no Truck Act during this period, no municipal franchise through which the people might have influenced the making of the city, and the whole transition through which the nation was passing was bewildering and ungoverned. It was a transition which affected mainly the people, but the voice of the people could not be legitimately expressed, and self-help by combination was refused them. It is small wonder that there were such results as the Luddite Risings, the Cato Street Conspiracy, the Peterloo Massacres, and the stringent Six Acts of 1819. The teaching of the early socialists spread a great discontent. A civil war seemed a not impossible result of the state of the people. They had been led into the new industrialism, and the leadership of those having political power was full of conservative rather than social feeling. Only a slight defence existed in some places by the early co-operative movement. The time affords the darkest picture which has been painted of the condition of a working-class population.

It is necessary, of course, to remember that transition is the usual state of national life,

and even now this term would be applied to the condition of England. Many changes now go by the name of social reform, which are little more than the removal of most obvious abuses, and the end of the nineteenth century has given us, as the most freely quoted fact regarding the city population, the result that about one-third of them are living in poverty or distress. One has, therefore, to read the history of 1800 to 1825 with a great deal of historical sympathy, and to realize that changes which were clearly required then from our standpoint were difficult problems from their standpoint. The same historical sympathy will have to be extended to the study of the last decades of the century by future students, which we have to extend to the first decades. But the gravity with which we regard the social problem of the present time at least enables us to appreciate how tremendous the distress and how inadequate the social policy of the nation were in the beginning of the century. Fixing the estimates that one-third of our city population still lives in poverty, and that welfare is more than twice as great now as it was then, we can translate into terms of human costs the meaning of the great change of one hundred years ago.

II

The Combination Law of 1824 opens the period of working-class emancipation. And the next twenty-five years saw the breaking of at least the hardest fetters. The great fact of these years is the social ferment which arose out of the former conditions and showed itself in a great number of schemes for social, industrial, political and financial reform. There is no single line of advance, but there is one force which works itself out till at any rate the foundations are laid of a more solid national structure. It may be said of these five-and-twenty years that they include the beginnings of organized industrialism, although in many cases they did not take us past the mere beginnings.

To this period we owe the first factory laws which were of substantial value, the Acts of 1833, 1844 and 1850. By the end of the period, the labour of women and children and young persons had received a Charter of Rights so far as textile mills were concerned. The Trade Union movement passed through a period of ferment and disappointment, but seized hold of the true ideals of modern workers' combination about the year 1850. The beginning of legislation regarding Truck

was in 1831, of Public Health in 1848, of corporate municipal life in 1835. The system which had accumulated the National Debt was challenged by a Committee of 1828, and the principle was thereafter accepted that only out of a real balance of income over expenditure could the debt be repaid. The cumbrous and expensive fiscal system was in the same way challenged by the important Committee of 1840, so that after six years of great political excitement the levying of direct taxation was applied to the relief of taxation on goods, and although Free Trade was very far from being realized by the middle of the century, Peel had laid foundations which were unshaken even during the subsequent administrations of his opponents. The Bank Act of 1844 provided that the currency of the nation should be based on the definite principle of supplies of gold held against it.

The franchise of 1832 was also a beginning, but it was of less importance to the working classes than the measures of self-help which were adopted by the definite establishment of co-operation in 1844, and of the Friendly Societies, which gained an increasing amount of legal recognition and protection from 1829 to 1850.

The basis was also laid in this time of the

transport system which has unified the industrial life of the people and brought it into close connection with foreign supplies of food and materials. Few individual causes have done more to cheapen the goods that are in common use than the invention, in 1856, of the Bessemer process of making steel. It meant that the American West and the sources of supply in new countries could be far more cheaply opened up, and it is to the steel rail and the steel ship that we largely owe the falsification of the prophecies of Malthus and Porter as to the difficulties which would beset the nation in regard to its supplies of grain. England became the great builder of railway systems at home and abroad, and she obtained, too, a supremacy in the mercantile marine of the world which became possible after the wooden sailing ship, for which the advantages were with America, gave way to the steel steam ship.

These beginnings are only the outward sign of much discussion and great social unrest. They are no more than beginnings. They challenged the disorganization of the first quarter of the century, and there are two movements which lag behind and count for scarcely anything during this time. One of these is the Housing movement, which scarcely

received a fair legislative support until the third quarter of the century. The other, which is more important still, is the Educational movement. There is much discussion among the great writers and in the periodicals of the Forties on the question of working-class education. Even so great an authority as Porter, in his chapter on this subject, urges the claims of education for the people only on the ground that it will suppress social agitation and discontent. Our first educational provisions are made in the Factory Acts of 1833 and 1844, but they refer only to children working half time in the mill. Previous to 1833 the question of the education of the people had been left entirely to private agencies. Grants to education commenced in 1834 with £20,000 a year and in 1846 had increased to £58,000, but this was entirely inadequate as a means for creating any wide opportunity for the extension of education among the working classes. In the year of the Queen's accession "about a quarter of the total children in England and Wales received no instruction whatever. It was stated in the House of Commons that 49 per cent. of the boys and 57 per cent. of the girls of thirteen to fourteen years old could not read, and that 67 per cent. of the boys and

88 per cent. of the girls could not write." But all other measures of social reform depend not only for suggestion but for their wise use and development upon the education of the people to whom they specially refer, and it is the most serious omission of the first half of the nineteenth century, in its legislative aspect, that the people were almost unable to develop the spirit of intelligent democracy which might have given them a leadership of their own in the times when industrialism was still pliable, and many modifications of the employment relationship might have been possible. It is significant of the backwardness of public opinion on this subject that when the Board of Education was constituted in 1839 it was only by a majority of two votes in the House of Commons that an amendment was rejected, praying Her Majesty to revoke the order of Council by which the appointment of the Board was made. Mr. Porter himself bases his plea for this cause on the ground that "the true path of safety will be found in educating the people—in teaching them to discriminate between evils referable to the imperfections of human institutions, and therefore amendable, and such as arise in the order of Providence. . . . It is seen that the mind can be cultivated without

developing a disposition to mischief or engendering any irrational feelings of dissatisfaction with their lot; while, on the contrary, instruction, when accompanied with moral training, is felt to exercise a benevolent influence in restraining from evil." "Have not all their strikes and risings," he says again, "had for their object the attainment of something which, in their unenlightened reasoning, they have conceived to be their right—mistakenly, no doubt—by proving thereby how deep is the interest they would feel in securing the chief welfare from the moment they should come to know how completely their own true interests are involved in it?" Stronger ground was taken by other advocates who urged the claims of popular education in the name and for the sake of social and industrial change. "What better security could a government desire than that its subjects shall never complain without a cause, or complaining, shall never urge their suit with intemperance," was the summary of a remarkable paper written early in this period to the *Edinburgh Review*. Though many beginnings were made at this time in social reform, the lack of appreciation of the relation of educational reform to the value of all other changes maintained the condition under which the

people were *legislated for* and had social improvement imposed upon them.

III

For about thirty years after the middle of the century there took place a gradual consolidation of the elements out of which the industrial system was formed. It is the building-up period as regards both national organization and legal control. The time coincides with the period of great manufacturing and agricultural prosperity in the country, and along with this great industrial success there ran a strong current of thought on the social aspects of industry.

The movements which aimed at self-help, especially the Trade Union and Co-operative movements, reached manhood stature by 1875. Co-operation, which had extended from district to district in a number of local stores with their own governments, entered on the stage of federalism by the establishment of the English Wholesale in 1863. This implied a working-class control over a system of purchase and production which was a strong defence against similar consolidation on the side of private capitalism. And in addition to the consolidation of the movement through

the Wholesale there began its extension in an organized way into branches of industry such as transport and banking, which are closely allied to its main industrial and social ideas. Its extension also carried with it a great impulse towards common interests, and a diffusion of the social spirit and the educational idea among the working classes.

Trade Unionism had been placed in a position which was not more than tolerance by the Act of 1825. From about the year 1850 onward it had established itself on a basis not only of great strength, but of constitutional policy in its relation to employers. The result of this was that when its legal standing came to be revised by the Royal Commission of 1867 its rights were definitely conceded and it became, by legislation, an approved part of the industrial system. The status of labour was defined by the Master and Servant Act of 1867, and the Employers' and Workmen's Act of 1875. The movement for co-partnership received also a considerable impulse at this period, but only persisted as yet in individual instances here and there.

Of very great importance to the people was the Housing legislation which now came on the scene and dealt with this problem of the city in three different series of acts. Powers

were given under the Cross Acts from 1875 to 1885 to clear large insanitary areas. The Torrens Acts of 1868 to 1875 gave similar powers of improvement where smaller areas were concerned or individual dwellings had to be dealt with; while the Shaftesbury Acts, 1851 to 1867, faced the problem of new housing accommodation for the people. These three lines of attack on this somewhat neglected problem were afterwards drawn together in the Housing Act of 1890, whose three main parts were a re-enactment and a consolidation, with amendments, of the legislation of Cross, Torrens and Shaftesbury.

By the middle of the century factory legislation was fairly complete for textile mills, and this third period saw its extension to other industries and its consolidation by the Act of 1878. Practically all the manufacturing industries came under control by the Act of 1867, and a definite classification of factories and workshops was made in the consolidating Act of 1878. In 1875 two other methods of legislative reform reached the stage of what might be called "full development." The Public Health Act of 1875 brought into one system the Act of 1848 with over twenty amending Acts, and is still the basis of the law on this question. And the numerous

Acts which had been passed to protect the great Friendly Societies were also systematized in that year.

The working classes also profited greatly by the success of the scheme of finance which had been begun in 1842. The method of direct taxation proved itself to be an engine of finance powerful enough to reduce our customs and excise to smaller and smaller dimensions. It had been the aim of both Peel and Gladstone to bring about a result of this kind. The parliamentary discussions of this time show that the scheme of 1842 had become an almost unchallenged commercial policy, and under the influence of great manufacturing and agricultural prosperity it reached its highest degree of success in 1874-75, when the tariff was reduced to the smallest number of taxable goods, while the Income Tax had also reached its minimum of twopence in the pound.

On the side of capital a great impulse was given to corporate trading by the Joint Stock Acts from 1855 to 1862. This was practically a charter to the owners of small capitals, giving them the right to combine, along with security against each other by limited liability. It had always been possible in England for a number of people to unite

their capitals for a common purpose, but while liability was unlimited there was great risk in common action of this kind, unless the investors were well known to each other; but the new market developments, especially in transport, and the increase in the scale of production, could scarcely have been carried on unless by some such system as this for gathering many small capitals together for great enterprises. Private firms have continued to flourish with great strength by the side of Joint Stock; but yet to us now it is remarkable that the system to which we chiefly owe the mobility and the power of capital is only about half a century old. The foundation of a national system of education came only at the end of this period; almost the last stone in the edifice. Its results have only now begun to be apparent.

To a country situated as England is, a strong position in the shipping trade is indispensable, both for defence and to ensure supplies of grain which cannot be raised at home. The figures show that England was almost on equal terms with America, in this respect, about the middle of the century, though America had been gaining especially during the period 1840 to 1860. The marine supremacy, which is now so important to the

country, was due in part to the discovery of steel combined with our more advanced development in manufacture. But America had also lost seriously in this race by the Civil War, and since its conclusion her energy has been applied rather to internal development than to the recovery of her position on the seas. The mercantile marine of this, our greatest rival, shows an absolute decline since the Civil War, and our national position, as dominant for over-sea commerce, was assured by 1880.

The social position of the working classes depends, as we shall see, partly upon earnings that are calculated on an industrial basis, and which are affected therefore by the development of Trade Unionism and Joint Stock, and partly also by the indirect support which is given by local or national services. It is important, therefore, to add to the influences which became highly developed in this time those of the Franchise legislation of 1867 and 1884, and the consolidation of the law regarding municipal corporations in 1882.

At the end of this period, then, England may be said to have reached a stage of highly organized industrialism, and of well-developed influences bearing upon the industrial system. We were the first industrial nation in the world

in 1875. We were not yet faced with the problem of agricultural depression. We had benefited not only by organization at home, but by the fact that great wars had recently been waged on the soil of our chief rivals, America, France, and Germany. No tariff protection could be more thorough than was afforded to England by these disputes abroad. Perhaps their most harmful result was the establishment of the high American tariff after the Civil War. Peel had publicly expressed in the House of Commons his belief that the policy of 1846 would be followed by other great nations, and this prophecy seemed on the eve of coming true when the American tariff fell gradually from 1846 to 1860, when it stood at an average of only 18 per cent. It was the unforeseeable incident of the Civil War which upset these calculations. American Protection, the "mother of Trusts," is the daughter of war.

The effects of industrial consolidation and the social legislation which bore upon it in the first three quarters of the century show a very great improvement in the condition of the people. It is difficult to carry an inquiry much further back than 1830, but it has been shown by Giffen that in the half century ending 1883 the incomes of the working classes

had increased individually about 100 per cent., and that the greatest part of the progress of the nation in that time had been for the benefit of the working classes. "The rich have become more numerous but not richer individually. The poor are, to some smaller extent, fewer, and those who remain poor are individually twice as well off on the average as they were fifty years ago. The poor have thus had almost all the benefit of the great material advance of the last fifty years." This is borne out by a comparison of the amount of the chief imported and dutiable goods which were consumed per head of the population of the country in 1840 and 1881; and although many new costs have entered into the expenditure of the people in the greater strain of work, the need of travelling, or the increase of city rents, these new costs are rather a statement of the fact of an increase in the standard of living than a real deduction from the gain in wages. They mean that the nature of the work is higher as well as the standard of living; and this statement of the growth in welfare holds true of all those classes who really belong, in his words, to "the new society" of the latter part of the century—that is to say, to all but the least skilled grades of labour.

This comparison has been brought up to

more recent times by Bowley and other investigators. The last quarter of the century shows that the greater part of the increase in national wealth has gone to wages, and that the continued growth in welfare shows itself in an increasing consumption per head of old goods with a margin for the purchase of new goods. Here, again, the caution must be added that these facts are true of the better grades of labour, and that they still leave, as Giffen had pointed out, the problem of the residuum to be considered. Still another inquiry, which compares the middle with the end of the century, shows that, making all allowances, real wages increased between 1850 and 1875 in the ratio of 96 to 132, and from 1875 to 1900 in the ratio of 132 to 169. As we shall see later, the gain of the people cannot be measured solely by what may be called the industrial dividend, even when every allowance is made in this respect; and especially in the last quarter of the century, there has been a great development of what may be called the public services of the nation, which have made a further real addition to the purchasing power of the people.

These facts as to the rate of progress must, however, be read in the light of many inquiries at the end of the century which go to show

that the evils which resulted from industrialism are very far from being removed. The last quarter of the century has been especially the period of criticism and reconsideration, and the results of the inquiries which have been made help us rather to understand the tremendous evils which must have existed in the first half of the century than leave us in a position of rest or satisfaction.

The great feature of the last quarter of the century is the extent to which politics became concerned with the social results of industry. Organization has been carried to its highest point, and industry has become, in a very complete degree, a question of groups and associations of producers and bargainers, but there has been in this period, as it were, a recalling of the purpose of this organization in its relation to persons, a weighing up of its costs, and a more conscious attitude towards the results of economic change. "The social idea in England no longer takes the shape of payments made in instalments and at the demand of the working man, but has become a general standpoint from which society and the State weigh and determine the position of the working classes in relation to all questions that agitate the nation, whether of education, health, industry and trade, law

or taxation; not indeed for such as stand with noise and urgent clamouring at the door, but for those who sit as brethren at the council table and represent, quietly and confidently, their interests which are recognized on all sides" (Baernreither: *English Associations of Working Men*). In this spirit every side of national life has been overhauled by public inquiry, most of which has resulted in legislation, and this body of social inquiry and legislation is the main feature of the end of the nineteenth century and the beginning of the twentieth. The principles which are involved in this new attitude must be left over to another chapter

CHAPTER IV

ROOT PROBLEMS AND THE MODERN ATTITUDE

I

THE period of revision and reconsideration of industry, especially in its social aspects, may be said to have begun about the time of the Dock Strike. The problems of housing and of the land came under discussion in the middle of the Eighties, and what may be called the Labour-Socialist movement commenced its development before the events of 1889, but the Dock Strike gave a tremendous impulse to public inquiry, not only as to the condition of the residuum of labour in great cities, but as to the rights of labour and of labour organization. The twenty years which have elapsed since have been filled to a remarkable extent with inquiry and legislation on the social side of industry. It has been inquiry carried on in the spirit of hope, both because of the undoubted record of

progress which preceded, and also because there has been a very full view of the possibilities of life and of personality, if the results for which industry exists are not sacrificed in its processes. The inquiries have ranged over every side of industrial life, and have resulted in a body of legislation through which, as we shall see, there run certain principles of social thought, which mark the beginning of the twentieth century.

In the middle of the century Mill stated his opinion that the two main problems of industrial life were those of education and the residuum of great cities. The latter had to be attacked first. If extreme poverty could be removed, then after a generation the foundations would be solid for the building up of welfare. This was his social pathology. Then came his social hygiene—the scheme to prevent its recurrence. The basis of this, he thought, was the education of the people. That was his double proposal, and it is still before us. Our most recent inquiries, like that of Mr. Booth or the Poor Law Reports, show that it is to the residuum that at least a “limited socialism” must be applied before city life is made healthy. We know that the highest results of modern civilization are still built on a broad basis of

distress. No one can live peaceably in a great city who knows about it. On the other hand, Mill's scheme for prevention is now only part of a system of proposals for dealing with adult and child life. But it is with regard to child life and education that the most remarkable steps forward have been taken, and that we have the completest body of legislation. His forecast has been so far justified that poverty and education may still be regarded as the roots of inquiry, whose results may be noted here. Some of the wider influences of education are reserved for the last chapter.

The wealth or poverty of a nation depends upon two facts—the total amount of the national income, and the manner in which it is distributed. The whole income of this country at the end of the century was under two thousand millions a year, so that upon an equal division each average family of five persons could have obtained about £180 per annum from the national stock. Whether this result makes us on the whole a rich nation will be answered differently by different classes of the people. They will probably be agreed that at any rate this figure means that the whole resources of the nation do not make us vastly rich. In the second place, it

is clear that there are services which could not be rendered on this basis of income, especially in the sphere of scientific discovery, which is, of course, of great importance to further national advance. On the basis of efficiency of service a degree of inequality becomes a necessary thing, and the chief result of the poverty inquiries is to raise this question of efficiency with regard to both the highest and the lowest incomes which are earned. Every income of ten thousand pounds, for example, absorbs the average incomes of more than fifty families, and therefore sets these fifty families to compete so as to reduce the average of £180 elsewhere. And at the other end of the scale the same problem of the relation of earnings to efficiency arises, since the question whether any form of necessary industrial service is worth *less* than a certain amount is no less serious than the question whether the highest efficiency earnings have not also their limit. Given that there are degrees of inequality, these inquiries raised the problem of responsibility, and this has had its effect in legislation for the fixation of minima, in schemes for the taxation of great wealth, and in the furnishing of public services out of the national revenues.

More than three-quarters of the people now live in the cities or large towns of the country, and as housing legislation came somewhat late at the end of the century, more than 8 per cent. of the city population is living under overcrowded conditions, that is to say, more than two to a room. Beneath this average figure are concealed figures going as high as 30 per cent. in certain districts, while if we take the standard of crowding upon a certain area, that is to say, twenty-five people to an acre, the great cities show districts where the figures go above three hundred persons to the acre. There is a close connection between the housing problem and that of poverty, for the industrial change which has made the great city and has compelled the workman to live near his work requires him to live upon land which is rapidly growing in value. The poorest of the population are often living upon some of the most valuable city land, and in view of the distribution of income this is only possible by the method of overcrowding to the acre or to the room. A definite attempt to deal with the legacy of the past in this respect was made by the Housing Act of 1890, under which either large or small unhealthy areas can now be cleared on condition that the people are rehoused,

but later inquiries showed the need for fuller measures of dealing with this problem, and it is now, at the end of the first decade of the twentieth century, the duty of a municipality not only to clear its unhealthy areas, but to consider and plan the future growth of the city. The need for betterment in this respect was specially impressed by the results of inquiry into the mortality of infants and the physical condition of the people, for it was found that the greater part of the responsibility lay in social circumstances rather than in hereditary influence. Nearly 90 per cent. of the population is born healthy. No inherent tendency exists towards a progressive decline in the standard of physique. The adverse influences upon health, which make it necessary for the city to call upon the country for a renewal of its strength every generation, were found to be mainly due to avoidable social circumstances.

As the most valuable investment to which social schemes can be applied is in the health and training of the children of the nation, this problem has been specially to the front during this period. At the end of the century it was found that one in five of all the deaths which occurred in the nation was an infant less than twelve months old, and that the

loss of life within the first twelve months was far above the normal or expectable amount, since all but 10 per cent. of the people are born healthy, and the evils from which this margin of 10 per cent. suffers need not be fatal. It has been reckoned that a loss of forty out of every thousand infants born would be normal under present conditions, but the end of the century saw an average rate for the whole country of more than four times this amount, and efforts to cope with the evil were not showing distinct marks of success. The degree to which this result was preventable was shown in many ways. First, by the great local variations; certain counties, especially those where mining, textile, and pottery occupations were prominent, had mortality rates twice as high as some of the rural counties of England, and these local variations were so permanent as to indicate that certain industrial factors were closely connected with this evil. Again, the success which has attended the efforts to cope with the problem since 1900 has also shown how great a price was formerly being paid merely for public or private neglect. Thanks to the Notification of Births Act, and certain private schemes which preceded it, as well as to the stirring-up of interest by the National Confer-

ences of 1906 and 1908, the average rate for England and Wales has been reduced in ten years from 163 to 109. And, again, it was found that, wherever the mortality at early stages was high, it continued high through succeeding months and years, and that districts which paid a heavy cost in infant life paid also a high cost in child life and the life of young people, as well as in illness and bad conditions generally. In fact, the evidence showed that there were certain results of industrial life which increased the whole human cost of production of goods, but bore with such special severity upon the youngest and weakest that the infant mortality rate could be taken as an index to separate the black spots of the country from those which had more favourable conditions. The poverty of the people was not itself a satisfactory explanation of these results; on the contrary, the national loss from this cause has been least of all in those districts where least wages are earned, such as Ireland or the agricultural counties of England. It follows that, though the poorer parts of a city pay this price more heavily than other quarters, it is not to low earnings alone that we must look for the explanation. There is an evident influence of poverty upon this problem as

there is upon the housing problem, for poverty, as we have seen, makes for crowding in the cities, and it is known that the circumstance which is most fatal to infant life is the amount of crowding to the room. Under city conditions of life, therefore, certain results tend to follow upon poverty which do not follow upon it elsewhere. The precautions which are necessary, especially in connection with the artificial feeding of children whose mothers are at work, cannot be obtained when the degree of crowding to the room becomes considerable.

There has also been a very remarkable development in inquiry and legislation for the protection of children at school. Perhaps no part of the system of life has been given such careful attention in the last twenty years as this. Four distinct ideas can be traced in the policy of recent children's legislation. There has been, in the first place, a movement to extend the minimum period of education, the legal age having been raised (except in agricultural districts) from ten to twelve between 1876 and 1899. The exploitation of child labour in industry had already given us, as a result of the Commissions of 1843 and 1866, some of the most terrible disclosures recorded in any official documents. The reasons for further advance along this first line have been

the realization that the minimum legal period of education covers, in many cases, the whole educational opportunities of life; that no child is fit to choose a trade at twelve or thirteen; that his own tastes at such a time are quite likely to be mistaken or unformed; that he has not the educational capital which will make for ambition and self-confidence, and that therefore he is liable to make a dull acceptance of the routine artisan life without the interest to join later in movements for further education. And to these considerations there has been added very recently the results of medical inspection of school children, showing in 1909 a "formidable category of disease and defect," which means "a large degree of suffering, incapacity, and inefficiency." From the new powers which have been given to deal with this, it is not desirable that children should be too soon removed, and we are now, at the end of the first decade of the twentieth century, in the midst of a movement, supported by many different inquiries, whose aim is to give up to at least the fourteenth, and if possible the fifteenth, year of life for the building up of the personal capacities upon which forty or fifty years of industry depend.

In the second place, there is a desire that

education itself should be made more fully a charge upon this minimum period. A remarkable inquiry of 1899 showed that wage earning was a keen competitor of education, in the case of even young school children. As much as fifty hours a week might be worked, mostly in casual occupations, for sums from sixpence upwards. By the Acts of 1903 and 1908 school children are now protected against any occupations injurious to life, limb, health or education, against exploitation for begging or street trading, and against employment at night, and powers have been given to fix or to limit the hours of wage-earning occupation for children, and at this moment even fuller powers are being sought.¹

Thirdly, the idea of education itself is being widened in scope. The Act of 1906 brought physical maintenance within the meaning of the word, and in 1907 not only did medical inspection become the duty of local authorities, but they were given "power to make such arrangements as may be sanctioned for attending to the health and physical condition of children in public Elementary Schools." Play centres, clinics, school nurses, vacation schools, open-air schools, and the whole organization of Care Committees are plans

¹ v. Cd. 5229.

upon which public money may now be spent in the name of education, which is no longer limited in its idea merely to adequate instruction.

Lastly, the care of children includes the policy of providing, at the end of the school period, a connection between education and industry, and of maintaining this connection after industrial life has begun. This step has been taken partly in the interests of industry and trade, in order to provide a greater national efficiency in technical processes, and partly on the more directly human ground of preventing the drift of children leaving school into the unskilled occupations which lead afterwards to the problem of the residuum. Even at the present time three out of four children, at the critical ages between fourteen and sixteen, are under no educational care whatever, and are entering upon industry without the specialized training which modern industrialism is constantly making more necessary, and which might influence them in the direction not only of efficiency but of ambition. Largely under the stimulus of foreign examples there has been a great development in the opportunities for technical training at Evening Schools, and in the provision of a public organization to assist

in the choice of employment by the Acts of 1908, 1909, and 1910.

A new energy has also been given to the study of several aspects of adult industrial life. We have seen that Giffen refers to a certain section of the people who have not shared in industrial advance as those who "do not belong to the new society," and we know that the problem of the residuum, as it is called, whatever it may have been earlier, is a vast one even now. It was possible for Mr. Booth to report at the end of the century that in the city of London about $8\frac{1}{2}$ per cent. of the people were an absolute drag upon the life of the city. The Labour Report of 1894 and the Poor Law Report of 1909 both found that this was one of the grave features of evolution. It would, Mr. Booth reported, be an absolute gain if this considerable proportion of the people of London did not exist at all. They meant a double cost, both because they could not maintain themselves, and because of the influence of such a margin upon the employment of those immediately above them. It is a class which has been fed by the deteriorating influence of city conditions, by degradation from higher ranks, by processes of industrial change, and by personal conditions, and suggestions such as Mill made in

the middle of the century were still unaccomplished and repeated at the end of it. Some drastic treatment of this residue by some means which in 1909, as in 1850, was called colonizing was felt to be the right policy to adopt, and by colonizing is meant simply some method of removal out of the field of city life and industrial competition. There is still a demand in the industrial system for unskilled work. Labour of this kind "belongs to the new society." The fact which is most full of meaning at the end of the century is the existence of an absolute surplus or human residue, which is pauper in fact though not in name. The many sources which contribute to this drift have led us to look at industrialism as a whole on its labour side from the point of view of preventive organization. How far can any forms of municipal or national industry be used to lessen those fluctuations of the market which degrade personal skill and ambition through insecurity of work? How far can alternative occupations be provided for actually increasing skill by opportunities for further training during such intervals? What are the actuarial possibilities of monetary insurance against such results? How much labour can be fitted to work which it would otherwise have lost

through the organization of exchanges, and how far can this organization of the labour market be carried out so that a "market" for labour shall still be a field of personal choice, and not merely the public ordering of demand and supply? At the end of a century of industrial evolution these problems are more acute than they ever were. The perception of possibility is so great that these defects are now more keenly felt. As we have seen, it has been one of the marks of progress that the quality of occupation has risen, even though the demands of the new form of life have risen also; and with it the standard of judgment upon an industrial residue created by a system out of persons has become more severe, even if the absolute amount of the residue has become less.

Certain economic conditions especially affecting the employment of women were inquired into by the Royal Commission on Sweating and the more recent Committee on Home Work, as well as by private investigation. The class of the community affected by these conditions is scarcely in the position of a residue; like unskilled workers, they hold their place in answer to a real economic demand. They furnish the elastic margin of many industries, especially some which

supply cheap goods of uncertain demand. The distress of this class is due largely to the easiness with which occasional workers can enter into competition with it. It is not protected through special skill, and it is further disorganized through being employed largely outside the factory, so that common action is rendered difficult. But the main economic cause of the distress which is implied in sweated conditions is the competition of manual work with the machine. This takes place in one of two ways. Either wages have to be kept very low, in order to prevent its displacement by the introduction of machinery if it claimed a high rate; or machinery has already been introduced in the mill which fixes, on the basis of a large output per day, the price of each article supplied; the manual worker must accept this price, but his or her output per day is necessarily much less than that of the machine. We have, in fact, in such forms of industry a relic of hand or domestic industry which has survived the century and still lingers on round the margins of factory employment. Our inquiries have found that the earnings often go so low as to make it "better to starve without the work," and the problem of creating better conditions is one where extreme caution is required, since the

position of the workers is so insecure. The question which has had to be asked is whether any form of work which implies the hours and conditions and strain that accompany sweated labour can be worth less than a certain minimum; whether for want of organization this class of labour is being paid less than its efficiency wage. With extreme caution the Trade Boards Act has endeavoured to create an organization which will make minimum rates of pay in certain of the worst trades. Should it prove that these minimum rates will displace the hand labourer by the machine, the industry then being shown to be parasitic, we shall be faced with a serious problem of maintenance or of training; one which may, in indirect ways, affect the rates of wages for men.

II

The first of the principles which may be said to underlie the legislation of this period is that of personal right and personal value in industry. We have seen that the growth of organization and of the magnitude of the industrial structure is liable to be regarded as in itself the end of human effort, and that especially when industrial complexity has

become very great the relation of the whole process to the end which it is meant to serve becomes more difficult to see. Both machinery and joint stock have been influences tending to increase the separateness of the worker from his employer, just as the various forms of division of labour separate his work from the products which he himself wishes to use. This question of the personal factor in industry may best be judged by making a comparison between industry and two other aspects of national life in which this factor counts for more.

The tendency of public thought on industrial questions has been much affected by the principle of what is called the "long run" and the averaging out of results. For example, the fluctuations which occur may be regarded as movements which, on the whole, balance each other, there being at one time a period of great prosperity, to be set off against a period of great distress later. This point of view implies that things are looked at in the mass and that small variations are cancelled out against each other. In the same way the problem of employment, of adjusting the labour supply to the work to be done, may be regarded as one which works well on the whole, though there are incidental disadvan-

tages to individuals. Or, again, it might truly be said that the influence of invention in displacing labour was for good if we took a long view of all its effects, and that the displacements which it causes are incidents bearing no doubt severely on individuals, yet incidents in a forward movement which ultimately contributes to the general welfare. The influence of Darwin has given great force to this method of reasoning in social evolution; he exalts the type or the system as against the individual, and while the great structure of industrialism was being built up the current of social thought was not strong enough to combat this attitude.

Now if we compare the legal or the political aspects of life with the industrial we find standards of a different kind. The point of view is in both cases intensely personal, and the argument of the "long run" is not allowed to exclude personal rights and values. It is felt in both these cases that the person is a claimant who must be listened to against the whole system to which he belongs. An injury to an individual is not regarded as simply incidental to the organization of a system. As an example of this in the political sphere we may take the celebrated case of Don Pacifico in the middle of the century. He

was a naturalized British subject who suffered injury in a disturbance in Greece, and he presented a claim for compensation. The fact that a civil injury had been done to him in the midst of a disturbance abroad was not regarded as incidental, or as one of the things which are always liable to happen and which must be taken as they come. On the contrary, although he was not a subject of whom the country had any reason to be proud, his claim was taken up and became the centre of a famous international dispute. In order to put right the injury done to him, the fleet was ordered by Lord Palmerston to the Dardanelles, and this case was felt at the time to show that all the resources of the country were held ready to vindicate the political right of an individual subject, even, if need be, at the cost of war. The great speech of Lord Palmerston, as Prime Minister, was delivered in vindication of this policy and point of view.

Or, again, if we turn to the legal sphere, well-known cases exist to show the same thing. Captain Dreyfus was an individual French soldier who was believed to have suffered a legal injury, and the same has been true of many individual cases in this country. No argument that injury of this kind is incidental to the working of a legal system would

have been maintained. The individual claim against the whole system of French military law was felt to be so strong that it roused a passionate interest in the whole of the civilized world. The law in this way is strongly personal in its standards and point of view.

Now it is this point of view which has become definitely conscious in industry in the last part of the nineteenth century. The working of the industrial system is known to inflict injury and damage upon individuals, and we are tending no longer to average out its results or to balance the loss of one individual against the gain of another, but to take the same attitude toward the right of, for example, one person thrown out of work as was taken in regard to Don Pacifico or Captain Dreyfus. When the case of "John Brown unemployed" is felt to create the same need for redress as the case of "Captain Dreyfus wrongly condemned," the industrial standard will have been placed on the same level as the standards of law and civics. Legislation is therefore tending to watch closely the results of industrialism as they bear especially on the residuum or on labour temporarily displaced, or upon the sickness, distress and accident which beset the industrial life of workpeople.

A second aspect of this recent movement is

its new attitude towards the idea of property. Economic standards in this respect have been of what may be called an "external" kind, that is to say, that in measuring the wealth of a country it has tended to regard as wealth the external and material goods which are owned by the nation or individuals. This way of regarding the wealth of a nation tends towards ease of measurement, and economics has usually defined wealth so as to exclude any but material goods and external advantages belonging to individuals.

The attitude of the time, however, is one which wishes to take what may be called the "internal" wealth of the nation, that is to say, the qualities and capacities of persons, as of the same rank as the external, and this means two things. It means, in the first place, the *concession* that these capacities and qualities must be guarded in the industrial system and must be legislated for; and, in the second place, it implies a *claim* that the State has a right to supervise and control the use, by the individual, of such qualities and capacities. Mill held that there was what he called an "inner circle" of the life of an individual within which the State ought not to intrude, but it is just this inner circle which the State is tending more and more both to protect and

to supervise. This is seen not only in the body of new legislation which regulates the development of such capacities in their most critical period in the case of children, but also in the tendency towards greater compulsion in the case of adults, as shown, for instance, in the insurance scheme and other aspects of the proposal to organize the labour market. Both Mill and Macaulay had pointed out that, in the words of the latter, "the security of property is the basis of Western civilization"; and when this idea is applied to property in its personal reference it yields standards of duty both from and towards the individual which have come to the surface of public thought in this most recent period. It is one basis of the claim for a "right to work."

Thirdly, there is the idea of minimum conditions. This is an idea of industrial distribution which results from certain obvious facts of production. Industrial complexity is so great that it is now almost impossible to give exact meaning to the expression "the product of one's own labour." In the days of handicraft, when a craftsman might produce an entire article by himself, place it on the market and receive the price of it, it was easy to estimate the value of his own work, but with the subdivisions and inter-connections of

modern industry it is extremely difficult to trace that part of the market value of goods which is to be imputed to the workman, who is responsible for perhaps only a part of a part of the product. In other words, since the creation of material wealth has become highly social, the efficiency value of the labour of the individual is difficult to reckon. It is possible for economic theory to fix limits, one of which is set by the estimate of the employer of the net difference to the value of his output which would be made by taking on or dismissing a few more hands; while the other is set by the minimum conditions upon which that grade of labour is able or willing to work. Between these limits there is room for bargaining, but this theoretical determination of the value of an individual's work is subject to two difficulties; the first, that the price realized for the products of a firm depends largely upon the government which controls the labour and the marketing, so that labour of the same efficiency may receive a less reward if there is any fault in the management, for which it is not itself responsible; while the second difficulty is that the idea of personal efficiency in industry is one that does not refer only to the skill of the worker. A worker of the same skill has a different efficiency, reckoned in

money, according as prices on the market go up or down. On grounds of this kind, and largely also because of the great complexity under which, at the best, a theory of this kind has to be applied, the idea of minimum standards is being made great use of, on the part of the State, with regard to the lowest grades of labour, and with regard to all grades by the organization of wage bargaining and the supply of public services in the way of health and education. Industry, it is realized, is a circular process in which the original producers, taken in the mass, are also the final consumers; but the tendency is to give rigidity to a certain part of this circular and elastic process and to require that the rest shall adjust itself to this fixed standard.

CHAPTER V

THE QUESTION OF THE SYSTEM

THE movement which we have traced in the last chapter may be described as the endeavour both by the law and by organization itself to make the system of industry work to the greatest advantage of the people, and its results, as we have seen, have been in fact to create a continually growing social betterment. But it is necessary now to consider the nature of the system itself, since a definite line of criticism and agitation is based upon the idea that social evolution cannot rest until the system itself has been altered. We have to consider, therefore, in this chapter, the nature especially of the employment relation, the influences which it creates and maintains, and how far it may be said to be responsible for a permanent condition of the people which may be justly criticized from the point of view of democracy. We find throughout the literature of the

century a continual recurrence to this fundamental issue. Improvement within the system has not been felt to be enough, improvement of the system has been advocated at every stage, not only by popular agitators but by leaders of thought.

John Mill, for example, in discussing the condition of the labouring classes, referred to a "standing feud" between labour and capital, a "division of the human race into two hereditary classes, employers and employed"; and he uses at a later stage of the argument even stronger words when he says that "If the bulk of the human race are always to remain as at present . . . I know not what there is which should make a person with any capacity of reason concern himself about the destinies of the human race." And, again, "I cannot think that they (the working classes) will be permanently contented with the condition of labour for wages as their ultimate state." The report of the Royal Commission on Labour at the end of the century refers to the same problem when it notes the "widespread feeling of dissatisfaction, at any rate in theory, with the relation between employers and employed in the shape which at present it usually assumes."

We must therefore inquire what there is

in the relation of employment which justifies statements of this sort and the constant agitation for a change of system. Such an inquiry goes to the root of the industrialism which has been established in the nineteenth century, and it is closely connected with many proposals not simply for the development of associations within industry, but of associated industry in a fuller sense of the word. In their completest form these proposals constitute State Socialism—a modification of employment based on the public appointment of industrial administrators, not merely on public control of them.

When the great industrial change took place, the relation of employer and employed seems to have developed as a matter of course. The working classes were at that time without any organization which might have enabled them to bargain for any other system, or to support claims of their own, in which the capitalist employer might have been dispensed with. The change may be shortly summed up in the statement that the firm became the industrial unit for the production of goods, so that in the great industries of the country the individual producer as a craftsman or a domestic worker lost his status. As things are now it is only the firm

which has complete productive efficiency, and the development of the nineteenth century, especially since the legislation for limited liability, has confirmed and emphasized this fact.

The word "firm" itself implies ideas of stability and fixity which are not in fact well grounded. On the contrary, as industrial development has proceeded, the tendency has been to make ideas of this sort less applicable to the facts. There is no permanence of personnel in the typical industrial structure on the side of either labour or capital. The method by which the shares of joint-stock companies can be transferred from one person to another causes the supply of capital to firms to be of a very shifting kind, while the supply of labour changes on short notice which has tended to grow shorter through the century, owing to conditions of the market. There is great fluidity on the side of both employers and employed, the permanent feature of the firm being in its management rather than in its labour or capital. It would probably be found that, if a comparison were made over an interval of time between the workers and shareholders of a joint-stock company, the former would be in many cases more permanent than the

latter; so that, through the management, the labour would employ the capital rather than the capital the labour.

The relation to which attention must first be drawn in the structure of the firm is that of employment. This cannot be regarded as simply a case of the sale of labour to the employer. Labour is not an article which is created and then sold. If it were, the workman would be in a far stronger position than he is, since he would be able to accumulate stocks of the commodity which he makes, and to hold out for the best terms. Labour is a relationship and not a commodity. It only exists in the act by which it is sold, and cannot exist unless there is access to the fixed capital of manufacture.

If the firm were a complete association, all the parties engaged in production would share the profit or loss and also the government of the firm; all of them would have part in the risks, in the ownership of the accumulated stocks of goods, in the initiative which a firm has to take, and in the credit which a firm can obtain because it is an enterprise. But the firm has developed on another basis, and the wage relationship means that the risk, the legal right to the accumulated stocks, the initiative, the government, and

the credit of the firm belong to those who supply share capital; while those who supply the labour have their risk discounted for a fixed weekly amount, and are paid off in this way. This fact of exclusion from the risks of capital carries with it exclusion from government, and the result is to create a permanent condition from which certain results follow.

In the first place, there is the effect upon what may be called "reserve." Partnership in a company means that when one's own labour is not employed, income is being earned through one's interest in the activity of the whole corporation, or additional income when one's labour is being employed. The fact that labour is not a commodity but an activity creates an obvious need for reserve of this kind, since workmen cannot accumulate stocks of labour in bad times. But those who are paid off at fixed rates lose thereby any such interest in the corporate energy of the firm. Again, the legal ownership of the accumulated stocks of goods which are made by a firm is vested on the employers' or capital side of the structure, and this holding of stocks in reserve through a slack market greatly enhances the waiting power of capital. It must be remembered,

too, in this respect, that the need for reserve on the side of labour is made still greater, since the worker cannot distribute his earning power as owners of capital can. He can work for only one firm, while the owner of capital can distribute his earning power over many firms, not only in the same trade, but over all the industries of a country.

It can, of course, be held that the weekly rate at which labour is bought off by the government of a firm is fixed so as to cover ups and downs, and so that enough can be saved during the time of employment to create a reserve for times of unemployment. We shall see later that a general admission has been made that this is not the case, and it would be the case only under conditions of equality in bargaining in which reserve itself plays a very important part.

In the second place, this relationship affects the initiative and therefore the power to obtain credit of those who are employed. Employment means that they follow a lead, and cannot on their own account undertake an enterprise, while the holders of capital, even if an enterprise has turned out badly, can, because they are initiators who give a lead to industry, obtain credit for a new start. The tendency of the relationship is to throw

both reserve and initiative where the government goes—on the upper side of the firm; and one of the notions which is implied in the criticisms which have been quoted is this notion of the provision of adequate reserve, and of the permanent insecurity of status which belongs to a class who cannot create a reserve of their own commodity and do not participate in the results of the corporate activity of a business.

Another aspect of this problem shows itself when we consider the different forms of employment which exist within a firm. Under the government of the shareholders the work is carried on by a staff, part of which is salaried and part of which consists of wage earners. The distinction between these two implies a difference in method of payment which corresponds to a difference in nature of work. A salary is a fixed remuneration which is paid over a long period of time. It is of the essence of wages that they are paid over short periods of time.

An employee who is paid quarterly does not stand to lose for even a week's cessation of work; he is carried through that by the terms of his employment. But when the conditions of service, and of notice to terminate it, are monthly, weekly, daily or hourly, the employee

stands to lose for shorter cessations of work. Any one who is on hourly terms loses for idle hours, or has security only from hour to hour; while those on weekly or longer terms have a longer security, and are carried through short intermissions of work. Now a great characteristic of the wage relationship in respect of wages which are paid by time is a growing exactness of adjustment of wages to work, so that for the shortest cessations of work there are at once cessations of pay. The wage, that is to say, partakes less and less of the nature of a retaining fee, and it is in this respect that it differs from the salary. This result is, of course, obvious in the case of piecework. The Labour Commission of 1894 calls attention to the fact that the factory system has developed this careful and jealous measurement of work against pay. "In very few instances," the Report says, "does the legal and customary notice on either side exceed a month. More often it appears to be limited to one or two weeks, and in many cases, and especially in the case of unskilled labour, a workman may be discharged or leave his occupation without any notice at all." In earlier times, they go on to say, legal engagements were for longer periods—"for a year at least," but after the factory system "short