

notice, to suit the fluctuations of trade, appears to have arisen in the interests of employers.”

Now the distinction thus made between one class of employees—the salaried staff—and the other class of wage earners is not an arbitrary one if we accept the fact of the employment relation. Salaries are paid over a longer time because the work for which they are paid extends over a longer time. It is not a repetition of one process. It implies the planning of a scheme for the carrying out of some piece of work which is only completed in a month or quarter or even in a year. On the other hand, the work for which wages are paid does consist very largely in a repetition of processes which occur over and over again, which can be carried out by one person to-day and by another person to-morrow.

But when we consider the influences of this distinction upon the wage-earning classes, it becomes evident that their status is strongly affected by them. They constitute a less fixed part of the firm than do the managers and salaried staff and foremen. The effect of a depression in trade will be visited on the wage-earning part of the firm some time before it will become necessary to dismiss a foreman or a manager. The labour unit is

large and fluctuates easily, and therefore it tends to be paid over very short times, so that even short changes in the market are felt by wage earners. It is clear that this fact, as regards the structure of a firm, adds to the problem of reserve and insecurity, so much so that an investigator to the Poor Law Commission has suggested as a possible definition of the working classes—"Those to whom the Poor Law is a constant possibility."

Add to such facts the spirit of democracy, and we have a statement of the problem of employment—an insecurity of status under the government of other people. A paradox of the time is indeed the double bitterness of labour—out of employment because of want, in employment because of aspiration. To be unable to get work, even or except on terms to which you object, is certainly a position of despair.

By more than one method a remedy is sought for the gap in the structure of the firm whereby labour is excluded in the typical case from full corporate rights. The direct method is that of co-partnership, which stands for an attempt to make workpeople shareholders, and to overtake, by a gradual building up of this system, the long start which capitalism has obtained. Of this method, and of the

weaker system of profit-sharing, more must be said later. Something must first be said here both of the significance and of the force of the great development which has taken place in the bargaining power of labour through Trade Unions. This gives an influence upon government, not a share in government; but the influence has become one which extends to many sides of the organization of the firm, and it represents a degree of working-class control over private industry which is exceeded only in the Co-operative movement.

Nothing shows more clearly the imperfect degree of association which the firm stands for than the nature of this bargaining relation, for it means that the loyalty of the employee of a firm is due in the first instance not to his firm, but to his labour organization, and this prior claim stands out at once when, on the occasion of a dispute between employer and employee, a third party steps in—the Trade Union organization—and takes upon itself the settlement of a question which has arisen within an organization of which the Trade Union secretary is in no way a member. Personal questions, or questions of detail within the firm become, for this reason, questions of principle. The whole body of labour employed in a trade becomes a party

to each such settlement, and thereby sets a claim prior to that of the firm on the loyalty of the individual employee.

But the development of bargaining has given it an influence not only upon questions of wages, but upon other matters of government. There is involved not only a fixing of standards of pay and a jealous watchfulness over every variation from the standard, extending to the minutest details of work, but also such larger questions as the amount of continuous work which may be done by an individual employee, the intervals which must elapse between one shift and another, the number and even the class of men who must be employed in carrying out a piece of work, the manner in which work shall be arranged in a slack period, the proportion of youthful labour to adult labour which may be taken on in a trade, and the methods of procedure which shall be adopted on the occasion of any dispute. All this means a control over the internal organization of a business which gives, though in a limited sphere of administration, many of the results without the form of participation in government.¹

By successive stages the claim of labour to impose such conditions from without has been

¹ *v. the Report in Cd. 5366.*

first tolerated, then approved, and finally recommended. The results of such organization by the end of the century were such as to draw from the Royal Commission on Labour the conclusion that, "Just as a modern war between two great European States, costly though it is, seems to represent a higher stage of civilization than the incessant local differences and border raids which occur in times or places where governments are less strong and centralized, so on the whole an occasional great trade conflict, breaking in upon years of peace, seems to be preferable to continual local bickerings, stoppages of work, and petty conflicts. A large conflict of this kind is usually begun with cool deliberation, turns upon some real and substantial question, is carried on with less bitterness and violence, is properly settled by a regular and well-thought-out treaty of peace, and does not leave behind it much personal rancour or ill-feeling between individual employers and their workmen." Their conclusion was favourable to the trades where high organization, even of the form of an armed peace, had taken place, as against the trades in which such organization was weak. Still later the Poor Law Commissioners of 1909 have definitely recommended the forming of Trade Unions,

especially among the lower grades of labour. And although in quotations like the above attention is drawn specially to the militant industrial aims of Trade Unionism, it must not be supposed that this represents their main activity. Dispute pay is, in fact, almost the smallest part of the outlay of Trade Unionism as a whole, and amounts to an average of only about 1s. 6d. in the pound of their expenditure. The claim to an influence on the organization of business which shall make up for the exclusion of labour from direct government has been maintained at so low a cost in strikes that only about one dispute out of every seventy at the present time results in a stoppage of work.¹

The growth of such organization was impeded during a large part of the century by both public opinion and the law, and there is still much confusion as to the rights and status of labour organization; and this delay in building up the system which was to act as a substitute for rights of government enables us to take an historical view of the position of wage rates as they stand. A theoretical statement of this position, as we have seen, gives us limits beyond which the employer or the workman will not go—the

¹ Cd. 5346, p. xxi.

reserve prices for labour. But between these limits there is room for bargaining, and the question whether wages now stand nearer the upper limit of what the employer can give or the lower limit of what the workman will take is not simply one of present-day strength of organization, but also of the past movement of bargaining. It might, for example, be held that out of such conditions as prevailed at the beginning of the century wages have gradually been raised as Trade Unionism has secured a stronger position, but that they have not yet been raised either to the level of the real value of labour in the State or even the real costs of the standard of living of labour itself. The explanation of actual wage rates would therefore be as much historical as theoretical.

Now it is a remarkable feature of legislation at the end of the century that some such admission as this has been made. It is practically granted by a great part of this legislation that certain costs, which belong to the workman's standard of living, cannot yet be charged upon wages. In theory, with full equality of bargaining power, the wages of a trade would stand at such a level as to allow for the uncertainties and risks and liabilities to accident of one trade as against another, but the State has come forward with schemes

which charge upon the revenue of the whole State many of the costs of living of the people, such as education, provision for old age, and insurance against sickness or unemployment. That it should be deemed just to meet these charges by schemes which are either partly or wholly non-contributory from the side of the workman amounts to a declaration that wages have not in fact reached, by the process of bargaining, a level which would enable them to meet, by themselves, the full costs of living.

The number of public and private subsidies which, at the end of the century, come to the aid of wages is such as to amount to an important percentage on the wages bill, and when we ask the question how the industrial régime alone distributes the wealth of the country we have not reached the end of the problem of distribution. The movement of the century has been one in which national distribution, or redistribution, has proceeded along with industrial distribution, there having been, especially in the last quarter of the century, a great development of the public services placed at the disposal of the working classes. These services, such as free education or old age pensions or the recent proposals for insurance, are to be

distinguished from other national services such as defence or justice, which are not of the nature of subsidies to one class out of the general revenue. Supports to wages of this kind have as a rule been based on the principle mentioned above, that they are necessary to the standard of life, and that wages alone cannot yet bear the charges; but it is also a possible view that the development of such grants in aid tends by itself to lessen the force of wage-bargaining and to act as a substitute for the more direct method of higher wage rates. One must remember, however, in this connection, that the interests of the State themselves have been felt to be involved, and this ground is one of the best justifications for the method of subsidy, even at a possible cost in bargaining strength; for national grants of this kind carry with them powers of control or compulsion, and the State has a stronger grip on such sides of national life as education and health if it offers the service wholly or partly as a gift and requires that it shall be used, than if the provision of the service were thrown on individuals perhaps earning higher wages, out of which a definite reservation for health or education might be more grudgingly made.

In order to perceive the extent to which

the distribution of wealth on its industrial basis alone is affected in this way, one has to suppose the abolition of all forms of charity, whether by subscription or institutions or individual gifts, as well as the abolition of national services in favour of the working classes. It is probably not an exaggerated estimate that these together amount to 15 per cent. of the wages bill of the country, so that bargaining would require to force wages up by this amount if industrial distribution were to stand by itself. As it is, the régime which the nineteenth century has developed is one in which we must regard wages as a *provisional payment to labour* out of the national income, a supplementary distribution being made in the form of public services or of gift. This bears out what has already been said as regards the policy of minimum conditions. Only up to a certain minimum are we now able to reckon the value of an individual workman's services to society; and up to that minimum we make him a provisional advance out of the industry he works for. Over and above that he is entitled to share in certain common goods, which stand for the less definite addition which should be made to wages in order to raise income to the full equivalent of work done. In view of this,

it will be seen that the movement towards political democracy is not merely parallel to, but is an inseparable part of, industrial democracy.

Another method by which it has been sought to overcome the division between labour and capital within the firm is that of profit-sharing in any of its numerous forms. Schemes of this kind are initiated from the side of the employer, and are always, therefore, a less democratic method than that by which Trade Unions bargain for a share in the surplus. Profit-sharing has a history which goes back in England to the year 1829, and England is not only the original home of this system, but it has been also the chief sphere of experiment on these lines. The mark of profit-sharing is the allowance of some kind of bonus to employees, paid as a percentage of their wages. The typical case is one in which a certain minimum profit is first allotted to the ordinary capital of the company; after and when this minimum rate is obtained a part of any additional profits, say a half, is paid to labour and the other part to capital. The payment may be made purely at the discretion of the employer, or it may be an obligation undertaken by him and implied in the wage contract. The essential is that the bonus is paid to the

employee simply as an employee and not as a shareholder in the firm. But there may be the intermediate case in which the employer enables his workmen to obtain shares in the firm upon special terms which are open only to his own employees, and thereafter pays dividend in the ordinary way upon these shares. Schemes of this kind stand between profit-sharing and co-partnership.

Since the first scheme of this kind, undertaken by Lord Wallscourt in 1829, every year has seen both new attempts and new failures. At the end of eighty years, one hundred and ninety-eight schemes had been entered into by private employers, but of these only forty-nine were still in existence. The years 1889 to 1892 were the most fruitful, eighty-four schemes having been begun in that period, of which sixty-four have since ceased to exist. It cannot be said, therefore, that in the open market of business any very great impression has been made upon capitalism by this method, since the forty-nine existing schemes include little over sixty thousand workpeople. Even in the market to which we should specially look for the application of this principle, that of Co-operative Trades, it has not been widely used, only about one in seven of all Co-operative Societies in the United Kingdom being

returned as having any profit-sharing with their employees, and in the still more sympathetic market of working-class Productive Associations only one in three is returned as giving a bonus of this kind. But though the area of its application is thus a narrow one, the idea has always been kept alive, and it is of interest to consider the market conditions which have hindered its fuller use, as well as the most recent change in form which it has undergone in the name of schemes for Social Betterment.

It is evident, in the first place, that profit-sharing alone not only implies the exclusion from government of the employees who benefit by it, but that the payment of a bonus at all may cease, whatever the efficiency of their labour, by faults of administration for which they are not responsible; or even, in the most typical cases, by results of administration which bring the total profit of the firm down to less than that minimum amount which has to be paid to capital before anything is paid to wages. This fact, that the utmost efficiency of labour may be cancelled by faults of administration or by market conditions, tends to damp that extra zeal which it was hoped profit-sharing would induce. And again, since the average amount of bonus to wages

is about 1s. in the £, the advantage is not great enough to appeal to the employees even if this were distributed to them in cash, and the appeal is even more remote when it is not paid in cash but is reserved for some form of provident fund. And what to the employers appears as extra zeal is apt to be regarded by working people as speeding up. In view of the fact that the loyalty of the workman is to his Union in the first place, it may naturally seem to him that extra benefit obtained in this way is purchased at the cost of workers in other firms who do not obtain a bonus of this kind, and this was in fact the ground upon which its failure is reported in one of the best known cases of its trial. Trade Unionism has also, on the whole, regarded schemes of this kind with suspicion. Even though there is evidence that the bonus has been in addition to and not instead of standard rates of pay, yet there is always the fear that the discipline of the men's combination is rendered more difficult by special attachments of this nature. Wage-bargaining has developed a spirit of independence and an idea of industrial rights which do not seem to mix well with those rival ideas of industrial favour and philanthropic endeavour.

In recent times the sharing of the gains of

large businesses has been carried out less by the payment of a bonus on his earnings to each individual workman than by what might be called "common schemes," through which the whole body of employees of a company are given the use of institutions or opportunities of a social or educational kind. This is the method of Social Betterment, and it possesses many advantages over the more individualized systems of profit-sharing. There is an advantage from the point of view of mere economy, since a share in a common good of this kind is usually of greater value to the individual workman than the payment to himself of a proportionate amount of its cost. For example, a sum of £1000 divided annually as bonus among 1000 men creates a less advantage to each than he could obtain by the right to the free use of some institution costing £1000 a year. And there is also some advantage from the point of view of the democratic spirit, since the consolidation of the bonus by means of a common scheme makes the relationship of donor and recipient less individual and places it at one remove.

Much of what is now called "Social Betterment" or "Model Employment" implies rather the removal of unfavourable conditions than the gift of specially favourable conditions.

The mere fact that such schemes attracted great public attention in the beginning of the twentieth century is a serious reflection upon existing standards, and is to be read in the light of the criticism of fifty years hence no less than in the spirit of sympathy with its purposes at present.

These schemes are distinguished from any form of Socialism by their acceptance of social classification, and their desire to make such classification work as well as possible. Their aim is friendly relations and the desire to show that the real interests of labour and capital are the same, and that "neither can take advantage of the other without the common interest suffering." The statements furnished by the founders of such schemes continually repeat this as their ideal. "Some must follow and some command," but the best industrial leadership is that of the employer who commands not only the labour, but the enthusiasm and confidence of his employees.

Most of this work has required the resources and the power to take risks, as well as the sympathy, of large employers, and the schemes of great businesses both at home and abroad are so complete and elaborate that only large profits could bear the cost. In such cases it is always possible for the idea to arise that

profits must be very great indeed, and for the question to be tacitly asked—what proportion of them is given to welfare schemes ?

Most of the leaders in this new method of profit-sharing have taken the ground that it is remunerative to the employer. It is thus to be regarded as an investment which saves wear and tear, and creates a good feeling which is of real value even from the business point of view, and a statement of this kind does a great deal to lessen the objection to paternal relationships; and provided that a way can be steered between the ideas of philanthropy and of a purely business investment for the sake of industrial peace, there are two aspects of the welfare movement which always commend themselves. In the first place, there is the idea that the solution of some part at any rate of the industrial problem can be found by actual development of the conditions of work; that industrialism can solve some of its own problems by giving a wider meaning to the idea of employment. Just as in recent times the idea of education has been extended so as to include not only instruction but physical training, medical attendance, the feeding of children, the provision of play centres, and home visiting, upon all of which public funds may now be expended in the name of

education, so the idea of employment is being extended from the mere payment of wages for attendance in a factory so as to include responsibilities for health, recreation, and housing. A large part, that is to say, of the social problem is being attacked *through industry*, which is seeking step by step to evolve a higher idea of itself; personality is to be approached through that gate no less than by the teaching of ethical or moral or religious *ideas* of life; and whatever objections may be made from the point of view of democracy to the philanthropic nature of such schemes will become less and less as the idea of employment, like that of education, is felt to *involve* in its very nature this wider endeavour.

Further, all schemes of this kind are a return of some of the gains of industry to the very fields in which they were earned, and therein they differ from the application of industrial profits to wider public schemes, the benefits of which may not reach the people who have made them possible. It is better that the profits of a great concern should be applied, if possible, within the firm or at any rate within the locality of the business, rather than be entirely devoted to the foundation of Universities, or to wide social schemes at home and abroad.

So far as this can be done, the objection which was made by Mill to what he called the "out-grown" virtues of the protection of the working classes by employers will lose force. Employment will be made a wider idea, and the return will be made to the actual earners, who feel that their claim comes first.

A real change is made in the structure of the firm from the working-class point of view by the method of co-partnership. Under this system the employees of a firm become shareholders, either by creating a business whose capital is held by working men, or by obtaining hold of the capital of a private business. It is thus a stronger method than profit-sharing, and so far as it goes it overcomes the initial difficulty of modern industrial evolution—the separation between those who employ and those who are employed. In this form of reconstruction England has taken a leading part. It was one of the chief hopes of the economists and social leaders of the period 1830 to 1850 that a transformation might be wrought in the position of the working classes by some development of this system. The economist Babbage made the suggestion in 1832, and Mill gave it a prominent place in his proposals for reform. He hoped that, along with schemes of colonization which

might extinguish existing poverty, and of education which would prevent its recurrence, there would be a means of lifting the working classes into a position of authority in industrial affairs, as well as of sharing more fully in the proceeds. If the improvement of the people continued he thought there could be little doubt that "the relation of masters and work-people will be gradually superseded by partnership in one of two forms: in some cases association of the labourers with the capital; in others, and perhaps finally in all, association of the labourers with themselves"; and if mankind continued to improve he thought that the latter or completer result would be dominant. As such associations spread from small beginnings the workers were to be educated for each new step, and gradually the holders of great capitals would let themselves be bought out by annuities or some similar method, so that "the existing accumulations of capital might honestly and by a kind of spontaneous process become in the end the joint property of all who participate in their productive employment; a transformation which, thus effected, would be the nearest approach to social justice and the most beneficial ordering of industrial affairs for the universal good which at present it is possible

to foresee." No doubt, as he says, the task of overtaking capitalism legally would be a hard one, "but there is a capacity of exertion and self-denial in the masses of mankind which is never known but on the rare occasions on which it is appealed to in the name of some great idea or elevated sentiment." Capitalism would set the pace and take the risk of new things, but co-operation would overtake each new start and bring into industry a real democracy. This teaching was taken up eagerly by the Christian Socialists, who gave practical effect to it by starting the Productive Associations of 1850-54, and it was also closely in harmony with the teachings of Owen on the New Moral World. Although these early schemes failed, a stronger basis was given to the movement by the Acts of 1852 and 1862, which gave security to the investors against officials, and limited liability. Productive Societies have since then risen constantly in England, usually in close association with the Co-operative movement. In 1882 the Co-operative Productive Federation was formed to act as their common agent, and a further important stimulus was given to the movement at the Co-operative Congress of 1884, at which the Labour Association for the development of co-partnership was founded.

The object of this association was "to bring about an organization of industry based on the principle of labour co-partnership—that is, a system in which all those who are engaged shall share in the profit, capital, control and responsibility." It aimed at converting to this ideal first, the Co-operative movement itself, and secondly, the wider market of private trade; and we may say that at the present time the movement has branched in the direction of (1) Societies which have working people as their shareholders, or which hope as trade expands to find employment as workers for their shareholders,—these are of the nature of purely working-class associations; (2) Private Societies which pass, perhaps, through the stage of profit-sharing into a gradual transformation of capitalism; (3) Companies having worker-shareholders, but in close relation both by shareholding and by trading to the wider co-operative movement, and (4) the Co-operative movement itself, in which it is constantly hoped that they will develop a fuller sympathy with at least their shareholding employees.

Like profit-sharing, co-partnership is as yet a movement of limited extent, but it has behind it the force of greater enthusiasm and definitely unified organization. It is necessary to

discuss the movement from the point of view of the creation of working-class government in the general industrial life of the country, rather than from that of the creation of individual societies here and there in which working-class government is strongly focused. And the position which it seems best to adopt at the outset is that of understanding the difficulty of creating in the modern industrial world closed systems in which the worker, the shareholder, and the buyer shall be identical. It is scarcely possible to maintain coincidence of this kind; an identity of workers and shareholders will be difficult to maintain because the amount of capital which is required for a business or for its extension depends upon causes which cannot be made to march exactly in step with the amount of capital which a certain number of workers can supply; either they will not have enough and be compelled to call in the outside shareholder, or their capital will spill over the margin of their own firm and find investment as an outsider in other firms. Again, it is evident that a coincidence of the workers with the buyers is impossible to maintain for any individual business, since the meaning of industrial advance is that any particular product is supplied to a wider market with

a greater economy of labour. For similar reasons the shareholder and the buyer cannot be forced into coincidence. Even the Co-operative movement, in which an approach is sought to this ideal, is one in which the buyer can obtain his goods at a certain price only because the market for these goods is wider than the Co-operative, which takes only a part of the supplies of the industries from which it purchases. The facts as to the Productive Societies at present existing show how economic forces act against this ideal of closed systems, since their employees number only about one-fourth of their members, while their members are probably not more than one-tenth of their purchasers.

It is probable that if the ideal of co-partnership had been more to the front at the beginnings of the great industrial change of last century, there might by now have developed, by the accumulated force of profit and interest, a widely distributed working-class holding in the capital of the country. Even if the movement had begun on a small scale with something approaching a coincidence of workers and shareholders in certain businesses, by the end of a hundred years the capital thus growing would have ramified throughout the industrial system, so that the usual firm

of modern times might, through its working-class shareholders, have had a management in close sympathy not simply with its own labour, but with labour as a whole. One of the main difficulties of co-partnership is that the employment relation, in other words the system of capitalism, gained a long start, which forced a defensive movement in the direction of Trade Unionism, so that the struggle for working-class control over business has mainly been through the method of imposing conditions by bargaining. This method has both absorbed the main energy of the labour movement and in some ways it works more freely where the loyalty of the worker to his Union is not liable to be crossed by the holding of shares in the business for which he works. And it is evident that, Trade Unionism apart, it may well be more to the interest of a workman to hold his shares in any business rather than the one for which he works, since his risks would be better distributed.

Although the necessary result of a wide development of such schemes would be a diffusion of working-class capital, the movement gains force in its early stages by concentration of effort. A strong hold of the government of a limited number of concerns by the working classes gives the movement a stronger

start, concentrates enthusiasm, and creates a definite sphere for training in industrial government which could not be obtained by the dispersing of working-class savings in the general capital of the country; and further, what may thus be called the intensity of the co-partnership movement at its early stages has enabled it to stand in a close relation to the wide working-class market which is created by the Co-operative Stores. In both these ways the movement is nursed into strength. Its immediate difficulty is not the size of business which can be managed on this basis, for although 95 per cent. of the Productive Societies now in existence have a capital of less than twenty thousand sterling, as much as 80 per cent. of all companies registered in the last ten years are working on capitals within this limit. Its real difficulty is to overtake the start and to take jealous care that its force is in addition to and not instead of that of Trade Unionism. The first proposals of Babbage for co-partnership were frankly based on the hope that it would be a substitute for working-class combination, but as things are now the whole line must advance together, each playing its part in the endeavour to create a greater working-class control over industry.

CHAPTER VI

THE PEOPLE AND THE LAND

WHILE the combination movement of the nineteenth century has been generally accepted as an evolution which had to take place, it is with regard to the land that its results have been most criticized. A question of historical justice is usually supposed to be involved in the transition whereby the old system of small cultivators was changed, about the beginning of the nineteenth century, into the new typical English system whereby land is both owned and worked in large units. It is necessary, therefore, in the first place to consider the exact nature of the change which is commonly called the agricultural revolution. It took place during the same period as the industrial revolution itself and is closely connected with it. It was, like the industrial revolution, a slow process, and just as there are at the present time small domestic industries left to remind us of earlier methods of manufacture, so there are also still left in this country

districts which have been spared by the agricultural change and represent the ancient customs of English agriculture.

The domestic system of industry was inseparably connected with the cultivation of land. The household obtained its living partly from manufacture and partly from cultivation. The incomes from these two sources were supplementary to each other. So that the farmer, during the times or seasons when the land did not require his attention, became a weaver, or other members of his family might carry on carding or spinning. This is the double system of life carried on by a population distributed widely over the land which we still associate with the name of Merrie England, and it is evident that changes affecting manufacturing industry, if they resulted in withdrawing this kind of work from the farmers into large cities, would make it difficult to obtain the same livelihood from the land alone. The two revolutions, therefore, are parts of one question, and during the years of transition there were influences of a mutual kind between the growing cities and the declining agricultural districts. The result has been in England, as elsewhere, that a population which at the end of the eighteenth century mainly lived outside the cities has

come to live mainly inside great towns and cities. It is in this sense that the nineteenth century has seen a change which may fairly be described as one into "a new form of human settlement."

In order to appreciate the degree of consolidation in respect of the land it is best to begin with the facts so far as known at the end of the nineteenth century. We have no reliable official estimate as to the owning of land, and our knowledge is derived from more than one private inquiry, but the private inquiries which have been made¹ on the basis of the new Domesday Book of 1873 give results which agree closely with each other, and these results go to show that the number of persons who owned land more than an acre in extent was somewhat less than 200,000 in England and Wales, or about one in a hundred and seventy of the population. But this alone does not indicate the full degree of concentration which has taken place, for out of 33 million acres of enclosed land, about 15 million acres were estimated to be owned by about 2,250 proprietors, so that "nearly half the enclosed land in England and Wales belongs to a body numbering only $1\frac{1}{2}$ per cent. of all the landowners, even

¹ By Mr. Brodrick and Mr. Shaw-Lefevre.

excluding those below one acre," and the fact that less than 200,000 could be called landowners at all may be compared with the position of land tenure at the time of the Civil War, when it is estimated that with a population of only $5\frac{1}{2}$ millions England had about 180,000 small freeholders or yeoman farmers.

Just as estates in land have become gradually consolidated, so also has the farming of land. Large farming is the English custom. About 70 per cent. of the area of cultivated land is in farms of more than 100 acres. Of all Western European nations, it is England which has the largest average holding, the smallest proportion of cultivators who own their holdings, and of acreage owned by its cultivators. Of about half a million *cultivating* holders, only about sixty thousand are owners, or 12 per cent.

At the end of the eighteenth century, in more than half of the parishes of England the system of land tenure was one in which "common rights" played a large part. The holders of land in these districts represent what was left of the old manorial life of England. The feudal relations which had formerly existed in such villages had by that time passed away, and the cultivators held either by lease or copyhold or freehold. But

although the feudal relations were gone, the method of cultivation was still substantially the same as it had always been, and it is especially with regard to the transition which took place in villages of this kind by the process of Enclosure that a question of historical justice is held to be involved. In the rest of England, which had never been under manorial conditions, this problem does not arise. In these places the owner of the land was not bound by customs and concessions which had grown up in the manors. The distinction between the two forms of manorial and non-manorial tenure is specially to be observed by the existence or non-existence of copyhold. Copyhold is an outcome of manorial customs, and cannot exist except in such districts as were once under the manorial system.

In tracing the change from the old system to the new, two problems must be kept distinct. The problem of *tenure* affects the number of persons who were actual owners of rights or interests in the soil and the methods by which such ownership came to change hands; while the problem of *cultivation* is a different one, and is concerned rather with changes in agricultural methods which were rendered necessary by the circumstances of the time. But, as we shall see, these two sides

of the question interact on each other, and the nature of the transition may shortly be stated in this way,—that a change which was rendered necessary in methods of cultivation led, during its process, to changes in tenure and ownership.

The cultivation of the land in the manors was one based upon a distribution of the arable land for each kind of crop of such a kind that each cultivator held his land in a large number of small pieces. He held a certain amount in the field which was under wheat, and in order that the better and worse grades of land might be divided among all the cultivators, part of his holding was in one section of this field and part in another. It would not be unusual for the same cultivator to hold his arable land in thirty or forty or even more separate pieces; and the fields in which he held them were called "open-fields," because strips of land were not permanently divided off and fenced round. At the end of the harvest in each field, the whole of the land became commonable, so that every member of the village could turn his stock on to it for grazing. It was therefore of the very nature of the system that holdings were not enclosed, and that each cultivator had to make his way from one part of his holding to another

part by pathways across the open field. The appearance of the fields would be similar to that of a district in which small allotments are held now, except that in each of the great fields of the village the same crop would be grown by each cultivator. Each of the three fields of the village took it in turn to lie fallow in successive years. While it lay fallow it was commonable or open to the use of all cultivators.

Along with these holdings in the arable fields went rights over the waste land which lay round about each manor; according to the size of their holdings the cultivators had the right to turn stock on to the waste and to gather peat or fuel from it, and this right to use the waste was obviously of great importance to the cultivator, who could not turn his stock on to any part of his holding in the open arable fields. Further, going with the holding of each cultivator were holdings in the meadowland of the village on which was grown the fodder for his stock.

It is plain, therefore, that at certain seasons of the year after the crops of various kinds had been gathered in, the cultivated fields of the village would, for a season, all lie open, and it lay with the cultivators themselves to determine the dates of harvest and of fallow,

to appoint officials, and generally to regulate the agriculture of the village. The lord of the manor himself held his arable land in the open fields like other people, though he was a holder on a large scale; his lands outside his park were as unenclosed as those of his tenants. This was the type of the English open-field village at the end of the eighteenth century. Different customs prevailed in different manors, the allotments in the arable fields being in some cases interchangeable in different years, while in other places the same cultivator would obtain the same allotments over again.

As to the nature of tenure under this system, at the end of the century the tenure might be any of the three forms of leasehold, copyhold, or freehold. Copyhold was the survival of the Villeinage of earlier times; and it was by virtue of their tenure in the arable fields, or in some cases of cottages, that the cultivators held rights on the waste. It is important to remember that at this time the lord of the manor was the person from whom these rights were held; that the cultivators were his tenants, and that the original grants of estates to the lords of the manor had been made long before. But he was bound by manorial customs, especially with regard to

copyhold, and could not when he pleased resume that degree of ownership over the manor which would enable him to act as he chose as regards the disposition of the land. In some manors the freeholders would be numerous and the power of the lord would be less. Other manors might be mainly copyhold and leasehold and his influence would be greater. Though he owned the estate in the land, his tenants were in various degrees owners of "rights" and "interests" which gave them, small as they might be, a security and independence which was of great value to them.

The great inventions reached their period of high development and were capable of application about the time that this country went to war with France, and the influences which broke up the old system of cultivation were partly due to industrialism itself, but were partly hastened by the necessities of the French War. Industrialism itself might not have created so quick a movement to the city had it not been that the life of the cultivators in the villages was disturbed by the need for a more economical use of the land.

England ceased to be an exporting country for wheat in 1792. Ever since that time some part of the food supply of her people has had to be obtained from abroad, and when the

Board of Agriculture was established in 1794, its Secretary, Arthur Young, in his travels through England, observed that the divided and open-field system of cultivation was uneconomical and prevented the full use of the land. Much time was wasted in going from part to part of the same holding ; land was wasted by pathways, and appliances could not be used to their full power on such small divisions. He became, therefore, an advocate of a system of enclosing the holding of each cultivator, so that everybody could devote his labour to one definite area of land within which his rights would be his own, during whatever kind of tenancy he held under. The "Goths and Vandals" of open-field cultivation were to be swept away. It has to be remembered that the growth of the population of the country was very rapid in the first twenty years of the century, and that it was most rapid in the great cities. The growth of cities implied that there was a great consumption of agricultural products by those who no longer applied themselves to the growth of such products, so that those who lived on the land had to support both themselves and the cities, and it required the most economical use of the land of the country to bring this about. Enclosure, therefore, meant an alteration in

the method of cultivation in the first instance, and it is generally agreed that it was a necessary alteration in the method. To "enclose" a parish meant to take its open fields and its meadow and its waste land and to re-distribute them among the owners of rights of any kind, so that they would obtain one enclosed holding which would be equivalent to their former scattered holdings in the open fields, and their rights of meadow and waste which went with each holding. The new tenure would be of the same kind as the previous one, a leaseholder would obtain a new leasehold, a copyholder a new copyhold, and a freeholder a freehold, but it would now be an exclusive and enclosed holding.

It was plainly the interest of the lord of the manor to make such enclosures, since the increased economy in the working of the land would put up its rental value, and it would obviously be the interest also of at least the larger freeholders in the parish, but it was not possible at any time for the lord of the manor or the freeholders to carry out enclosure. It would be necessary for the lord to wait until his leases fell in or his copyholds terminated (and some of these were not easily terminated) before he could enclose his tenants. Where there was a unanimous consent on the part

of holders of rights and interests of all kinds, a parish could be enclosed and re-divided, but where such consent could not be obtained enclosure would require some method of compelling those who objected. The typical method was therefore to obtain the consent of those who owned four-fifths of the value of the land. This did not imply a majority of the owners, much less of the cultivators, since in some parishes this percentage of the value might be owned by quite a few persons; but where consent to this amount of value was obtained, an Act of Parliament would be given which brought compulsion to bear upon the tenants and remaining owners, and an award would be made by the officials, who would survey the lands, investigate the rights of each cultivator, and re-distribute the fields of all kinds.

Now even when this was done with the fullest regard to the interests of all the holders, a very important change was made in the position especially of the smaller holders and cottagers. The economics of the change is a study in the value of common rights. The rights which they had formerly enjoyed on the waste and on the fallow fields of the village were essential to them as cultivators, and if they received an enclosed holding of a

small size they were then required to find room upon it not only for the raising of crops, but for the feeding of their stock and the growing of hay. They found after the change that even when the award had been made with the best intentions they were not in the same position as before. To share the use of an open common was far more valuable to them than the exclusive occupation of a small enclosed holding. The smallest of them found that they could not carry on all the necessary processes of agriculture on their enclosures, and they were ready, if any alternative offered, to take up a new kind of occupation. Such a new occupation was now offered to them in the cities, so that many of them gave up their tenure of whatever kind and their holding fell into other tenancies upon the manor.

It must be remembered also that the influences of the cities were felt, not only by offering alternative employment, but also in undermining the position of domestic manufacture. The supplementary earnings which could be made by the cultivator as a weaver, or by the members of his family as spinners or combers, began to disappear by the competition of the mills in the cities, so that he tended to leave the country for the city to swell

the rank of wage-earners, or to sell his labour as a wage-earner on the land itself.

Again, although many holders of rights in the open-field village had a good title, it might not be easy for them to prove it when the investigation took place which preceded the award. There is no doubt that some were driven from their holdings in this manner, and there were also instances in various places of fraudulent expulsion of some of the tenants. It might also occur that the smaller holders could not comply with the necessity of fencing their new enclosures, but these facts are rather incidental to the main question. The nature of the change was such that, although carried out with the best intentions, it did not in fact leave the small cultivators especially in the same position as before; the value of their common rights not having been adequately appreciated or allowed for. As these small tenancies were given up they would be added to other holdings or to the enclosure of the lord of the manor, and in this way the large farm began to grow. It is plain, however, that a lord of the manor cannot steal his own land from his own tenants, and that only so far as freeholders or copyholders on long tenure were expelled from the land was there an influence making for an

increase in the size of *estates*. This process of enclosure had proceeded during the greater part of the eighteenth century, but became very rapid between 1760 and 1840. It gave a new appearance to the English village and established new customs of life. By bringing seven million acres into the enclosed land of the country it enabled us to feed the growing city population, and to carry on a great war with produce raised at home.

We have already seen that at the time of the Civil War, about 180,000 small freeholders existed in England. Since the custom of family settlement began, they had gradually declined during the eighteenth century, and the first twenty years of the nineteenth century brought strong influences to bear on them which helped to reduce their number still further. During the war, when the price of wheat was on several occasions above a hundred shillings a quarter, land rose to a value of about forty times its rent. At such prices many of the freeholders were willing to sell, and there were those in the country who were willing to buy, even at such prices, because the rise of the industrial cities was creating a class of wealthy capitalists who wished to obtain the political influence which at that time, and until 1832, was closely

connected with the ownership of land. They bought out the freeholders, and large estates were created in that way; while those freeholders who did not sell during the war found themselves in a very difficult situation when, in 1815, "peace broke out," and great agricultural distress began. Many of them were then willing to sell at far worse terms than they could have obtained during the war. There was thus a reflex influence of the cities upon the land. Industrialism had offered an alternative to the small cultivator who could not carry on his small holding after enclosure, and had drawn agricultural labour to the cities. Afterwards it came back to the land with the fortunes which had been created, to buy out the freeholder.

As a result of this entire transition the lord of the manor found himself in possession of a larger enclosed holding of his own. Many small freeholders would have given way to large capitalist landowners, and by intermarriage between the new capitalist and the old landowning families further stages in the consolidation of estates would take place.

By about the year 1845 the agricultural revolution was practically complete. Enclosures which have taken place since then have been on a much smaller scale and are to

be set against land which has been taken from estates for roads and public uses. That is to say, what is now known as the English system of land cultivation had displaced in the open-field villages the old traditions and customs which limited the powers of the lord of the manor and maintained many small holders upon the soil.

In this transition, the smaller holders could have been retained only if their enclosed holdings had been made larger than in strict proportion to their claims as based on unenclosed holdings and rights attached. This line might have been taken, though the onus of proof would have fallen on its advocates. Even so, the smallest holders would not have been saved after the enclosure of waste. Enclosure was an invention which had to be used, just as mechanical inventions were used later which displaced agricultural labour. But the process of enclosure appears to have drawn attention to the previous and more important fact of the great estate. Things seem to have been made clearer by the fact of consolidation. It is not to enclosure that we owe the substance of the land problem in England, but to the far earlier proceedings which bestowed the great estates. Enclosure bears more than its share of the blame.

This process, however, does not explain why there has not also been a movement on the part of the owners of large estates to sell any parts of their land. It explains consolidation of holdings, but another influence has also been at work, whose effect is to prevent consolidated estates from being divided up again; and in explaining the English system of ownership of the present day we must go back to a force which has been in existence since early times, and which, both before and after enclosure, has prevented great landowners from dividing their lands. This is the force of entail or land settlement. Its general effect is, that it enables land to be added to great estates, but is a door which opens only one way, so that it is difficult for lands to come out of such estates. Entail, therefore, is a necessary part of the explanation of our highly consolidated land system.

History enables us to see how strong its influence has been, because there has been a time during which it was possible for landowners to break away from this influence, and this was the time when there was a great increase in the number of freeholders in the country. The story of the attempt to create perpetuity in the holding of great estates is of much interest. Entail is a system under

which estates are meant to be handed on from generation to generation without being broken into or diminished. For two centuries before the year 1472, when a great landowner held an estate to himself and his heirs, he could not part with the land and bar the succession of his heir, and this evidently prevented a distribution of the soil of the country among large numbers of freeholders. But in 1472 a method was found whereby, through a legal device, the present holder of the land could obtain complete power over it and divide or sell it to others. As a result of this method there was, between that date and the Civil War, a great increase in the distribution of land, so that small freeholders or yeoman farmers were the backbone of the Royalist cause during the war. This device was not made illegal until 1834, so that, but for the Civil War, there might have been a still greater increase in the subdivision of large estates. But owners of large estates during the war were in the difficult position that their lands might be forfeited if it proved that they had fought on the losing side. They did not know whether the close of the war would prove them to have been patriots or traitors. And therefore there came into common use about this time the custom of family settlement, whereby

the present holder and his heir settled the estate upon the eldest son of the heir, giving to the heir himself only a life interest when he succeeded. This custom of family settlement has never been given up, since family interests and sentiments have tended to perpetuate the methods of settlement from generation to generation, so that about two-thirds of the great estates of the country are now held in a manner which prevents them, or any part of them, going easily on the market.

It is always possible for the heir of a great landowner to refuse to enter into a new settlement, and he can therefore obtain complete power over the land if he waits till his father's death. But he is usually willing to resettle the land, both for family reasons and in order to receive an income out of the estate during his father's lifetime. So that the means which now exist for dividing the great estates of the country are only those of the Lands Clauses Acts of 1845, by which land must or may be alienated for certain public purposes, and the Settled Land Acts of 1882 and 1890, which gave powers to sell part of the estate under conditions of which the landowners have not, to any extent, availed themselves. Entail or settlement, therefore, keeps great estates great, and is to be reckoned along with war,

enclosure, and industrialism, as a main cause of the disappearance of the small landowner and cultivator in England. The opposite system prevails under the land laws of France and Belgium. The land must be divided among all the children of the owner, and the result is a far greater distribution of land ownership. The law of England does not regard land settlement as restraint of trade in land.

The land question did not reach the stage of a problem or a grievance until the last part of the century. Enclosure was practically completed by 1845, the eve of the repeal of the Corn Laws, but many reasons contributed to a postponement of a serious agricultural problem for thirty years after that date. The importation of foreign grain has increased steadily throughout the century, but from 1845 to 1880 it was not displacing the home product or diminishing the area of cultivation in England. It was supplemental and necessary supply, and the area of cultivation at home was further kept up by the wars abroad to which reference has been made. These thirty years represent a period of great agricultural prosperity in the country. Additional produce had to be raised, not by enclosing wastes and common fields or extending the area of cultivation, but by using

many agricultural improvements and developing the system of high farming. The value of the land of England increased during this period by about 300 millions sterling, and the effect of the intensive cultivation of the time was to make the wheat land of England more fertile to the acre than that of any country in the world except Belgium. It was only when the areas of foreign countries became more completely opened up by railway systems and better transport by sea, and after they had relief from their wars, that their supplies of grain began to create the problem which we now know as agricultural depression. This began to happen about the year 1880, when bad harvests in England were accompanied by good harvests abroad, so that foreign grain entered our market in large quantities, and has never lost its hold. The prosperity of our manufacture and our industrial capital in making or financing railway systems and lines of ships now struck at our agriculture, through the cheapness with which foreign produce could be brought to our market. It was only then that the acreage of arable land in England began to decline, nearly three million acres having been lost between 1881 and 1910, of which about a half is in the land under the staple grain crops. The land

question, therefore, which had been postponed since the Free Trade legislation, was raised again. When it was raised attention was drawn not only to the competition of foreign countries, but also to the disappearance of the small holders, and the movement for the restoration of the small holder became part of the general question of agricultural depression. The land entered into politics at the election of 1885 as an important part of the Liberal programme. The Settled Land Acts and the small holdings legislation, as well as the Protectionist movement, are all aspects of the same problem.

It is necessary, in discussing this question, to remember that every great industrial nation shows the same tendency for the growth of the cities to be much more rapid than that of the agricultural districts. The movement towards urbanization, as it has been called, exists all over Western Europe. It is creating in these nations the city type, whose interests are everywhere in industrialism so common that international organization now unites them for many purposes; but it is in England that the movement has proceeded fastest, so that at the present time more than three-quarters of the people are living in the great towns and cities. While there is no doubt

that the competition of foreign supplies of grain since 1880 has largely increased this movement, yet in discussing the restoration of the agricultural population it is necessary to consider what forces, of a permanent kind, there are, and how far it is likely that they can be successfully contended against.

Work upon the land is, like work within the factory, influenced by the changes due to invention, and our most recent information shows that the fall in the agricultural population of the country is not fully accounted for by the decline in the acreage under arable cultivation. A great deal is therefore attributed to the influence of agricultural machinery, which displaces and dispenses with labour.¹ But mechanical invention is constantly going on in the cities, and indeed the factory system is affected by it more powerfully than agriculture; yet the displacement of labour by such inventions in the great cities does not create any movement out of the cities, and the statement that machinery is coming into more common use upon the land is not an adequate statement of the influence tending to depopulation of the country. The difference is that the number of products which can be extracted from the land is small

¹ Cd. 3273.

in relation to the number of products which can be worked up out of the original materials of the land; though invention in the cities displaces labour, it usually creates a demand for other labour in the same or some other manufacturing centre. New city occupations and industries are constantly springing up as the result of such changes, but it is not possible in the same way to create new occupations on the land. Only a definite number of things can be grown upon the soil of a country, and mechanical invention leads to lessening opportunity for labour on the land as it does not do in the cities, because of this want of alternative. It is further to be observed that the mechanical inventions which affect any one product that is grown on the land, affect other products of the same kind, so that the opportunity for labour to move from one agricultural industry to another and to stay on the land is still further limited. The tendency of invention, therefore, by itself is to create this movement towards the city. That economic forces are behind this movement can easily be seen from the fact that it has proceeded through the whole of the century, both in the periods of agricultural prosperity and of depression. Porter, for example, calls our attention to the much

slower rate of increase of families engaged in agriculture than in other occupations between 1811 and 1831, the increase in agriculture having been only about 7 per cent., while trade had increased 27 per cent. He and other authorities call our attention to the drift to the cities even at this time, while the decrease in the agricultural population, and especially in the number of labourers employed, did not begin in recent times but at the census of 1831. The process of invention, therefore, when applied to both agricultural and manufacturing industry, creates a greater demand for labour in the centres of manufacture, and this is because of the far greater variety of occupations which come under the name of manufacture and which are carried on in cities as compared with those which can be carried on in the land. An invention which displaces some manufacturing labour usually implies a demand for some other form of manufacturing labour, and therefore maintains the city population, but this is not true on the land, whose industries are not in this compensatory relation to each other, and are liable rather to be affected together by the same improvements in method.¹ The mere

¹ A glance at the history of our crops since 1881 shows this. *v. Cd. 5585*, p. 82.

fact, therefore, that the number of persons engaged in agriculture has declined since 1880, does not specially mark off this period as one of depression. There are half-a-dozen manufacturing industries, including woollen and worsted; of which the same remark is true. There has been, during this period and since 1850, a constant rise in the wages of agricultural labourers. The fact of depression is to be seen rather in the combination of low prices with the decline of acreage under grain crops and the increase of the acreage under grass, and this is an influence which has created a fall in the value of land to the extent of about twenty millions per annum as compared with the Seventies. So far as this acts, however, it affects rather the great landowners than either the farmers or the labourers. And yet we find that even the landowners, whose capital it is that has fallen in value and rents decreased during this period, have not generally regarded the small holdings movement as being in their interest, so that the first legislation to this effect remained almost a dead letter. So that movements for restoring small holders to the land or for increasing the agricultural population of the country are aiming rather at some national result which is to follow from this, than at the

removal of adverse influences on any one class of the agricultural population.

The restoration of small holders or cultivators has therefore to be judged from the point of view of national strength. To those who are in the habit of living in great cities almost any form of agricultural life would be called depression, and the movement to the cities is partly due merely to superior social attractions. The national interest at stake is that the supply of labour to the great cities has depended throughout the century upon influx from the country districts, this influx being necessary to take the place, in the trades requiring physical strength, of labour which, in the second or third generation, becomes deteriorated by city conditions. It has been shown that this influx takes place between the years fifteen to twenty-five, so that the cities are recruited annually by the health and strength of the country at its most vigorous period. If the cities are to be able, then, to continue to maintain the manufacturing strength of the country they must be able to rely upon the continuance of this supply.

Now it is clear that the movement to increase the health of the population of great cities is one which tends to enable the cities to supply, in a greater degree, their own

labour, and a movement which aims at increasing the population on the land in the interest of the cities will itself be rendered useless if the Housing and Town Planning and Public Health Acts enable the cities gradually to dispense with this need. The land reform movement of recent times must therefore choose its ground with reference to all the influences concerned. The economics of agriculture enable us to supply our crops with a less expenditure of labour. It is not economic to force labour back to the land in the face of this tendency. The ground which would remain for this recent movement would therefore be the chance of still greater economy in cultivation by those who were farming their own holdings or were in a position higher than that of merely wage labour on the land. The example of Belgium shows that a country in which small holding is prevalent is also one in which the fertility of land to the acre has by assiduous labour been made very high; and in this way the small holdings movement would have as its aim an increased output due to a new interest and aspiration and would be similar in motive to the movements for co-partnership and profit-sharing in manufacturing industry, which expect to obtain similar results from small holdings in capital.

Legislation in this direction began in the Allotments Acts of 1887 and 1890, the Local Government Act of 1894, and more particularly in the Small Holdings Act of 1892. For fifteen years this Act was practically inoperative. The County Councils had no powers under it of compulsory purchase, and they were not of themselves the best authorities to administer an Act of this kind. They were apt to be composed of those whose interest was in maintaining the large estate; so that by the year 1908 only about 850 acres had been purchased under it. By the Acts of 1907 and 1908 compulsory powers have been given and the Board of Agriculture has been placed in a position of initiative and authority, which has enabled a much faster progress to be made. It has been shown in the last year or two that a real demand does exist, so that in two years land had been provided for about 4,500 applicants. But while new holdings are thus being created they are of the nature of tenancy far more than of ownership.¹ Against the "pride of possession" has to be set the "misery of mortgage," and the tenant who risks purchase money is liable to find himself without the reserve which he will need in a bad season. The operation of the

¹ 98 per cent. tenancy. See note at end of chapter.

Act, so far as the holding of land is concerned, will therefore tend to increase the amount of land which is owned by public authorities rather than to distribute its ownership among individuals.

It must be remembered also that there are other influences at work which are adverse to the small holder. The chief of these is the growth of urban areas. Small holders have been, in fact, slipping off the land faster than the new laws can place them there. There were fewer Small Holders in England in 1910 than at any date prior to the passing of the Acts of 1907 and 1908. A net increase has, however, been shown since 1908, which was the minimum year.¹

It is, of course, possible that the agricultural position of the last thirty years may be affected by the need of foreign countries to retain their own supplies of grain for their growing populations, and signs of this have already appeared so far as concerns the United States, whose exports of grain to us are now irregular and uncertain. But the hope that a larger part of our agricultural area would again come under the plough for this reason is being dispelled by the opening up of still further areas abroad. There is still a great

¹ Cd. 5585, pp. 10-12.

margin available in the Canadian West and in South America, so that apart from protective legislation it does not seem probable that an appreciation of the value of agricultural land will come about in this way. In the last year or two indeed the area of arable land in this country has reached its minimum. So that the small holder, if restored to the land, must be capable of facing constant competition of this kind, and either of meeting it by any increased efficiency which comes from the fact of a small holding itself, or by the cultivation of other crops which may be more suitable to the *petite culture*. Great importations are at present being made of dairy and garden produce into this country from climates with no obvious advantage over our own, and it is possible that small holdings may prove themselves here, as elsewhere, adaptable to agricultural activity of this kind.

In any case, it will require a strenuous national effort to reverse or stem the current which has set toward the cities. The census of 1911 shows that the flow is weakening, but this is only because exhaustion can scarcely go much further. Neighbouring countries have made this effort by paying different costs on behalf of the land. Germany pays in her tariff, which has made a special *protégé*

of the agricultural interest. Denmark pays in her education bill. The system of rural education which is carried on in the land schools is meant to create not only a technical skill, but an enthusiasm for the nation and the land, and a social union of those who work on it.¹ The fruit of the ideals created in the land schools appears especially in the co-operative spirit which is fostered, and which has made this nation a type of successful organization on this basis. Belgium pays in the assiduous labour which her peasantry is willing to devote to an unfavourable soil. The feeling in England that "the land is sick" will not be overcome without some similar effort which believes in itself. We have not yet given co-operation, especially in credit, a fair trial. Ireland is now showing what possibilities had been checked for the want of it.² If the rush to the cities is now becoming weaker, it is the time to give the land its chance again.

¹ An account of these schools is given in Cd. 3537, pp. 105-129.

² The evidence of Denmark and of Ireland is that ownership, and not tenancy, is necessary to organized co-operation (*vide* Haggard's *Rural Denmark*). Hence the new "Land Reform" movement in England, to advance the purchase money from public funds.

CHAPTER VII

COMPETITION AND ASSOCIATION

AT every stage in the movement towards combination in the nineteenth century the discussion has been renewed as to the place of competition in the industrial system. Every change in the direction of association might be regarded as a step towards suppression of the force of competition, and especially at the end of the nineteenth century, when industrial combination took its completest forms, it has been maintained that the era of competition is coming to an end and will be closed by the developments of the twentieth century. But while this historical view has often been taken, the analysis of the economic system is based upon the fact of competition, without which, indeed, no modern analysis could be made. From the latter point of view, competition is not merely one economic force among many, but is another name for economic force; and we have seen in the first chapter

that all the great changes in every kind of invention have been brought about under this stimulus. To those who analyse the industrial system the place of competition is similar to that taken in physical science by the force of gravitation. Just as bodies can be made to move upward by the use and control of gravitation, so it may be said industry can display various forms of association not because competition is suppressed, but because it is regulated and controlled. Since both the historical and analytical points of view are presented in writers of different sympathies, it is necessary to reach some conclusion as to the place and permanence and limits of this industrial force, and especially as to its relation to the force of combination.

We have seen how Smith gave to the idea of free competition a bad name, because he assumed that the competition of workmen or employers acting independently of each other was a natural order of things; but at his time competition could hardly mean anything else than the competition of individuals, and it is reading too much into his views to assume that he would have advocated in the nineteenth century the break-up of the various forms of association.

But the phrase Free Competition is made up

of two words which have each played a great part in the democratic movement. The democracy of the nineteenth century has made a claim for freedom in every aspect of social and political life, and so far it is entirely in sympathy with the ideals that have guided much legislation that has increased the field of competition, such as Free Trade or the Education Acts. On the other hand, it is as certain that the spirit of democracy has always regarded itself as opposed to some form of freedom which is implied in the name of competition. We shall find in attempting to reconcile these two attitudes an answer to the question how far or in what sense industrial evolution means the spread of competition and how far it means the contraction of its field.

That it is consistent to stand for the ideal of freedom in national life without accepting the competitive ideals of Smith and Ricardo is plain as soon as we recognize that the act of association by workmen or employers is a free act, and that to compel individuals to compete each for himself would not be a manifestation but a suppression of social freedom. The movement which is sympathetic to the progress of association and opposed to that of individual competition can quite well, there-

fore, be part of a movement toward liberty. And an even stronger point of view may be taken. For the development of association means rather that a new way of organizing competition is being tried than that competition is being abandoned; and it is, again, a manifestation of industrial freedom that we should be able to choose whatever method of organizing social forces places the supply of goods on the best basis as to cost and regularity and humane conditions of work. It was, indeed, in this way that Mill, spite of his strong sympathies toward every kind of industrial co-operation, refused to regard progress towards association as meaning the suppression of competition. It was only, in his view, a method of making mankind the master and not the servant of fundamental economic forces. The opposite of competition, in his view, is not association but monopoly. Where competition is not, monopoly is. Association is neutral as between these two.

But the real difficulty lies deeper, for it is certainly thought, whether rightly or wrongly, that so far as the democratic movement is in favour of association it is opposed to competition. Yet there is an open and conscious claim for a wider use of competition which

appears often in those same writers who, at other times, advocated the narrowing of the competitive field.

The spirit of democracy has constantly advocated the wider extension of what we may call "personal competition." There is a feeling that industrialism has created a social classification which often prevents the individual from rising to the position to which his faculties entitle him, and compels him to remain in a certain social grade. All these claims for greater opportunity, more open doors, more power to challenge any position in the State or in industry by any member of any class, are claims for the extension of the field of personal competition. It is felt that what makes social classes is not so much competition as the want of it. So that the greatest social hostility exists, not between those who compete with each other in the same grade, but across the lines which divide class from class—that is, across the lines where personal competition does not act freely. Educational legislation is perhaps the most powerful weapon of this movement, and status the chief object of its attack. It is plain that, if there is anything in the democratic spirit, personal competition must in this way continue to grow, and the nineteenth

century has seen a great advance in that direction. It is an essential part of the idea of freedom, not in the sense of Adam Smith, but in the meaning attached to the word even by social reformers. To suppress it is to enhance status and monopoly. The element of circulation which is required if national life is to be in reality an organism is to be obtained by seeing that the best work and the best ability are able to find each other by this means.

The case for personal competition has been well based by Mr. Cooley on the ground that in every generation there is a complete renewal of the persons who make up the social system. They come into the national life with no sign to indicate what they are fit for, and the only way in which this test can be made is the way of free experiment. The causes which make genius are as yet inexplicable; the laws of heredity have not explained them. Opportunity and knowledge of opportunity are, from the national point of view, the friends of the discovery of ability. A nation's investment in the extension of opportunity and the knowledge of it, mainly by educational legislation, is well repaid, as Professor Marshall points out, by the discovery in a generation of one Newton or one Darwin. What bears most severely

on the individual in this respect is the fact that in experiment with one's own faculties it is not possible to cancel a failure and begin again. So that personal competition requires not only full opportunity, but the fullest possible knowledge of the nature and requirements of each opportunity that is open.

This form of competition to which democracy is consciously sympathetic, and whose extension it desires, has been also called "Selection," implying that it is a means whereby society as a whole shall have the power to choose its best men from any grade. By the use of this name it becomes distinguished from that other idea of competition which is a narrower use of the word, and refers specially to certain industrial relationships. Selection implies that classes remain, but not the individuals in a class. But although it is a different idea from that which is usually attacked under the name of industrial competition, there is a relation between the two. Selection acts upon industrial competition, because if we increase the power of the individual to move from lower to higher grades we distribute more evenly the amount of competition which takes place within each grade. Absence or limitation of personal competition means that in some crowded

grades the struggle for existence becomes very keen and is brought down to a level that is not reached in higher grades, the entrance to which is in some way privileged. It is evident that if the whole social system became, through the widest possible exercise of personal competition, a continuous system, greater extensity of competition would carry with it less intensity in some grades; the earnings of every kind of work would become more closely related to those of every other kind.

The form of competition, then, to which the democratic movement has been opposed, which we may call industrial competition, relates to a special way of organizing competition in a special field of life. The development of association has brought this force under constantly greater control. We shall see that even the highest forms of association do not abolish industrial competition, and what most try to do is to understand certain defects which have been so great as to give a bad name to the industrial force itself, defects which by organization we are always seeking to remove while keeping whatever is good in competition.

So far as the nineteenth century is concerned, these defects are connected with the operation and the structure of the firm as the type of organization or competing unit. We have

already seen how the internal structure of the firm creates problems connected with the relation of employment; we have now to look at its "external relations," as they may be called, in respect to the market, for in modern industry the competition of individuals is secondary to, and depends upon, that of firms. It is the latter which create the market conditions which determine the intensity of industrial competition among individuals.

Certain aspects of industry, as organized in firms, have developed in the nineteenth century which have made industrial competition intensely severe. The words which we commonly use in describing industrial affairs themselves show this. The metaphors most usually applied now to business are military metaphors. We speak in England of the "captaincy of industry," of the "fight for markets," and of the "industrial reserve." Among foreign writers similar phrases occur. In France the competition of the market is *la lutte*, in Germany it is *Konkurrenz-kampf*. We speak frequently everywhere of the strategy and tactics of trade. Now the aspect of the firm out of which this arises is its completeness as a unit for producing goods. In the great industries of modern times it is only the firm which is an efficient

producer. The individual has, since the days of handicraft and domestic industry, lost the power to cut a way through to the market for himself. He is no longer the producing unit. In modern industry he depends upon other individuals; he cannot work for himself. We have seen that he cannot create his own reserves of labour and hold them back, but he cannot even independently apply his own labour. An example will show this. If all but one, or all but a few of the employees in an industry lost or gave up their occupation, the others would not have monopoly or high wages, but unemployment, for the labour unit is large and the individuals are really dependent upon each other for work. But if all but a few of the firms in a trade gave up working, the remainder would not be thrown idle, but would have monopoly and high prices. There is a self-sufficiency about the firm which does not belong to the individual in modern conditions. It fights for its own hand; it can create its own reserves of goods; it can hold back these reserves against a better market; it can, because it is a complete unit, obtain credit in bad times; it is in no one's employ; what it has to sell goes upon the whole of the world's market; it is a complete fighting machine, and in most recent times it is making itself still

more independent and self-sufficient, by obtaining control both of the materials which it uses and of the means for getting right through to the consumer by developing further stages of production and marketing for itself.

It is this completeness of the individual firm which gives us the problems of industrial competition. As far as possible it seeks to obtain a monopoly; that is the very meaning of industrial competition, the attempt to obtain a monopoly. Every firm has, indeed, some degree of monopoly. There are some clients with which it has running contracts, or on whose custom it can count; there are others with which it has a less certain good-will, but beyond these there is an open market of the unattached buyer, whose custom it must seek to obtain and keep, and in this contest its best defence is attack. To hold the position which it has it must watch constantly for new openings and opportunities. The result is that each for itself seeks contracts and produces goods. There is, apart from Trusts, which we must deal with later, no common policy by which the total output of goods is adjusted to the total demand for them. There is, apart from Trusts, no division of the market. The supply of goods by any one industry is not under the conscious and