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A
Simple Guide
to
BIG BUSINESS

★

Clifton Reynolds

"The good old rule
Sufficeth them, the simple plan,
That they should take, who have the power,
And they should keep who can."

WORDSWORTH



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Dedicated to

INTELLIGENT CHILDREN

AND ALL ADULTS INCLUDING

CONSERVATIVE MEMBERS OF PARLIAMENT

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PREFACE

THIS BOOK is addressed to everyone who is in a critically dazed condition when trying to understand the complicated tangle of human activity with which we are all confronted. My supposedly innocent readers are here offered an oversimplified view of an important section of a very much larger picture. This section is limited to activities carried on with the hope of producing financial profit on a large scale. Our field therefore is confined, in the main, to an investigation of BIG BUSINESS. We shall tackle it industry by industry, arranged in such a manner that each of the industrial activities shall be related to the satisfaction of some fundamental human need.

All such needs are *not* satisfied by people, big and little, who are out on the make. We are only concerned, in this book, with those who are. Thus we shall have little to say about such needs as are satisfied by central or local government and by religious institutions or even by the great Co-operative Movement.

Any reader who is a specialist in one or more of my classified activities will complain that my treatment is too simple. So it is.

We live in a society wherein Big Business is as yet very young. In it there is something luscious about the word 'millionaire' for those of us who have not yet reached the Elysian Fields where vulgarity is unknown. Thus we have two birds in line for a single stone: the millionaire and his big business.

What is sport for me should be fun for you. I am having to write fast to catch my game before it gets out of range, for public opinion is on the track already. The Bank of England, Coal, Transport, Civil Aviation and Electricity are already in the bag since I first planned this book. Gas and Steel are on the way.

Before settling down to an investigation of private enterprise, it is as well to understand what we mean by it, and indeed what we do not mean. I am concerned with human activity carried on for the sake of, or in the hope of, making a money income larger than that enjoyed by the average wage earner. I am not proposing to consider many other kinds of activity where the enterprise is private enough, but the motive has nothing to do with money or income. A scientist, for example, may exercise much private enterprise, and be glad enough to get a bit more income as the result of some discovery he makes, but I do not include him in my category of private enterprisers, because I assume him to be entirely aloof from any urge to work harder for the sake of money, or to begrudge effort which does not 'pay.' Similarly, I assume that such people as artists are engrossed in their work for its own sake and that their successes would diminish if they were not.

Leaving aside for the moment certain border-line cases, I wish to regard two kinds of private enterprisers: the business man and the professional man, the term 'man,' of course, always to include 'woman.'

A business man I take to be a person who owns all of, or an important share in, a commercial undertaking, the purpose of which is to make profit. He must in my definition be actively engaged in conducting the affairs of his business and be able to exert some influence in determining its policy. In other words, his private enterprise cannot be sufficiently effective to satisfy me if he merely owns a small share and has to do what he is told by superior owners of the firm in which he is employed.

My business man, thus defined, is a two-faced person, and

we shall have to become familiar with both his faces, examine them carefully and keep them constantly in mind. His one face is that of a plain money grubber; his second is that of an organiser. It is by the successful manipulation of the time and labour of his employees that he is able to sell what they do or produce for more than he pays them. The situation of our business man is simple enough; he merely makes a profit by organising other people.

Now you may object to this. You may say a man can be in business without employing anyone at all, or that it is absurd to say that a man who does nothing more than buy and sell and employs one silly little typist or a boy to mind his office, is making his income out of one or two children. So it would be. I therefore bar him from my definition, and include him as a border-line case verging on the professional. I will not even bother to push the argument that a one-man dealer buys and sells things that are the organised products of labour personally unknown to him, because whether a business man employs a large number of people or not, he is always, without exception, compelled to use materials or equipment produced by people whom he does not directly employ. Even a farmer buys his plough and his seeds, and every other worker has to buy food. There is not one self-contained business in the whole world.

The professional man has to be differentiated from the business man because his procedure as a private enterpriser in search of an income, relies upon an alternative principle. He actually sells the produce of his own effort. Maybe he employs a few clerks but this is merely to provide him with more time for the private enterprise which is of more value in terms of money than the time of his clerks.

In this category I think the simplest example is the lawyer. The arrangement I have made of this book places lawyers, hairdressers, golf professionals and all who render their services to promote the convenience or the whims of those of us who can afford them, into a miscellaneous basket called 'personal services.' The whole of our ancient legal system

could be swept away, as it was in the U.S.S.R., by a change in our political and economic structure: hairdressers depend for their livelihood entirely upon fashion: golf is a game which may disappear, like racquets and whist.

But man will always have to eat and to clothe, house, warm and amuse himself. The vital 98°, human body temperature, the inescapable equaliser, must be maintained, or mankind will perish. The private doctor, whose capacity to practice as such is now challenged, is the only professional person concerned to correct small variations of this temperature. Apart from him, the business man, including the undertaker, takes care of all else. By a complicated maze of activity, he achieves this. To penetrate the maze and to find a pattern in it is the purpose of this volume.

About nine tenths of business activity is not directly concerned with the consuming public which of course comprises ten tenths of the population. Our job is to discover some sense in this anomaly. There are certain principles involved in it which I think should be examined before we go into detailed analysis of the main groups of private enterprise.

I think we must keep in mind that the object of all work is pleasure. You may say that this statement is nonsense: that men work in order to live. My reply is that they only desire to live because it pleases them to do so, and if you object that I am trying to stretch 'pleases' into 'pleasure,' I will say that every sane person desires to make his life as pleasant as possible: and if you still object to my play on words, 'pleasant' and 'pleasure,' I will abandon you. I can find no pleasure in my game with you. I will therefore return to my nine tenths who produce nothing of the slightest use to you or me.

One man say is winding coils for armatures of an electric train. Would I like one of these coils? Certainly not. I should not have any possible use for it. Another man is making firebricks for a furnace, but they also are useless to me. Do I want horseshoes, or pig-iron, plates of ships, a road in a jungle

or a mahogany log, or a crucible for melting steel or steam hammer for forging it; or a cement works or a shop front or a bridge or a battleship? No, I want none of these things. I admit that later on I may be glad enough to purchase some goods which many of these things have helped to produce, but as an ordinary member of the public I am only prepared to spend my income upon goods and services that will either give me direct pleasure or give it indirectly to my nominees. I even pay taxes partly because it pleases me to keep myself out of jail, and partly because I derive pleasure from some of the services upon which the authorities expend my tax money, such as street lighting, policemen and the care of the poor.

I have said that certain principles are involved in all this; here they are: first is the principle of decentralised effort, whereby work is done by stages; second is the principle of decentralised exchange, whereby goods and services are distributed through a money system involving manufacturers, merchants and retailers and curiously aloof people to whom I am leading, called agents and brokers.

What I am really aiming at in this preface is to leave myself free from encumbrances, when I get down to the job of analysing private enterprise according to the programme arranged in my chapter headings. I do not want to be cluttered up with people like brokers who do not fit into my pattern, so I propose to dispose of them, quite improperly if you regard it so, in this preface.

Brokers and agents of many and varied descriptions are often important people if you measure importance in terms of riches. They are vested with certain powers either by law or custom, and differ from ordinary traders in that they do not conduct transactions on their own account. They are remunerated by commission rather than by profit. It makes no difference to them whether a transaction ends in a profit or a loss. A very large number of the most highly competent and wealthy of our private enterprisers carry on like this; I attach special significance to it and ask you to do so too,

because when you are told about the importance of a profit incentive and the awful consequences of bureaucracy, think of these broker chaps.

A broker is asked by his principal (a real risk-taker) to buy or sell something, because he is correctly assumed to know more about the market than the owner or would-be owner himself. This seems odd, but such is life. The explanation is that the broker spends his whole life in the market, and knows everyone there, whereas the principal, who, say, manufactures pickles, spends his life amongst pickles and is not acquainted with the latest happenings, say, in the realms of pepper.

A preface is, however, no place for detailed examination of general principles applicable to the subject matter of a book. I have been forced to the opinion that it would be advisable to devote two preliminary chapters to general matters rather than to embark straight away upon consideration of the individual enterprises still in private hands, or in a process of transition. For one thing it will make you familiar with words used in the special senses required and so minimise the necessity to break away upon definitions.

Another thing for me, rather than you, to bear in mind is the controversial nature of the conclusions I am bound to present, however careful I may be. I know from experience that I can't please every reader. All I can aim at is to give honest value for money. If my anticipated detractors say I have not done so I shall be surprised and refer them to my publishers who, not I, fixed the price of the book by a process wherein I defer to their judgment, experience and good-will.

In the preparation of this book I have had to engage the services of trained research workers for whose zeal my bare thanks are as small a reward as the money I paid them. I wish nevertheless to record my special indebtedness to Dorothy Ingham and Jeanne Mackenzie. My personal secretary Thelma Barr deserves also my grateful recognition of her mild forbearance and slogging hard work. The unfailing courtesy and ability of John L. Mayes, chief librarian to the Borough of High Wycombe must also be gratefully acknow-

ledged. But apart from them, I have also to remind my readers of the many people who willingly helped me upon condition that they remain unnamed for reasons that are unfortunately all too obvious.

CHAPTER ONE

General Principles

THIS PHRASE 'private enterprise' rings in our ears so that it seems to contain some magic. It is as though it were some hallowed, sacred thing that must be handled carefully to avoid damage causing widespread disaster. But what does it really mean?

Private enterprise, in common usage, means business. Business is an economic process so ordinary to people like us that it may seem to be hardly worth considering. Its object is to supply goods and services to those of us who are able and willing to pay for them. It differs in two important ways from all the public services by which the needs and desires of mankind are satisfied. First, you can please yourself whether you buy or not: you are free to take or leave, to come or go, or stay where you are. In this respect it is unlike many of the public services where you often have to pay for what you do not get and do not want, from a public bath to a free place in an elementary school, or a visit from the local fire brigade. You can have these things if you need them or like them, but if you don't you have to pay just the same.

The second peculiarity of this sacred thing is what may be called the profit motive. It is fair, I think, to state that practically all the sanctity derives from this last doubtful necessity. The idea is that if you were to deny enterprising people the right to sell a thing for more than it costs they would have no incentive to organise businesses and therefore the public would have to go without the things they want.

There is some, but not much, truth in this. The truth of it

lies in the duration of the period of going without. It is quite true that if a law were made suddenly to prohibit the sale of bread or if some other law had the effect of making bread unobtainable, serious results would ensue. At first sight it seems an absurd hypothesis. No government in its senses would pass so silly a law. But such things have actually happened—and quite recently. War, and especially civil war, does it. During the Russian and other revolutions, millions of people died of starvation. If a similar revolution were to occur in our country, dependent as it is upon steady supplies of food from overseas, many people think, and surely not unreasonably, that those supplies would be interrupted. For this reason they are afraid of Socialism. They think the rough time we should all have to start with, at any rate, would be intolerable.

So much for this bit of truth. Now let us look at the other side of the picture. Many of the public services were formerly controlled by people who owned the apparatus capable of providing them. They were only willing to permit their apparatus (land, factories, machinery) to be used if the prices the users received for what they had to sell were more than the prices they had to pay to get the goods or services produced. Yet somehow these privately owned businesses have passed into public ownership. If anyone was seriously inconvenienced during the period of transition, history does not have much to say about it. The real question, therefore, that confronts us is this: if certain businesses can be nationalised harmlessly, why not all?

We must get to know how private enterprise works in detail before we can answer this question.

Before we begin to look into detail we must find out about some general principles applicable to every kind of business. We need some definitions to help us to think clearly and to prevent our thoughts from becoming a mess.

Profit. Before Hitler's war it had become almost a general principle that the government or public authorities in our country should not trade in commodities. Commodities are goods produced by people who desire to sell them if possible

for more than they cost to produce, rather than to consume them. The difference between cost and selling price is called profit. Prices are arrived at by processes that have caused much dispute amongst people who enjoy airing their theories about such matters. The field is free for all but I do not propose to take you into it. I want instead to bring you to a point from which you can see an even larger field in perspective. You have to be shown the general principles of private enterprise.

The system of business which surrounds us did not grow suddenly but it did get a terrific jolt about two hundred years ago. The industrial revolution, not particularly a political revolution this time, was like a dose of very powerful fertiliser administered to a plant which produced astonishingly rapid development in consequence. It was not until then that the theorists, referred to above, began to bother themselves about the manner by which commodities attained their money values. When, after fifty years or so, vast changes had occurred affecting the lives of nearly everyone, and when it was found that the majority of people were poorer instead of becoming better off as a result of the enormous increase in commodity production, then these chaps started off to look into things. Amongst the names that matter to us are for examples those of Adam Smith, Robert Owen and John Stuart Mill. If you look them up an in encyclopædia you will see what I am driving at. It is hardly necessary to read their original works except for historical study.

What I am driving at is this: these pioneers taught, and made us believe, certain ideas now out of date or only partly true, although they were true enough in their time.

They saw business as a process wherein enterprising people worked hard, saved up enough money to start a factory or shop, then by great industry and frugality gradually made it grow larger until the proprietors became rich.

In passing it would not be fair to accuse Robert Owen, for example, of approving this arrangement, although he practised it himself most successfully; but arising from the

notions prevalent in his day it became general to regard the process as ' a good thing.' It was this process which dominated every other political issue and has continued until lately to do so.

Laissez-faire. When the welfare of business achieved this high eminence in the minds of our politicians here and throughout the world, the general policy devised to protect it was called ' laissez-faire.' This means the policy of non-interference by the state with the commercial activities of business men. The idea is that certain economic laws will operate of their own accord to provide the correct quantity of commodities required by a population, if business people are left free to carry on production to satisfy their own private desires to become rich. ' Supply and demand ' became a dominant phrase. If left alone these things were self-regulating. All that a business man (*i.e.,* the owner of a business) had to do was to estimate demand correctly and then to organise his business to supply the goods required to satisfy it. The bankruptcy court would put an end to bad guessers.

Very many small businesses still appear to be carried on in this old-fashioned manner. It is my object to show that much goes on behind the scenes to make this appearance a false picture of reality. We shall see for example the changes that have occurred and must, by the very nature of life itself, be developing always, so that things are never static.

Finance. Perhaps the most potent factor of private enterprise is money. Those who possess it or can direct its application to industry are in a dominant position. Capital is required by every private enterpriser who desires to exercise his enterprising ability. Since the early days of the industrial revolution, men have concentrated their minds upon the study of money. A new sort of capitalist has appeared to stand above the old industrial enterpriser. He is called a ' financier.' He owns most of our modern world and until recently in all countries, bar one, called the tunes played by the politicians.

Therefore before we begin to study the ' set-up ' of the situation, in detail, which confronts us all in relation to the

various goods and services we help to produce, and must of necessity consume, we must get to know something about the ways of these financiers.

There is one thing about them that must be emphasized before we pass on. It is that they do not require to understand the technical processes of the industries they control. All they need to know about them is what is shown by financial accounts, or ' balance sheets ' as they are usually called. These men are able to read lists of figures and to understand their significance as easily as I hope you can read this book.

We are more or less forced by the circumstances under which we live to consider money before anything else but this itself is a false position from which we can only escape by clear thinking. In reality food, clothing, fuel and shelter are much more important to life than is money; but if you are so placed that you cannot get them without money you will be greatly concerned with your purse. Do not, however, lose sight of its true significance: in reality it is a servant—not a master.

Wages. The success of a private enterpriser depends in the final analysis upon the speed at which he can get his employees to do their work. Thus we shall find this factor of speedy production complicating every phase of private enterprise that we shall investigate. It rarely appears in its true shape as speed but rather in its false shape as money, because a worker's time must be paid for in money even when it is calculated upon the quantity and quality of work done. The enterpriser must pay as little as possible for as much as possible and is often strangely indignant when his employees adopt the same principle. A very large number of our problems arise from the impossibility of reconciling these two irreconcilables. For this reason meanness is elevated to the status of a virtue; for rich people expect and receive the approbation of all simpletons. The emptiness of flattery is not detected by persons whose title to it rests upon no real qualities of acute perception of its sources or social implications.

If we were to study the forces giving rise to the two chief

opposing sets of political parties in every country we should see those representing the interests of owners in conflict with the interests of the workers, but there is another conflict of almost, but not quite, the same character between private employers and the people they employ. The simplest way to explain it is to show how wages are fixed. There is always a conflict between people who are engaged in striking a bargain: it is the ordinary struggle between buyer and seller: the buyer is all for a low price, the seller wants all he can get.

When this process functions to fix the wage a workman shall receive, certain difficulties are usually present for the workman which are not felt so acutely by the employer. If an employer employed only one workman the difficulty might be equally shared; it would be perhaps as vital to the continuity of the employer's income that this one man should accept the job as it would be to the one workman to obtain the income offered in the form of a regular weekly wage packet. But since employers usually have more than one employee and often quite a large number, the workman, as a bargainer, is at a disadvantage. His income is at stake, but the employer's is not. This situation is prevalent whenever there are plenty of workers seeking jobs. This is the situation to which we were all accustomed before Hitler's war.

Workers can improve their bargaining power under these conditions by only one device, by forming or joining a trade union which, by refusing to permit any of its members to work for too small a wage, can influence general wage levels.

Piece Work. One of the chief problems confronting trade unions has always been that of rates for piece work. On the face of it there would seem to be no fairer way to pay a man or woman than to calculate the exact amount of work performed and to pay accordingly. There is unfortunately a serious snag in it. Who is to say what is a fair price for so much work?

I have promised to keep you free from the vexatious business of investigating how commodities get their values or selling prices so that I will not now introduce what would be

something of a red-herring. Let us assume that a workman is engaged in producing some article, the selling price of which has already been fixed by some process which need not bother us for the moment. He knows this price, and either he or his trade union thinks he should receive so much a time for the work he does in producing it. The employer knows that a fast worker can do the job, say, in an hour: the employee we are considering may not be so fast a worker or he may be disinclined to exert himself continuously to the utmost limit of his physical endurance; he will say, perhaps, two hours is a fair time.

Now the employer does not greatly care how long the job takes, so long as his factory floor space is not being wasted; all he cares about is the amount of money he has to pay in wages for the job. To the worker, however, the position is quite different. It does matter very much to him because he has only so many hours in a week during which he can work to produce an income. Thus the piece work conflict arises between the rate of the fastest or slowest worker. Speed is the vital factor in the end.

Competition. 'Free competition' and 'private enterprise' are phrases that go hand in hand. We are often asked to believe that the things they represent are virtues. Like nearly everything else in life they are neither wholly black nor wholly white. Few things are *entirely* positive or negative, good or bad, true or false; most things are mixtures. Our task is to establish a sense of proportion in seeking the relative quantities of social advantage and disadvantage in whatever we are considering. There are many conditions where free competition produces good results. In its application to business, however, it produces one result that is so curious that it deserves our special attention. It destroys itself.

It is one thing to approve of free competition applied to other people; it is not quite the same when it is applied to you to your own detriment. In consequence of this peculiar contradiction we find that the real big boys of private enter-

prise, those who have really made a success of it, have in many cases destroyed, or as it is politely called, 'absorbed' their competitors. I do not think it is any exaggeration to say that the ambition of most freely competing private enterprisers is to win a race for a prize called monopoly.

Monopoly. Monopoly is itself a word which has lately become more freely used than formerly by ordinary people like us. I think we should take some pains to understand what it means, or, better still, to fix a meaning between ourselves so that we shall make no mistake about it in the pages that follow.

By monopoly I mean a condition wherein one man, or one group of men by private agreement, fixes prices at which goods are sold for private profit-making purposes. Unless prices charged to the public can be so fixed I do not consider that a completely monopolistic condition exists.

In the light of what has previously been written in this chapter we must consider the social implications of monopolies.

When a monopoly achieves such magnitude that it becomes of social importance it is usually the result of the work of the people I have described as financiers. Their object is to make large sums of money for themselves. There are two ways of doing it, or there may be a combination of both ways.

Mr. Carnegie, a Scotsman who went to America and became a Steel King, wrote a book called "The Empire of Business." In this book he leads the reader to suppose that monopolies such as the one by which he became so rich and so famous are good things because by the exercise of efficiency they produce goods so cheaply that it would not pay any outsiders to enter into competition. He shows how, by his skill, he reduced the cost of producing steel rails at the time when they were being used freely to make new railways in the U.S.A. He does not say much about the methods practised by his monopoly business to keep wages down. Nor does he,

when he instances the low price charged for oil by Rockefeller or sugar by Tate, pay much attention to the detail by which productive efficiency was achieved. What he does is to argue that when a monopoly lives by reducing prices it must be a good thing. He says, with some truth, that a price reducing monopoly is strong because although there is always more capital outside a monopoly than there is within it, be it ever so rich, the owners of this outside capital will not be tempted to ' bust the ring ' because they would find it too tough a job to learn the tricks of cheap production, or run the risk of defeat by those who have already learned them.

This is one of my two kinds of monopoly. The other, according to Carnegie, may be only a temporary monopoly, but while it lasts it is pretty powerful and socially harmful. It does not rely upon super productive efficiency which may mean little beyond taking advantage of defenceless workers. Instead it goes out frankly and unashamedly for high prices. It can only do this after first practising a courageous policy of deliberately losing money by underselling all competitors. Then, after the weaker traders are either ruined or have sold out to the combine, prices go up. The monopoly makers, having achieved the ambition for which they have patiently striven and have taken perhaps considerable risk of failure, at last reap their reward.

Yet one more phase of monopoly business appears to help this last kind of financier to withstand the danger foretold by Carnegie. High price monopolies are vulnerable to attack by rich financiers who look on at what has been done and become jealous. They say to the monopoly, ' If you don't let us in on this we shall go ahead and fight you.' The monopoly then considers using a new device called a ' merger.'

Mergers. A merger is a device used by business men to prevent what they have ceased in their own interests to regard as free competition, but which they now call ' wasteful ' competition. Instead of being the enemies of their commercial rivals they smile sweetly at each other and say: ' Let's get

together.' There are two ways of doing it. The actual ownership of two or more businesses may be merged into one, or the ownerships may remain unaltered and a price fixing Trade Association formed. The ' merger ' is the first of these.

The usual process of effecting a merger is to form a ' holding company.' A holding company performs no other function than that of ownership. It does all the things that owners may legally perform, such as dictate policy, engage and discharge employed persons, and receive income. It may, if its policy so determines, engage in speculation. All its activities are primarily in the realms of finance. The advantage of forming a holding company is, as with all ' Limited Liability Companies,' to safeguard its shareholders against personal bankruptcy. Thus if all goes well the owners of a holding company will reap the harvest of money they expected when they formed it; if things go ill they can usually save their fortunes without actual ' fraud.' Every business man knows when he sells goods to a limited company that even if it is owned by millionaires they need not pay for the goods in the event of the Company having run out of cash.

A merger having been effected through the medium of a holding company, the following happens. The holding company which need possess hardly any money at all proceeds to buy all the properties it requires. The sellers of these properties have agreed to accept shares in the holding company instead of cash. The holding company has now become rich, for all it has had to do so far is to pay the government certain fees required to establish its legal status and to pay a printer for some handsomely engraved share certificates. It need not possess even an office or a staff. Many firms of accountants or solicitors will lend theirs.

Should the situation be such that the sellers of individual properties (say well established manufacturing businesses) do in fact desire to see some hard cash in return for their aquiescence in the transaction, then they are free to sell their shares either in the holding company or in yet another company formed by it especially for the purpose of dealing on the

STOCK EXCHANGE. When this is done the idea, or hope, at the back of the minds of these business men is that 'the public' will provide 'new money.' That is to say, investors will be attracted by a conventional advertisement called a 'prospectus.' If they are so attracted they are not always permitted to buy the whole of the business. The group of business men who started the affair will retain a 'controlling interest' for themselves. This is the way of business by which you can have your cake and eat it too.

Trade Associations. The second method of defeating free competition is by the establishment of a price fixing agreement. This is usually done in the innocent sounding name of a trade association. There are very many trade associations entirely unconcerned with prices, formed for the purpose of helping firms engaged in any industry to deal with problems common to them all. But occasionally a trade association is primarily concerned with the elimination of free competition amongst its members, and frequently also with a united attack upon all outside firms.

Although I have myself been a member of many trade associations, only three of them have been effective price fixers and competition eliminators. The most efficient, in the sense that it coped successfully with a complicated trade, issued two price lists (one for home, one for export) containing besides prices, many pages of conditions under which certain categories of goods could be sold. Any member found infringing the rules was made to pay a money penalty assessed by a committee of members. This committee was dominated by the largest firm in the trade, whose threat to "bust the ring" was often unreasonably hard on smaller member firms who nevertheless, from fear of dire consequences, submitted. The enemies of this association were a few outside firms, and several big foreign importers. Rebates having the effect of reduced prices, were paid to merchants who themselves were formed into another price fixing ring for the purpose, who consented to a periodical examination of their account books to prove that

they had made no purchases from firms other than those who were members.

It would enlarge the chapter unduly to describe the many and various other ingenious dodges devised to defeat competition by these associations, so that before passing on to other formidable forms of private monopoly, I must be content to remark that the third of my three price fixing experiences was a " poor show." It is nevertheless worth while to say a few words about it, if only to show that a certain degree of honour is necessary amongst business men who desire to get free from free competition.

The " poor show " was an attempt made to regulate prices in a comparatively new industry concerned with a novelty in universal demand, originally imported from America, but later produced in England as a result, I think, of newly imposed Import Duties. The first firm in England to engage in the manufacture of this product sold at prices so far above the cost of production that a fortune was made very quickly. The bubble soon burst. Other firms whose products had been ousted by the new one were bound ultimately to " have a go." They all competed so freely that the original fortune was well nigh lost; then its dismayed owner cried for mercy. Few if any of the firms engaged in the industry were making a do of it, and although they were willing enough to enter a price fixing agreement, it was a new experience for which most of the smaller members were quite unfitted. The bigger member firms could offer more credit and many other inducements apart from price to their customers. The small fry were still at a disadvantage and therefore proceeded to cheat the association. The whole industry was too small to receive attention from millionaires who could have organised the thing efficiently, so that, had the last great war not providentially intervened, the efforts of this association would probably have had to be given up in favour of an older device, the Bankruptcy Court.

Cartels. Another form of monopoly is the cartel; commoner perhaps on the continent of Europe than in England. This

word is frequently used incorrectly; what it really means is a combine made for sales purposes only. In the race to get rich quick, it provides a short cut. The span of human life is too short for business men who do not often get involved seriously until they are well past the middle of it. Then they are in rather a hurry.

Freedom of competition is not sometimes experienced until a competitor tries to sell the goods he has organised to produce. All he really desires is freedom from sales competition. He can achieve this by way of the cartel without surrendering his complete independence; any economy he can effect in production, such as in the payment of low wages, he can keep for himself. A pool is formed into which all producing firms pour their goods or services. A separate organisation called a cartel attends to the selling of them. A very fair example of a British Cartel is the Cement Marketing Company, whose affairs we shall discuss later when we consider the satisfaction of the need for houses.

In America the word 'trust' is loosely used to denote any kind of trade combine formed for the purpose of maintaining prices at above a competitive level. Laws have been made in that country to put a limit to abuses of a system detrimental to a consuming public.

Vertical Trusts. Yet one more device exists for the curtailment of profits made between traders themselves. It seems to be an instinct amongst certain business men that they simply cannot bear it if anyone makes a profit out of them. Not one commercial undertaking in the world is entirely self-supporting in the sense that it can get everything it needs from the bare earth. Farming perhaps comes nearest to this ideal, but we shall see later, in the appropriate chapter, the snags that make agriculture the poorest though the largest of all human occupations. But apart from farmers, we do find here and there attempts being made to approach some degree of self-sufficiency on the part of private enterprisers who are prepared to tackle problems of production extraneous to their real

business rather than let some other fellow participate or get a 'cut' in the profits to be made.

The Ford Motor Company, I understand, controls the manufacture of many components it would otherwise have to buy. The soap firm of Lever Bros., needing vast quantities of fats and oils, does, I believe, interest itself in tropical estates producing copra and palm kernel oil, and also organises whaling expeditions. The Stanton Ironworks, whose main or original interest is, or was, the production of steel tubes, owns and manages collieries and I daresay many other subsidiary businesses. The Standard Oil Company runs its own ocean transport, and Imperial Chemical Industries, Dunlops, Vickers, Tate & Lyle, to say nothing of Morris Motors and Austin, have their fingers in many profit-making pies contributing to the meals enjoyed by their shareholders. All these are matters which will come in for later detailed consideration; for the present the point for your attention is the method of combination which is vertical, to distinguish it from the other methods previously considered in this chapter, which may be regarded as horizontal, because they are devised to eliminate free competition amongst rivals operating as it were alongside or on the same plane.

None of the games played by free competitors amongst themselves, to free themselves from competition, would be of much consequence were it not that the public has to suffer in two directions. First it often has to pay more than a fair price for the necessities and comforts of life, in order to make rich men richer—but the second effect is much more serious.

Few of us are business men or people who derive an income from the ownership of a business. About nine tenths of the population gets its income in the form of wages paid for services rendered to, amongst others, the owners of businesses. Most business employers do not know how far to go with their organisation of production until they have already gone too far. Panic then ensues and workers are discharged in large quantities. Unemployment mounts to a size which only a war can cure. Even when business men have freed themselves from

free competition, they cannot free their employees from freedom to starve or fight.

Success in free competition produces overseas investment which must ultimately be protected by war; failure produces mass unemployment which can only be cured by scarcity, also induced by war. Private enterprise, win or lose, therefore relies upon war both ways.

SOURCES OF INFORMATION:

Wealth of Nations	Adam Smith
Principles of Political Economy	John Stuart Mill
Principles of Economics	Alfred Marshall
Economics for the General Reader	Henry Clay
Wealth	Edwin Cannan
The Principles of Bankruptcy	R. Ringwood
Empire of Business	Andrew Carnegie
Tory M.P.	Simon Haxey
The Control of Industry	D. H. Robertson

CHAPTER TWO

Principles in Practice

A TRULY intelligent visitor from another planet might be much confused by what he would see if he examined mankind going about its business. Not only would he find some difficulty in making sense of what many people were doing, but he would also be puzzled to find some people doing it in a small way as one man businesses, whilst others band themselves together into vast organisations.

We have first to sort out the different kinds of businesses and then to see how men arrange themselves to perform their functions within these businesses.

Commercial activity may conveniently be divided into production and distribution. Production may be subdivided into that of capital goods and consumer goods. Capital goods as we have already seen are those which are ultimately intended to produce goods used by private people for their personal consumption or pleasure. Capital goods are the things we use in our work, consumer goods are used in our play and to keep us alive both to work and play.

Distribution is an important human activity because goods are useless unless people can get them. It is necessary not only to shift them physically from the places where they are made and stored, but it is equally necessary to let people know of the existence of the goods and how and where they may be obtained.

These are the two primary functions we commonly call work. As life becomes more and more complicated these two

functions split themselves into an infinity of variations, but it will suffice for the present to consider only these two broad divisions.

How do private people arrange themselves to organise businesses? Don't forget that I am concerned here with only a comparatively small section of the population who employ themselves: 'employers,' not 'employed' or 'employees:' private enterprisers: business men.

Firms. Employees, that is to say the majority of people engaged to preform some function in industry, usually refer to the place where they work as 'the firm.' I think this term 'firm' usually implies more than one owner, perhaps a partnership of some kind, but it is also used when only one man owns the business.

The simplest form of business is a one man affair. There are many such. Any person who is willing to accept responsibility and submit to worry may set up in business for himself. If he does so he must have one or both of two things. Capital and/or credit. These things are needed to tide him over the time lag that must occur before his business makes enough profit to provide him with an income, even though his business is of a nature, as many are, where no capital goods are required and where he need not buy goods until after he has agreed to sell them. If, on the other hand, he is not able to run a business upon the bare minimum of capital required for this tide-over, he will need some to buy machinery, equipment, raw materials and to pay wages; or for some, but not necessarily all, of these things. He need not himself possess enough money to pay for them, but in the event of his being possessed of insufficient funds of his own, he must either borrow some or else persuade the suppliers of the things he needs to let him have them on tick, or 'credit,' to use the proper word.

Partnership. Responsibility and worry, together with actual work, can be shared by two or more people who agree to set up a business in partnership. Sometimes it is agreed that a partner shall do no work; then he is called a 'sleeping partner,' but how he can sleep when his sole function is to

accept responsibility and worry makes the term, in my view, inappropriate.

There are several snags about partnerships. Apart from the tendency of friends to fall out whenever money considerations intrude, there is a legal difficulty. If the firm goes bust, and one or more partners possess insufficient funds to make good the losses, those who do will have to pay. This usually awakens the sleeping variety of partner, but even when partners are awake and alert the danger is very real. In consequence a device called ' Limited Liability ' is used.

Limited Liability. Limited Liability has an interesting history. Relying entirely upon my memory, I have the impression of having read somewhere that although the earliest record of Joint stock companies dates back in England to 1390 (Richard II), the cute notion of limiting liability came from the Borgias in Florence, Italy, a little later. One of the early big affairs was the famous, or infamous, East India Company (1600, Elizabeth), another, the Bank of England (1694, William and Mary). But with the really disastrous South Sea Company, responsible for the dreadful ' Bubble ' of that name, the need for new laws became acute. Since then many laws have been made, especially in recent times, from 1862 until the Companies Act of 1948.

The idea is to protect dormant partners so that they may sleep in peace and security. There are a large number of people in the world who prefer to be their own masters rather than to work for an employer. They do not mind work and would show their employers what they could do if only they had some capital. This class of person is the private enterpriser *par excellence*. The Limited Liability idea is made for him and was probably initiated by him. There is also another large class of person possessed of capital but also obsessed with a dislike for work. The Limited Liability device brings together these two classes. It is ideal for both of them.

The work-disliking capital owner is often on the lookout for some way to invest his money to produce more than the rate of interest he would get if he bought say, houses with it

and let them out at rent, or if he put money into government stocks. What he would like best would be to go into business if only he could avoid working in it. The Limited Liability Company provides him with an opportunity for doing so. He can go into a partnership where he can safely sleep without the danger of an awful awakening to find himself ruined.

The method is this : a group of people comprising workers and owners get together and draw up a ' Memorandum of Association ' stating what it is they propose to do together. In actual practice a lawyer does this for them, or if he too wishes to escape as much work as possible, he buys a standard printed document from a law stationer. The main thing set out in this memorandum is that the signatories have agreed to found a business to be owned by shareholders. It also ties the proposed founders to their legal obligations. The idea so far is to protect, as far as possible, future participators in the project against fraud. The next step is to register the company, subscribe the capital, issue receipts called share certificates for the money subscribed, and get down to work in accordance with a programme, book of rules or constitution, set forth in another stereotyped document called ' The Articles of Association.' Copies of all these documents have to be filed with ' the Registrar of Joint Stock Companies,' who thereafter is obliged to keep a paternal eye on the concern by demanding that an annual report and accounts of each year's business be sent to him.

The effect of all this is to limit the liability of each shareholder to the amount of money he has agreed to subscribe. If the company fails so badly that it is unable to pay its debts, each shareholder will not be called upon to make good the deficit as he would be if he were an ordinary partner in a business.

Public Companies. There are two sorts of Limited Liability Companies: private and public. The differences between them are: first, the public company is composed of strangers who are brought together by means of an advertisement called a ' Prospectus.' Second, that more stringent laws have been

enacted to protect these strangers against fraud than is considered necessary in the case of private companies, where the shareholders are presumed to know each other. Third, shares in the public companies may be bought and sold in open markets called 'Stock Exchanges.'

Before proceeding to explain the various trading activities that may be performed by all these different forms of enterprises, it is as well perhaps to set out the varieties of shares that are in common use:

i. Ordinary shares. These entitle the owners to receive whatever income the directors of the company decide to divide after they have received their own remuneration and have discharged all other legitimate obligations. The income so divided amongst shareholders is called 'Dividend.'

ii. Preference Shares. These usually have a fixed rate of interest which is payable before any dividend is paid to ordinary shareholders. 'Participating Preference Shares' are a variety when some income in addition to a fixed rate may be divided. 'Cumulative Preference Shares' carry the right to receive interest which in previous years could not be paid; dividends upon such shares must be brought up to date before ordinary shareholders can be paid.

iii. Debentures. These are fixed interest-bearing shares which carry rights superior to all other shares. They are usually only issued to avert disaster when a company has lost all or most of its original capital, but is deemed to be capable of rescue from bankruptcy (called in the case of a Limited Company 'Liquidation') if only more capital can be obtained. The chief right is to a share of the possessions of the company before anyone else gets anything in the event of the worst happening. Traders, called 'creditors,' who have supplied the company that is being 'liquidated' do not get anything until after the debenture holders have been paid in full. If a company issues debentures the news is widely circulated in the interests of all traders who will cease to trust it without proper inquiry into the circumstances.

Functions. Businesses usually perform one or more of the following functions: Manufacture, Wholesale and Export Trading, Retail Trading.

Apart from these three main categories, there are many services performed by individual partnerships and companies which it is unnecessary here to explain in detail. They are usually called agencies whose functions are obvious from their titles, *e.g.*, Advertising Agencies, Travel Agencies, Domestic Servants Agencies, etc.

Manufacture. I should like this term to be widely interpreted to include the production and supply of services such as transport as well as of goods. As we have already seen, manufacture can be sub-divided into capital or production goods and consumer goods. On the whole these two categories correspond to heavy and light industry.

Heavy Industry. These are usually taken to include what are called 'primary' producers, such as mining and heavy engineering and everything where direct access to the substance of the earth itself is required, such as in quarrying, cement, brick, chemical and pottery making, but excluding agriculture. It is upon heavy industry that all other industry depends. All the major heavy industries receive separate chapters but it is well here to note some general characteristics.

Heavy industry as a rule requires considerable capital. Rarely, if ever, is it carried on on a small scale. Its importance is so considerable to the prosperity of a nation that it requires and gets Governmental aid. This is something of much consequence to all who desire to understand how the world is run. It is useful therefore to indulge in a digression to examine the impact of heavy industry upon the British Parliament of 1935.

Mr. Baldwin, the Prime Minister, was head of the great steel and coal mining firm of Baldwins Ltd. Mr. Neville Chamberlain, his successor, was connected with the family company, Guest, Keen and Nettlefield, and his predecessor, Mr. Bonar Law came from a family with long connections in these industries. Altogether in the 1935 House of Commons, 51 M.Ps. held 109 coal and steel directorships: in the House of Lords the maze of heavy industry connections is too complex to be disentangled here.

Light Industry. It is hard to draw a line between heavy and light industry but this need not worry us for the moment. We shall see in the proper place how mankind satisfies its needs and whims. A point, however, that requires attention now is that of the method used in every kind of manufacture to determine that goods produced, when sold, will yield a profit. This is not so easy as you might suppose. A manufacturer is not like a shopkeeper who knows exactly what he pays for the goods he sells. The manufacturer must calculate somehow what every article produced in his factory has cost, and then clap on a percentage to arrive at a profitable selling price. The calculation must not only include the cost of raw material and an accurate apportionment of the wages paid to all of perhaps a large number of different workers performing one or more of various operations on the product, but it must also include a charge for the use of machinery which is often very expensive. When such a calculation is complete, other items must be added. There are the salaries of managers, foremen and unproductive workers to be considered, and the cost of the staff and apparatus (sometimes time clocks and calculating and recording machines) required to do the work of costing. When these charges have been correctly distributed the cost of selling the product has to be met. It is only to the total of all these and many other items too numerous to detail here that profit can be added.

Factory Cost. Frequently we see some comparatively simple component, say of a motor car, and are astonished at the high price charged for it by the manufacturers. We see a similar looking article sold by an ironmonger in a shop for a few pence, often less pence that the garage charges shillings. The reason for this discrepancy is not difficult to understand. A standard metal shelf bracket can be turned out in vast quantities by a firm which makes little else than similar articles and has gone on doing so perhaps for many years. All the operations have become automatic and the cost of the first few thousand that included special drawings and tools has long since been wiped out and forgotten. Much of the work in such

a factory can be performed by unskilled or semi-skilled girls or even children. But in an engineering works things are usually done on a much more lavish scale. It is when a motor-car manufacturer such as Ford, Morris and Austin approach the ironmongery technique that we get cars at prices far below those charged by manufacturers who do not or are unable to practise such methods. The profits in an engineering company have to be high because there are so many loopholes in the processes for waste and hidden expenses, quite apart, of course, from the time spent on high grade workmanship to dimensions measured in thousandths of inches.

Profit. In a system of free competition the rate of profit obtainable is regulated by factors outside the control of each individual manufacturing firm. Its upward limit is fixed by custom, in so far that most firms engaged in an industry conducted with approximately the same degree of efficiency will regard a certain percentage of their turnover as a satisfactory profit. The lower limit is fixed by a disinclination to continue manufacture unless the minimum profit can be made. I think that 15% maximum and 5% minimum is a fair statement of these limits, within the industries of which I have personal experience.

You may say: 'How is it that so many manufacturing concerns can pay dividends of 20% and over? The answer is that the percentage of dividends is calculated upon capital and not upon turnover, which means the total sales of the concern. If the capital is small, 15% on sales may easily exceed the total amount of capital originally put into the business.

The percentage that wages bear to the total sales value of goods produced amounts on the average to about 15%. That this is approximately true is borne out by an examination of statistics published relative to our national income.

You will find also that unearned incomes (representing profits and rents for which no work is exchanged) are in about the following proportions: For every £15 earned as wages and salaries, about £10 is paid for ownership. No wonder the owners, who number only about one tenth of the working

population are keen on a system of private enterprise so favourable to themselves.

Distribution. After goods have been manufactured they rarely pass direct to the consuming public. There are excellent reasons for this in a system where no planning exists to regulate supply to demand. Part of the price paid for free competition and private enterprise is the maintenance of a large number of 'middle men' who perform the function of risk-takers, apart from, as they would say, acting as wholesale distributors or merchants. Some of them also say that if they were all swept away and state planning were established to eliminate the factor of risk, the cost of so many civil servants who would be required to do the work would be as great or greater than the present cost of merchants. But this is pure guesswork, and allowing for bias due to the self-interest of the guessers, I should say it is grossly inaccurate.

Wholesale. What the wholesaler or merchant (sometimes called a 'factor') does is to place larger orders with manufacturers than could any average retailer. Sometimes groups of retailers are large enough in the aggregate to do it and in these cases they buy direct from manufacturers at prices below those paid by competitive 'small men' shops. This is why 'chain stores' often sell more cheaply than small independent retail establishments.

Wholesale merchants frequently possess large warehouses where goods can be stored ready for immediate delivery, which a manufacturer could not give because he requires time to manufacture goods after he receives an order for them. The merchant can also keep manufacturers at work during slack seasons. But the major function performed by a merchant is in the provision of an organisation capable of sales and distribution. If a manufacturer does not sell to a merchant he must provide this organisation himself. In some trades such as that of furniture it is customary for manufacturers to sell direct to retail shops, but in most trades goods are sold by manufacturers to merchants or middle men.

There are two methods by which the public is made aware of the availability of goods for consumption. One of them is by advertisements in newspapers, and by posters displayed on hoardings, the other is by seeing the goods exhibited for sale in retail shops.

When a manufacturer spends large sums of money on advertising to the public, he endeavours to recover all, or as much as possible, of this expense in the only two ways open to him. The first is by fixing a higher price to the public and making it a condition of sale that the goods he produces must not be sold at a lower price. The second is by fixing the rate of profit both of wholesalers and retailers who handle his goods. It should be remembered that unless the proprietors of an advertised line can recover every penny of their costs, they will ultimately fail in their undertaking. It therefore follows that all advertisements must be paid for by the public. This does not necessarily mean that advertised goods are more expensive than goods which are not advertised, for two reasons: first, if the proprietors do not indulge in advertisement, wholesalers and retailers will have to exert more time and effort upon sales, and these things are costly. Second, it is claimed that the greater demand stimulated by advertisement results in increased, more efficient and therefore more economic production, which has the effect of keeping prices down. This is the standard pattern of business and you are of course free to think what you like of it. I have now to show you the process required to sell goods which are not advertised direct to the public.

There are again two devices: the commercial traveller, and the trade journal.

Both of these may be described as substitutes for direct advertisement to the public. The commercial traveller is employed to call at retail shops and endeavour to persuade the proprietors first to buy and then to display the goods offered by his employers. In order that a commercial traveller can afford to do this he must be remunerated in one or more of three ways. His costs of transport must be met; he must

have a fixed income; and he should have a commission on sales to encourage him to work hard. He will usually require an undertaking from his employer that he will receive some benefit from future business resulting from transactions that he has initiated. Sometimes, travellers will prefer to rely entirely upon commission and to demand that they be free to exert themselves independently of any one single employer. Such travellers will usually demand from 5% to 10% commission, the rate depending upon the average value of an order resulting from the expenditure of a given quantity of time and money. It may be taken therefore in general that included in the price of every article we may purchase is something for a commercial traveller or an advertisement.

Trade Journals. The trade journal has been called by Mr. H. G. Wells, in 'The World of William Clissold,' a substitute advertising medium. It is far cheaper to advertise in a trade journal than in the 'national' press or upon hoardings. The trade journal, consisting mainly of advertisements, is read by retailers who usually pay more attention to them than to editorial matter. It is necessary that they should know what goods are available as substitutes for nationally advertised goods because they can make more profit out of them.

All these activities of merchants are paid for by profits. The rate of gross profit upon which most merchants can operate successfully has recently been recognised by the government in fixing its 'purchase tax' regulations. If an article costs the public 100/-, the manufacturer receives 50/- from a merchant, who sells it for 66/4d. to the retailer. Thus the merchants standard rate of gross profit is $33\frac{1}{3}\%$ on cost, or 25% of his selling price, or $16\frac{2}{3}\%$ of the ultimate price paid by the consumer. The government has reduced the first two in most trades to about $22\frac{1}{2}\%$ and 17% respectively.

Export. In addition to, or apart from, supplying retailers, merchants frequently undertake export business. There is an advantage in this over home trade in that payment is received

quickly and without risk. This may seem strange because customers overseas are less accessible. It is for this very reason that export trade is conducted with the help of banks or other agencies established in this country for the purpose of overcoming this difficulty.

What happens is this: when goods are put aboard a steamer, the captain or his agent signs a document called a Bill of Lading. The buyer overseas has made arrangements whereby the exporting merchant or supplier can obtain payment immediately he presents this document to a pre-arranged office in England. The custodians of this office send the Bill of Lading to the destination of the ship where the goods will not be surrendered to the buyer until he can present it to the captain of the ship or his agent.

Retail. The aspect of business most familiar to all of us is the shop where we can satisfy many of our wants, providing we have cash (and coupons). ' Playing at shops ' is still a game popular with the very young. Napoleon Bonaparte is reputed to have dubbed us a ' nation of shopkeepers;' he was wrong, but shopkeeping is an occupation employing more people than any other, bar agriculture. It is therefore important that we should know something about the general principles of it.

A well-known authority on this subject once told me that if he took a walk along a street lined with shops he could estimate fairly accurately the rent of every shop, and that knowing this, he could state with equal accuracy the amount of trade and profit to be done in and made from each one of them, irrespective of the nature of the business. I asked him if an undertaker or a fried fish shop would do the same amount of business in any given premises. He said yes, but qualified his assent by adding: ' always assuming that the proprietors are competent both in the conduct of their business and in the choice of suitable premises.'

Another notion put forward by this gentleman was that members of the public are not as free as they think they are in their choice of a shop wherein to make a purchase.

Most people, he said, travel along a narrow groove in their everyday lives. They become accustomed to the sight of certain articles displayed for sale in the shops that lie along the route they use to get to and from their work. Subconsciously they classify these shops so that if, for example, there are three wireless shops, they will become arranged in order of merit. When an imaginary buyer decides to make a purchase he will tend either to have regarded a certain wireless set he has seen as the very one for him or else he will have made up his mind to enter his favourite shop to make inquiries. So keen does he become to buy from this one particular shopkeeper that he would even pay more for what he wants, or else feel affronted if this special shop could not satisfy him.

I do not know how much truth there is in this aspect of shopkeeping, but I feel certain that whether retailers accept these motives as stated, or not, their method of procedure on the whole confirms the truth of it. Their prosperity seems to be indicated by the external attractiveness of their premises and by their friendliness to their customers.

Arnold Bennett once wrote somewhere that the proprietor of an ordinary grocery shop in a reasonably busy shopping centre makes about £4,000 a year income by it. He made this statement, I think, because he wanted to show that professional people and others of the so-called 'upper middle class' who usually regard themselves as socially superior to shopkeepers often do so upon incomes far below those of the people to whom they are accustomed to display somewhat patronising airs. In a society where 'class distinctions' are still very acute, I think it is worth while to consider that appearances and accepted notions are frequently false. One of them is the assumption that retail trading is a lowly occupation in that most shopkeepers, activated as they must of necessity be by the habit of buying cheap and selling dear, are mean fellows by nature and devoid of culture. Lofty minds are not objects of class monopoly.

Retail shop-keeping like every other kind of industry has been transformed in recent times. There are two directions of

development worthy of comment. First the chain shops; second the departmental stores.

Multiple Shops. The ideas behind multiple or chain shops are fairly simple. The most important of them in my view, from a social angle, is that they exemplify the aim of free competition to liberate itself from itself. Retail business is very attractive to people able to command large capital. For a given investment profits are probably more certain to be earned by retail than in any other field of enterprise. The reason for this is that well established conventions exist as to the rate of profit almost invariably added to well defined classes of commodity sold by retail. In addition to this, the routine work of shopkeepers is fairly simple and the supply of untrained labour, trained and semi-trained shop assistants is, in normal times, very large. Their wages are scandalously low.

Chain shops have several advantages over ordinary independently owned shops. Some of them, but not all, they can pass on to the public as an inducement to patronage. The chief of these is, of course, low price. This is achieved mainly by central buying. A firm owning say 100 retail shops can place orders with manufacturers and wholesale merchants one hundred times larger than could each one of these shop managers or proprietors, placing his own orders. The suppliers of multiple shop-owning firms do not have to face the expense of commercial travellers calling upon each shop. They can and do pass on this economy to the chain shop proprietors who may, if it is their policy, pass all or part of it to the public by means of reduced prices. But apart from the saving in the expense of commercial travellers, it is usual for manufacturers and merchants to reduce prices for the sake of getting very large orders such as can be placed by proprietors of a large number of shops.

Two social abuses are rife in this connection which may form the subject for a short digression. Small manufacturers are frequently induced by chain shop proprietors to neglect the supply of many small singly owned shops and to concen-

trate upon the requirements of a single multiple shop-owning firm. They will be asked to organise the production of 'special lines' which they must agree to supply exclusively to their one big multiple shop customer. When the small manufacturer gets into this position he is usually doomed. Henceforth he must abide by the dictates of his one large buyer. It is no exaggeration to say that many small firms have been reduced to beggary by this well recognised process.

The other social abuse is the power of great capitalists to effect the ruin of financially weaker rivals. Nearly every small retailer lives in terror of the establishment of a chain shop too close to his own premises. The proprietors of a hundred shops can afford deliberately to lose money in one of them whilst selling goods at unprofitable prices. It will pay in the long run to go on doing this until an independent neighbour is forced either into bankruptcy or to sell out to the more wealthy rival. Instances of this process are very common.

Apart from these abuses there are of course many genuine economies to be effected by large concerns as a result of more efficient organisation. In this connection it is well to consider that if social benefit derives from size it might follow that state-controlled monopolies provide the ultimate solution.

Departmental Stores. A certain Mr. William Whiteley enlarged his drapery business in Bayswater, London, not many years before I was born, until it sold everything he could think of. He called himself 'Universal Provider' and boasted that he could supply anything from an elephant to a wife. I do not know if Mr. Whiteley was the first person to establish a departmental store in the gigantic modern sense, but even if it is only my romantic notion, I see no great harm in sticking to it.

The idea of providing one very large building where every conceivable variety of merchandise may be displayed, or every demand supplied, is a great public convenience. It is true of course that if you do not happen to reside near such an establishment you will have to make a journey to get there, but

once you have reached your destination you can have a good time, providing you can pay for your indulgence. Even if you cannot, you can usually get a meal at a reasonable price on the premises, and you may therefore spend the whole day wandering about in a lively and interesting atmosphere. I do not know an easier way to make a fortune than to establish such a business. If you are a man, and a good judge of the charms of beautiful women, as was Mr. Whiteley and many of his millionaire imitators, you have a large number of lady shop assistants from whom to choose. I have seen most of the largest and more famous departmental stores in the world and take pleasure in proclaiming my considered view that London possesses the best of them all. One store, Harrods, is the most elegant and supreme in its magnificence. (I am paid nothing by them for this: I do it out of sheer enthusiasm).

Retail Profit. I have in conclusion to justify my statement that retail trade provides the easiest of all methods of making a fortune. The explanation is simple. The retailer sells most of his wares for half as much again as they cost. What a retailer buys for two pounds or shillings or pence, he sells for three. It is a nice profit and is easy to calculate. Nearly everyone can divide a number by two and add the answer to it. If you can so arrange matters that you can organise a large number of transactions, the time taken to acquire a fortune will be in exact proportion to your speed in effecting sales. This being so, it follows that the provision of a large and magnificent building is the speediest way to get rich quick. It is true of course that a large and magnificent shop is not to be obtained, stocked, staffed and maintained for nothing. Nor, by some curious freak of mass psychology, will it do to erect a building on the wrong spot. Even the wrong side of so fine a shopping thoroughfare as Oxford Street, London, may prove disastrous, as it did to Gamages, the heaven of my childhood, when from Holborn where it prospered, it extended to a site which failed.

So terrific is the reward for success in having a shop large

enough to effect sales totalling many thousands of pounds every day, that proprietors of the largest establishments are willing to spend, so they say, about £27 out of every £33 6s. 8d. they get by dividing cost by two and adding back.

Leaving aside, however, these princely establishments, we may take a glance at the little back street general shops, or worse still the even smaller newspaper-cum-tobacconist-cum-sweet shop of which I once counted over twenty in less than half a mile of the somewhat dreary main road connecting Colliers Wood and South Wimbledon tube stations. All these little shops would work on the 'add half' principle if they could, but they can't. Their difficulty is that they sell mainly well advertised lines where selling costs are mainly paid by the producers. Newspapers, tobacco, jams, tea, cocoa, tinned milk, etc., do not require beautiful premises and women to sell them. Any old hovel or hag can do it. An old man past ordinary work, or a young man in work can usually rely upon a dependent female to answer a shop bell, and even if the shop doesn't pay all the rent, there is generally a home of sorts behind and above it, which by virtue of the shop will save all or some of the rent of a private house or rooms. The little shop also provides a refuge in times of unemployment suffered by its humble proprietor who often works during the day in ordinary employment for an employer elsewhere. Here we have, I think, the dregs of private enterprise.

Between the two extremes are many thousands of private retail enterprisers performing the functions of distributing goods in a manner indispensible to our present stage of social development. That it is wasteful of our national resources in its over-lapping redundancy is fairly obvious, yet with all its defects it does manage to deliver the things we need.

Hire Purchase. I am not sure if I have driven home with sufficient emphasis what I consider one of the major differences between public and private enterprise. I refer to the question of payment for services rendered and goods supplied. I have insisted upon a distinction, as essential to private enter-

prise, that a buyer *must* be able to pay for his purchases. There is an important exception to this rule. A buyer can obtain goods by a process that stands mid-way between an out and out purchase, and an agreement to pay rent for the use of goods over a specified time. The contrivance of hire-purchase is a clever legal dodge to avoid the provisions of a law called the Sale of Goods Act, whereby ' property in goods ' is said to pass from a seller to a buyer when carefully defined conditions of sale are met. In the interests of the seller, who really wants to sell his goods even to someone who cannot immediately pay for them, and whom the seller will not trust to pay later on without some binding agreement, the goods are let out on hire to the purchaser whose property they will become after he has paid intalments of rent on due dates over a limited period. This is called a ' Hire-Purchase Agreement.'

Ordinary small shopkeepers cannot often afford to sell goods without any prospect of payment until long after the shopkeeper himself has had to pay his suppliers. He cannot therefore wait for monthly payments spread over, in some cases, as long as three years. What he does is to make an arrangement with a hire-purchase ' Finance Company ' to pay for the goods in return for an agreement properly signed by the hire-purchaser who is required to seal his bargain with a ' down-payment,' or deposit, which the shopkeeper retains for his own purposes. To the unpaid balance is first added an agreed rate of interest, usually, before the war, in the region of 6%. The total of price plus interest is divided by the number of instalments payable at regular intervals, usually monthly. In the agreement it is stated that in the event of failure by the purchaser to pay the instalments on due dates, the seller may ' re-possess ' himself of the goods and appropriate all that has so far been paid, even though it be eleven out of twelve instalments. In some cases the agreement also gives the seller the right to demand compensation for wear and tear of the goods in the event of non-payment of the full quota of instalments. All this is a bit hard on a hire-purchaser who may default

from sheer misfortune beyond his control, such as losing his job or by family illness. It is argued that a hire-purchaser knows all this before he enters into his agreement, or could if he took the trouble to read the very small print (which he rarely does, so eager is he to have the goods) in which the conditions are usually stated.

So prevalent had this hire-purchase become before the war that certain facts about it are worth knowing. The rate of interest is not what it seems. Let us suppose that goods priced at, say, £150 are purchased. Of this £30 may be the deposit, which leaves £120 to be paid by twelve monthly instalments of £10 each plus 6% interest. 6% on £120 is £7 4s. making a total of £127 4s. which divided by twelve makes a monthly payment of £10 12s. The first of these sums is payable at the end of the first month and has therefore only been lent for one month although twelve months interest has been paid on it. The second instalment is lent only for two months. If you work the whole thing out in this way, you will find that the average period of twelve monthly instalments is only $6\frac{1}{2}$ months, but 6% is charged as though the whole amount had been lent for a whole year. The correct rate works out at almost 11%.

A hire-purchase finance company could borrow money from a bank for 5% (or less before the war) or from an insurance company for much less, but if for the sake of argument we allow that money costs 5% we find that what costs five is sold for 11, a nice profit of about 220% of cost. This rate of profit on cost is far higher than in ordinary trade where only half cost is added to arrive at selling price instead of it being more than doubled. Now you might think that experience has proved this high rate of profit to be necessary because the risk is great, but the contrary is true. An inquiry was made in the United States to discover the loss over all trades including that in such movable property as jewellery and such destructible articles as vacuum cleaners and wireless sets. The answer was less than 4/- in £100. The risk is therefore negligible and its low figure arises from the right to re-possess. Hire-purchase

finance is therefore a very profitable form of private enterprise, and there is no wonder that, while it is encouraged by traders, the judges in our courts are usually sympathetic towards defaulters.

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CHAPTER THREE

The Banking Superstructure

ALTHOUGH AGRICULTURE and Coal Mining* may vie with each other for first place in importance amongst human activities, they can only do so under the rule of finance. Banking therefore is suspended, as it were, like the sword of Damocles, above the heads of all private individuals left free to obey the law in the pursuit of private gain. But bankers themselves are private individuals who, in turn, must obey laws. These laws, formally imposed upon them by society act through the medium of the State. There are, however, other laws they must obey; laws imposed by custom and by economic forces it is now our business to investigate.

Bank of England. Over the world of British finance our symbol of a suspended sword may well be used to denote The Bank of England.* It is a unique institution and well worth knowing about, if only for the fun of it. It is unique in the following respects:

1. It is the only bank taking care of money entrusted to the Central Government by taxpayers.

2. It is the only bank taking care of the surplus cash entrusted to other banks by their customers.

3. It is the only bank in England entrusted by the Central Government to issue paper money in the form of banknotes.

4. It is the only bank entrusted by some mysterious custom not to make as much profit for itself as it could if it were not so restrained.

*Written before they were nationalised

Taking it all in all it is a rum affair, and the greatest joke of all about it is that it belonged to Tom, Dick and Harry, which means to a motley collection of private people. In other words, it was a business whose profits were divided amongst the people who owned it and who could spend the profits as they liked when they got them; as they always did. They were ' as safe as the Bank of England '!

The special powers granted by law to this unique privately owned business were so granted as a safeguard. When, in the reign of Charles II, a gentleman of vague habits and insatiable financial appetite, it was known that certificates, being safer things to exchange and transport than lumps of gold, were being more and more widely used, it was found that the system under which such certificates were issued was all ' haywire.' The certificates were, of course, acknowledgments that the person in whose favour they were written owned the amount of cash represented upon them and could, if he liked, go and fetch it from the goldsmith or banker who was supposed to be taking care of it. There came a day, or in fact several of them, when too many people turned up all at one time demanding hard cash in exchange for these certificates. Unfortunately, the custodians of it had been somewhat naughty and could not pay the later callers. That this failure started a panic is not difficult to imagine. What had happened was that these early custodians of gold had either accumulated more than their strong cellars would hold, or had grown sick of the sight of so much idle money, or had discovered that only about one tenth of it was ever removed from their cellars since their customers could get along better with paper certificates than they could with cumbersome heavy bags of coin. Then these custodians, goldsmiths, bankers, call them what you like, grew restless. They listened to people who wanted to borrow. When they began to lend money which did not belong to them they ceased to be mere capitalists, they became bankers.

Thus bankers became moneylenders. This was all right so long as all went well. The banker considered carefully the

trustworthy characters and the material wealth of the people who wanted to borrow and nothing would have gone wrong had it not been for free competition. It was found by many banks at the same time that they could make more profit for themselves by charging interest for lending than they could for acting as cloak-room attendants. They started to compete for lending business until the awful day above referred to arrived. They had lent money which was not their own property. After the panic had subsided and the process had recurred a few times, it became clear that something must be done about it. The government, then mainly the king, stepped in. The king saw a chance of making a bit for himself on the side. He sold a charter to a group of private people who used it to set up a business called The Bank of England. The main thing about the charter was to give this one bank a monopoly over the issue of paper certificates at first called bank notes and much later supplemented by inferior certificates issued by anyone having a bank account, called cheques.

The Bank Charter strictly prohibited the Bank of England from issuing more than a fixed quantity of bank notes. They could issue more than they could cover with gold, but the proportion of the excess, called the fiduciary issue, had to be calculated in relation to the value of gold held by the bank. This proportion has been varied by order of the central government from time to time. The object of this law is to avoid the possibility of panic caused by failure of the bank to meet a 'run,' when more people than usual demand payment in gold.

All the foregoing, of course, relates to the times when, until recently, this country was 'on the gold standard,' which means when the price of gold in terms of paper cash was fixed by law. During those times the special privileges granted to the Bank of England were so granted as a safeguard. It is curious to note that on every occasion when the Bank of England has been called upon to exercise its prime function of avoiding panic caused by a 'run,' it has failed and has had to close its doors and suspend payment.

This occurred on such occasions as the crisis caused by the bursting of the notorious South Sea Bubble and more recently, as for example in 1825, when the closing of William's Bank in London led a Mr. Simmonds of Reading, one of the founders of the present Barclays Bank, to ride through the night to open an office in Birchin Lane where he exhibited a notice 'Reading notes paid here.' A Bank Act was passed in 1844, after fifty years of keen controversy as to the public duties of the Bank. By this Act the management of currency was taken out of the hands of the Bank of England.

In 1847 when wild speculation in the construction of railways caused a more serious panic, in 1857 when the Bank of England had to sell £3,000,000 of government securities at a loss, in 1866 when the great banking house of Overend & Garney failed, the Act of 1844 had to be suspended to protect the Bank of England.

In 1945 I also have had to suspend an embargo I had placed upon myself to keep history out of this book. It is impossible to describe banking to-day effectively without giving the brief history of the Bank of England.

If you journey by the Central London Tube railway and alight at the Bank station, you will emerge at what has often been described as the 'Hub of the Universe.' If you stand at the base of the statue of the Duke of Wellington riding a horse without any stirrups you can face the Royal Exchange, a magnificent though empty and disused building. You will then be turning your back upon the Mansion House, the official residence of the Lord Mayor of London. Immediately on your right you will see a large office building in Cornhill occupied by a company with the word 'Discount' in its title. Between the end of Cornhill and the Mansion House is a wide thoroughfare called King William Street with huge insurance company palaces on each corner. At the side of each palace are two barely noticeable narrow turnings. One is Lombard Street, immensely important because it is almost entirely occupied by the head offices of Joint Stock Banks and 'Finance Houses'; the other is St. Swithin's Lane where

the famous house of Rothschild is situated. On your left is the real *piece de resistance*. When I was a boy my father told me that the long single-storey building was called 'The Old Lady of Threadneedle Street.' In the evening red-coated soldiers used to walk about the roof of it and I could peer at them and they could peer at me through a grimy, smoke-blackened, stone pallisade. Recently this building has had a white stone superstructure of many storeys imposed upon it. You cannot miss it. It looks rather like a wedding cake on a dirty plate. It is the Bank of England. However irreverent may be your spirit you cannot but be impressed by all this.

All the same it was until recently still rather a joke because this famous business was run by a band of amateurs who were required to possess one essential disqualification: none of them could be bankers. They were all merchant princes, dignified by the title 'The Court' (not 'Board,' mark you) of Directors. There were two sorts: young ones and old stagers. The young ones were elected temporarily by the old timers. When the young ones after retirement had shown themselves capable to withstand the strain of a long life in the City without becoming bankrupt, insane or found guilty of felony, they could be re-elected and themselves become permanent old timers. The idea I suppose was to select people who by experience possessed a congential respect for money. The top old timer ultimately became governor, who occasionally made speeches sharply criticised by City Editors who really understand their jobs and who pointed out that the governor did not. All this sounds rather odd and will doubtless be said to be misleading, but no-one will say it is not true. It is all a question of the angle of view and whether or not you think, after finishing this book, that this important institution should have been left in private hands.

In reality, of course, the people who do the work of the Bank of England are not part-timers but regular employees managed by those who have mainly risen from the ranks. They would doubtless continue to work in the same way, irrespective of who receives the profits.

One of the functions of major importance performed by the Bank of England is the fixing of the 'Bank Rate.' This is the percentage of interest per annum which it will charge for the service of discounting short term bankers' bills. If any other bank, whose solvency is beyond doubt, wants to borrow from the Bank of England, it can do so at that rate by accepting a 'Bill of Exchange' drawn upon it. This rate fixes the amount of interest in a freely competitive market that other lenders can charge.

I have decided that I have said enough about the Bank of England. If you wish to discover the distinctive workings of the Banking and Issue Departments of it, you cannot do better than read the exciting little classic *Lombard Street* by Walter Bagehot, for many years editor of that famous journal *The Economist.*

We must pass on to consider the Joint Stock Banks.

Joint Stock Banks. I do not think any banks survive which are owned by people whose private fortunes would be lost if they had to be used to supplement the funds of the bank in the event of bankruptcy. This risk has been avoided by limiting the liability of the partners or shareholders to the value of the shares they have agreed to purchase. It has been found in practice that the business of banking can be carried on with no more capital than is required to make a good physical show: that is to say, to purchase or construct nice buildings and to furnish them with brass, polished mahogany, an urbane manager and an impregnable fortress in which to store valuables. For this reason, few banks have ever asked their shareholders to pay up all they have agreed to pay for their shares. If you don't believe me, ask an accountant to explain the framed balance sheet exhibited on the wall of any branch of a bank.

Banking may therefore be presumed to be a 'good thing.' We may therefore well ask ourselves how it is done and why the system of free competition does not drive more people to

set up in so lucrative a 'line.' It must seem odd to the uninitiated that the banks tend to get fewer. Most of the day to day banking facilities of the country are now provided by the 'Big Five': Barclays, Midland, Westminster, Lloyds and National Provincial.

At the moment of writing these banks pay 1% for the money lent to them by depositors and charge 5% for money lent by them to such of their customers who are able to pledge collateral security of value considerably in excess of the amount they desire to borrow. This means that what the banks buy for one pound they sell for five pounds. 400 per cent on cost is rather more than the rate of profit usually obtained by traders who run all sorts of risks and have to carry stocks of unsold goods which often deteriorate in value. It compares very favourably with the 6% net profit permitted to government contractors during wartime. This 400% rate of profit is however exceptional and arises from the desire that the banks shall not compete as borrowers with the government during wartime. The extra emergency profit earned by the banks, it is to be hoped, finds its way back to the public purse by way of excess profits tax. In peace time the rate of gross profit calculated in this way did not usually exceed about 200%. The banks usually paid customers 1% below bank rate and charged 1% above it.

Fortunately for the banks, the above is a mere trifle compared with what follows. They can do far better for themselves than any of this. They lend money without having to pay anything for it at all beyond the cost of paper, a few drops of ink, the wear and tear of a pen, the wages of a clerk and the overhead charges of the office. For the expenditure of a few pence, they can lend as many thousands of pounds.

Here is the explanation of the somewhat astonishing and profitable performance of making something from nothing. As we have seen, depositors rarely ask to withdraw the money they lend to banks in hard cash. They do it in practice by cheques. Cheque payments make no difference to the banking

system taken as a whole. The Big Five adjust balances between themselves every day in an office building in London called the Bankers' Clearing House. Cash in the form of currency notes and silver and copper coins, the 'till money' of local branch banks, is not used to any serious degree except from Fridays to Tuesdays. It is withdrawn on Friday to pay working class wages and returned to the banks by local shopkeepers on or before Tuesday.

Since the whole essence of banking is in the extraction of confidence from money owners, the habit of exhibiting printed copies of bank balance sheets has resulted in their being read now and then during periods of waiting for attention, by the small proportion of bank customers competent to understand them. If any of these intelligent people should notice, during a few moments of enforced idleness, that the bank failed to carry a ten per cent cash reserve at the Bank of England, he would immediately tell his friends who would tell theirs and a panic would ensue.

Now the Bank of England itself during normal times keeps a 40% cash reserve, and it is for this reason, namely its failure to employ the odd 30% as other banks do, that it does not earn as much profit as it could if it kept only the same reserve as its banking customers. There is no law to make it keep so high a reserve or to forgo the extra profits: it is certain, however, that if it did not adopt this peculiar procedure the other banks would cease to patronise it and a large part of its business would then be lost. It would cease to be called The Old Lady of Threadneedle Street.

But to return to the lesser banks: If Mr. A deposits £100 in cash or currency notes the bank may then safely lend £900, providing it does so on 'good security.' Mr. A will not ask for more than £10 of his money in cash: the borrowers of the £900 will not ask for more than £90. Now, by paying Mr. A £1 per year for the use of his £100 the bank can charge 5% or £45 to the borrowers of the £900: what costs £1 is sold for £45, a profit of 4400%.

Not bad! Why don't rich people start banks? The answer

is that they can't because it is too late. Any person whose riches were great enough to inspire sufficient public confidence would have to induce customers to leave other well established banks. It could only do so by 'cutting prices' which means in this connection offering facilities more favourable to customers than those already agreed upon between the Big Five who, of course, following tradition in the world of free competition, have destroyed free competition amongst themselves by forming a closed monopoly.

Attempts have been made from time to time by newcomers to break into the impregnable circle. Two fairly recent disasters resulting from failure are still well remembered. Farrows Bank and The Birkbeck Bank paid interest on 'current accounts.' The Big Five do not do so. A 'current' account is reduced by the payment of cheques. The practice of The Big Five is to pay no interest on the balances of customers' accounts which can be withdrawn immediately by the writing of a cheque. Thus the Big Five have the use of the aggregate of customers' balances at no expense to themselves. This advantage, considered as a whole, is a perquisite of immense value because it falls within the system of the 10% reserve, so that 90% of the aggregate is available as a cash basis for loans which may be safely made to a total nine times greater than this 90%. The percentage of profit made by loans on this basis can be represented by the infinity sign because the banks sell something which has cost them nothing whatever.

It might seem at first glance that if banks can create money so easily from the empty air, why do they not do it without the complicated performances here described and spend the money themselves? The answer is simple: they can only make loans when they feel reasonably sure that they will be repaid. This sureness is no figment of a bank's imagination. It must be based upon something tangible, of real value like land, buildings or goods, and for safety's sake there must be a margin between the amount lent and the price the 'securities' would fetch when sold. If this were not so, 'credit' would be limitless.

Credit. All business except the sale and purchase of goods for cash by exchange on the spot is founded upon the belief, faith or trust that traders will honour their bargains: that men and women will do what they say they are willing to do. For this reason, it is not entirely true to say that the banks create money from nothing: they establish credit. The only way you can see and use credit is in the form of money. In times of prosperity bankers believe that such and such a proposal made by people they know to be honourable will be profitable. At such times they lend money more freely than when their outlook is pessimistic. The margin between what they lend and the value of 'collateral security' tends to become narrower. There are two specialist institutions concerned with two varied aspects of credit. They are bill brokers and The Stock Exchange.

Bill Brokers. A bill broker is a person who deals in scraps of paper bearing words indicating their value. They are promises to pay the amounts so stated at some future date. These pieces of paper are called 'Bills of Exchange' and there are two important varieties of them: trade bills and bank bills.

A trader who purchased goods, and for reasons of his own does not desire to pay for them immediately, can either persuade the seller to wait or, if the seller is not willing to do so, he may be willing to 'draw upon' the purchaser. In this last event what happens in this: the seller, if he is in England, goes to the Post Office and buys a piece of paper bearing a red embossed stamp. The value of the stamp being a form of taxation charged by the government for legalising the document, varies with the amount of the transaction. The seller writes:

'Pay to my order the sum of so much sterling for value received,' and signs with his own name. He will add in the case I have described the date at which the money must be paid. When the purchaser gets this bill he writes across the other writing 'Accepted payable at such and such a bank,'

signs his name and returns the bill to the seller. The seller, if he wants the money right away, takes the bill to his own bank and sells it for less than its full value. There is another snag. The bank will not buy the bill at all unless it feels sure that in the event of the purchaser failing to pay when the bill is due, the seller will refund the money paid to him by the bank. The bank rarely knows anything at all about the purchaser; it relies upon its knowledge of the seller. If the purchaser, the man who 'accepted' the bill fails to pay within three days of 'grace' allowed after the due date the fact is 'Noted' in records studied by bankers and others interested in credit. If this happens, the purchaser will find it impossible or difficult to buy goods with bills upon future occasions. The difference between the amount paid to the seller by the bank and the full value of the bill is called 'discount.' The seller is said to have 'discounted' the bill.

Bills of Exchange are much more commonly used for the sale and purchase of goods between persons living in different countries. Ship owners certify that goods are stowed in a certain ship for transport to a specified port by issuing and signing a document called a 'bill of lading.' The owner of the goods sells the 'bill of lading' to his bank. The bank will only regard it as collateral security for payment of a bill of exchange (as yet unaccepted) attached to it as a separate document. The banker, knowing his customer, takes a chance and pays for the goods, less the discount rate, relying upon his representative living at the port of destination to collect the money for him.

It is difficult to find anything amusing to say about bills of lading, although I feel that it is time this dull subject of bills was enlivened in some way. I can only tell you that I spent four years of my life after leaving school at my first job in the office of a shipowning company. There I messed about with these bills of lading and am well familiar with their ugly faces.

The overseas representatives of the banker, having made contact with the purchaser of the goods (or 'consignee' as

he is now called), knows that the captain of the ship will not deliver these goods to anyone who does not present the bill of lading to prove his title to them, he, the bank agent, refuses to give up this title until the purchaser either pays up or 'accepts' the bill of exchange now called a draft attached to the bill of lading.

We have now done with bills of lading and will return to our proper subject, bills of exchange. All the bills of exchange we have been considering are known as trade bills and of course we have been discussing two varieties of them, home trade bills and foreign trade bills. The foreign trade bills dealt with by English bankers and bill brokers are, of course, bills which their owners seek to discount in this country. Therefore, the foreign bills discounted in this country will be payable to English people for goods they have supplied to people living in the Colonies or foreign parts.

Although bankers buy or discount these bills, they are unable to sell them in the money market in London, except when they add their own resources by way of collateral security. In this way, the second type of bill which we have not so far discussed, called a 'banker's bill' comes into being. It is these banker's bills which represent the bills with which the money market is concerned. It is to be remembered that in any process of borrowing or lending two sorts of security are invariably demanded. First of all, the security of the person who undertakes to pay, whereby he jeopardises all his possessions and can be made bankrupt if he fails, and secondly, some specific piece of property called a collateral security, which is a much simpler thing to convert into money than would happen if its use were dispensed with, since the lender wants some specific thing which he can sell if need be to recover his money rather than submit to the tedious and hazardous processes of making the debtor into a bankrupt.

Banks and other institutions frequently find it necessary to borrow large sums of money for short periods in order to tide over some financial position such as the loan to a Government, a local authority, a railway company or some other

gigantic undertaking. When the Government borrows money it uses two sorts of bills. Some are called exchequer bills and the others treasury bills. They are for short or long periods, but we need not discriminate between them. All that we have to do here is to realise that a great many people are occupied in London with the business of trading in these various types of bills. Their profit arises from a very small difference in percentage which divides the buyer from the seller.

All these are transactions in credit which are rarely, if ever, translated into terms of hard cash. Mountains can be moved merely upon the belief held by traders in bills that the people whose names are written across the faces of them could pay the cost of removing the mountains in hard cash if they were called upon to do so. But they very rarely are.

The Stock Exchange. In a world so full of doubt it is not surprising that there should be places where belief can be bought and sold for hard cash. There are such places in all very large cities where this is done. We will give our attention to the most important of them in England. Optimism is something worth buying: pessimism can be sold. If you are not concerned with these things for their own sakes you can, if you be so inclined, set up as a trader in such human foibles. The place for you then is the Stock Exchange. You will not be concerned with realities but with appearances, hopes, expectations and, above all, with credit.

Had we, when we were looking round the money market from its centre near the statue of the stirrupless Duke, glanced beyond the Old Lady, into the dingy shadows of Threadneedle Street itself, we should have seen nothing remarkable in the next block of buildings. It appears to be a commonplace mess of nondescript office architecture. Had we walked around the block we should have found it to be triangular in shape. Threadneedle Street changes to an excessively narrow street called Broad, forming the apex with Throgmorton Street, called, if you please, 'The Street.' Concealed by all this camouflage is the 'House.' Its many unpretentious entrances are closely guarded: strangers may not enter. Silk

hats survive hereabouts: the wearers look slick and alert: they are all good at mental arithmetic.

What is the nature of the belief that these people barter? It is belief in the continuity of an income for which you will not be asked to work; or, if this is not exactly what you require, they will sell you the hope that the right to such an income, if purchased, will become more valuable in the near future, so that you can sell it again at a higher price even before (if your credit is good) you pay any cash for your purchase. More simply stated, this is the place where you can buy and sell stocks and shares. Putting the thing in yet another way, these people sell 'risks,' other than insurance risks, to be discussed in the next chapter.

Let us now descend to brass tacks.

Stocks and Shares. Until I heard the B.B.C. Brains Trust a few weeks ago boggle over the difference between stocks and shares, I thought every child such as I am now addressing knew the answer. 'Stocks,' I was taught at school, are usually in denominations of £100 and represent money lent to public and semi-public institutions and bear a fixed rate of interest. 'Shares' are shares in businesses, and although in some cases the rate of interest is fixed, as with 'preference' shares, the quantity of any particular 'share' issued to the public is known and may not be increased or reduced without legal sanction.

'Consols' is the name of a typical 'stock.' It is the familiar abbreviation for Government Consolidated Stock and arose in 1751 when it was decided to lump all the National Debt together under one title. Since then, further debts have been incurred by the government when it decided to borrow more money from the public for war purposes. The various 'War Loans' are therefore government stock. They are called 'Gilt Edged' because 'Trustees' (people legally empowered to take care of investments so that 'capital' may not be dissipated by its owners) are allowed to invest in them. The government obligation to pay the interest out of revenue

collected by taxation is deemed to make such stocks a 'cast iron security.' The rate of interest on Consols is 2½%. This rate fixes the value of money. During times when it is easy to get higher rates in other 'gilt edged' investments the price of Consols representing say £100 originally lent to the Government diminishes and *vice versa.*

Ordinary Shares. The confused answers given by members of the Brains Trust probably arose because some shares are misnamed stocks. After all, the meaning of words is fixed by custom rather than by law, except in cases where a misleading word is used clearly with intent to defraud. This is not the case, for example, with Bank of England Stock which, according to the definition I am attempting to establish, would more properly be described as 'ordinary' shares. The rate of interest payable to owners of ordinary shares is not fixed; it fluctuates with the prosperity of the Company which obtained capital by inviting the public to subscribe it. All companies whose shares are dealt in on the Stock Exchange did so originally by issuing an advertisement called a 'prospectus' setting forth rosy prospects of profits to be earned. £100 invested in the purchase of ordinary shares in such a company may increase considerably in value after the company has shown its ability to earn profits sufficient to pay 'dividends,' as the interest on shares is called, consistently in excess of 2½%. If the company goes on for years and years paying say 10% on its ordinary shares and at the same time saves some of its profits to provide 'reserve' capital, £100 originally invested may find buyers on the Stock Exchange willing to pay £200 or even £300 for it. This is what happened with the shares of the Bank of England.

Now the chance of becoming richer without the tedium of saving up or the irksomeness of work is attractive to many owners of capital. This can be done, of course, in many ways considered less respectable than Stock Exchange speculations, which possesses one great advantage over other forms of gambling. When you play cards or roulette or go in for

betting on horses or dogs, your money, once lost, is lost for good. On the Stock Exchange, if the shares you buy do not increase in value as you hoped, you still own the shares and you may hope on. There is always the possibility that some other speculator exists with hopes more hopeful than your own.

There is 'business' in all this. That is to say, money can be earned by specialists who can fix things for you. These specialists are members of the Stock Exchange; itself a company of shareholders. There are two sorts of members: brokers and jobbers.

Stock Brokers and Jobbers. Stock Brokers are people who are required by the rules of the Stock Exchange Company to confine their business entirely to transactions carried out on behalf of the public. Stock Jobbers, on the other hand, may only deal with fellow members of the Stock Exchange, including both brokers and other jobbers.

What happens in theory is this: if I have some money to invest, I can look in a Directory and select a stock-broker at random and ask him either to recommend a good investment or I can instruct him to buy some shares in a company which I may have reason to believe will earn good dividends. The stock-broker will then go to the Stock Exchange and ask various jobbing friends of his if they own any of the shares I have decided to buy and if so, what price they want for them. When he finds a jobber with the right number of shares at the right price, he will buy them. Then, when Settling Day comes round, as it did every fortnight during peace time, he will pay the jobber for the shares, having first obtained the money from me, and in due course I will receive the 'script,' which is a certificate obtained from the Secretary of the Company establishing my ownership of the quantity of shares I have agreed to purchase. If, for any reason, I do not wish to take delivery of the shares in this way, I can ask the broker to 'contango' them, which means that I can obtain a credit which defers the day of settlement. Before this fatal

day arrives I can, if I like, having observed that the shares have increased in value meanwhile, instruct my broker to sell them again. In due course, I will collect a profit for which I have not been required to provide any capital or physical work. In due course, the broker will send me the amount of this profit less his commission; 'brokerage' as it is called. If the broker knows me well enough to believe that I can 'cover the margin,' that is to say, should the stocks fall in price, be able to make good the loss, he will not worry me to pay the whole value of them. If I buy stocks or shares in the hope that a rise will occur before I have to pay for them, so that I can get some money in the form of profit without actually using any of my own capital, I am what is called a 'bull.' If, on the other hand, I know so much about stocks and shares that I can foresee that certain shares will fall in price within the next few weeks, then without owning any shares at all, I can instruct my broker to sell so many, hoping that by the time I am called upon to deliver what I have sold, I will be able to instruct my stock-broker to buy the shares for me at a lower price than that at which I had previously sold them. It is just as easy to get a profit in this way, by being what is called a 'bear,' as by the more obviously optimistic method of the 'bull.'

This also is good business, but it is not quite so simple as I have stated because the chances are that the stock-broker I have selected at random would refuse to act for me at all, unless my wealth was of such great magnitude that everyone knew me as a recognised and well-established millionaire. I should probably find that my stock-broker selected at random would say: 'I only act for Banks, Insurance Companies or Finance Houses. If you only want to buy a few hundreds or a few thousands of shares your best course is to ask your bank manager to see to it for you.' And that, in practice, is what usually happens.

Trust Companies. Banks we already know about. Insurance Companies are to be dealt with in the next chapter. Here, to

complete the credit picture, I must explain that certain companies have, in comparatively recent times, come into existence, whose business it is to invest money for the public in a better way than they can do it for themselves. These Investment Houses, or Trust Companies as they are called, are hedged round with laws which prevent them from investing money entrusted to them in wild-cat schemes. Such businesses have nothing to sell, really, but their integrity and knowledge of finance. I can go to one of these companies with my money and be reasonably sure that they will invest it for me to good advantage and with adequate security. Such a Company will not undertake any gambling transactions for me, but I shall be able to get from them one or two per cent more interest than if I invested my money in cast-iron securities under the advice of my bank manager. The question you will ask is, how do these Trust Companies manage to earn a greater rate of interest for my money than I can myself, even though they are confined in their investments to securities which are deemed to be cast-iron? The way they do it is this.

A very large percentage of their investments consist of 'debentures.' These debentures are shares in industrial undertakings which differ from Ordinary or Preference shares in that should the company become bankrupt, the debenture holders have first claim on what is left of the property of the company, even before the debts to ordinary trade creditors of the company are paid. Whenever a manufacturing or trading company borrows money from the public by an issue of debentures, a trustee is always appointed who is called the trustee for the debenture holder. Such a person is frequently a director of one of these Trust Companies and makes it his business to investigate and understand, in sufficient detail, the business of the debenture-issuing company to such an extent that nothing very dreadful can happen to its affairs without his knowing about it in advance.

Whilst Consols were yielding $2\frac{1}{2}\%$, Debentures in some concerns frequently paid as much as 6%, and in some cases even more. These Trust Companies are not only permitted to

invest money in debentures but they are also permitted to lend money as mortgagees on sound mortgages.

If, for example, a competent builder, well known to a Trust Company, decides to erect a magnificent block of flats in the West End of London, he can often get a large proportion of the money to do it from one of these Trust Companies by mortgaging the property in advance; the builder is then called a mortgagor, and in return for the money he receives from the lender (which, as I have said, may be a Trust Company) he will sign a document which will give the lender the power to acquire the whole property should the builder or other owner of it fail to pay the interest on the mortgage.

Here again, the business ability of the Trust Company is a public safeguard founded upon its integrity against any reckless lending, and providing this ability and integrity are present, such services rendered by Trust Companies are considered by many investors well worth paying for.

The Magicians Explain. For those who still doubt the statements made about the creation of money by the banks the following are provided.

Lord Keynes, the well-known economist:

'There can be no doubt that all deposits are created by the banks.'

Mr. R. G. Hawtrey, a prominent economist and one of the chief officials of the Treasury:

'When a bank lends it creates money out of nothing.'

Mr. McKenna, Chairman of the Midland Bank:

'When a bank makes a loan to a customer, in the ordinary course the loan will be drawn upon by a cheque by the customer upon the bank and paid into someone else's credit at the same or another bank. The receiver of the cheque, however, when he pays it into his own account, will be credited with its value and thereby a new deposit will be created. In the same way, when a bank buys War Loan or makes any other investment the purchase money goes to the credit of somebody's account and increases the total of deposits.'

Sir Ernest Harvey, Deputy Governor of the Bank of England, when giving evidence before the Macmillan Committee on Finance and Industry in 1931, made it clear that when the Bank of England bought securities it increased the cash base of the Joint Stock or other banks through which they were bought, so enabling them to create, on that base, a far larger structure of credit.

Governor Eccles, President of the Federal Reserve Bank of the United States:

'The Banks can create and destroy money. Bank credit is money. It is the money we do most of our business with, not with that currency which we usually think of as money.'

The *Encyclopædia Britannica* (14th edition):

'Banks create credit. It is a mistake to suppose that bank credit is created to any important extent by the payment of money into the banks. A loan made by a bank is a clear addition to the amount of money in the community.'

Political Last Word. To the amazement of the world the 1945 Labour government, holding absolute power for the first time in Britain, proceeded to keep its election promises. One of its first Acts was to nationalise the superstructure: The Bank of England.

Those of us who believe, or believed, that Democracy is largely a sham had this belief shaken. Those of us who doubted the ability of a bunch of trade union-dominated working men to defy the 'City' saw them actually do it. Amid fearful opposition cries, The Bank of England Bill became an Act in record time. These rough men of the lower orders evidently meant business: and no blood was shed.

To what does it all boil down?

The control of credit was taken away from private enterprise. Money, the lubricant for the machine of both public and private enterprise, was given a new character, and the oil-can changed hands.

What does this mean in plain English? Simply that the government no longer has to go cap in hand to the amateur

financiers of Threadneedle Street to get its bills discounted, nor demand in vain their gracious permission to 'float a loan,' or what is more, much more, to liberate credit. In effect the creation of funds out of nothing is no longer a profit making perquisite of private enterprise. The property of the Bank of England was bought and paid for with money created out of nothing by the government for the purpose. The lower orders had learned the tricks of the trade. Nationalisation is easy enough when you know how. The myth of financial wizardry was laughed away by the tightly packed back benchers of the House of Commons.

Soon afterwards my bank manager invited me into his private office, or what is sometimes vulgarly called his 'sweat chamber.' In such places humble private enterprisers, as I was at that time, were handed slips of paper bearing red ink figures and asked the dreadful question: 'What about it?'

There was no need to reply, 'What about what?' We all knew. We had gone what the bank manager called 'over the limit,' and when he muttered something about having to report to his directors, we were apt to feel clammy. In short our overdraft was exhausted, the bank refused to lend us any more money, we could draw no more cheques. If trade was bad, goods unsold and unpaid for were standing in our warehouses, and creditors were writing unpleasant letters, such interviews with bank managers made us sweat.

On the occasion referred to however, my bank manager was all smiles.

'Sit down, old chap: have a cigarette: tell me how things are.' He said as pleasantly as you please.

'What sort of things?' I replied suspiciously.

'About your businesses. I suppose you have been pretty hard hit by the war?'

'Hard hit! Closed up you mean!'

'Won't you need some support to get going again?'

'What's come over you?'

'The bank is always anxious to help people it knows as well as I know you and in whom, a-hum, it has confidence.'

'Why the "a-hum"?'

But I knew why. I also suspected, even then, that he was acting upon instructions from 'higher up.' At the very top the tight hand was no longer the old lady's but the government's. They already had their finger on the plunger of the oiler. No longer were we both enterprising pawns in a vast game of international finance carried on for the benefit of unknown shareholders. We were real live people capable of organising production. Our activities were of social consequence superior to theirs, or so I felt when my slow working brain got round to a realisation of what the change could mean.

SOURCES OF INFORMATION:

Lombard Street	Walter Bagehot
Gold, Glut and Government	P. J. M. Larranaga
Treatise on Money	Maynard Keynes
The Balance Sheets	
Monthly Staff Magazines	
	Every Joint Stock Bank
The Money Muddle	F. W. Pethick-Lawrence

CHAPTER FOUR

Insurance

HUMAN LIFE is frustrated by hazards, of which the ultimate and most serious is death. In so far as disappointment can be ameliorated by money it is possible to receive some of it when you are overtaken by misfortune. I do not know if you could be so compensated if you suffered one of the most heart-breaking experiences that life can inflict upon you, a disappointment in a love affair, providing yours is a heart that could be mended by hard cash, but short of this you can insure against almost everything.

The principles of the insurance business are simple enough. The owners of an insurance company, or a group of men associated under the rules of an institution called Lloyds, will sell you a 'policy' of indemnity or assurance. This policy is a legal contract to pay you or your heirs a sum of money if or when a certain specified event occurs. The 'if' and 'when' in this context are important distinctions. Should you desire payment in an eventuality that may never occur, such as having your house afire or someone stealing your bicycle, it falls into the 'if' category and the contract of indemnity is called 'insurance.' Should you desire however that your heirs receive payment when you die, as apparently you are bound to sooner or later, this is the 'when' category and the contract is not exactly one of indemnity, for the event is certain to occur. Your heirs can be assured of this payment, providing you do not backslide in your premiums, and the contract is called 'assurance.' Thus you have fire and burglary insurances and life assurances.

The payment you make to the insurers or assurers is usually so much a year and is called ' premium.' The amount you have to pay is carefully calculated by the people who sell you the contract or policy. When someone tells you that you can prove anything you like with figures and that statistics always lie, don't you believe them. The insurance people fix prices by figures, and do very well out of it.

Life Assurance. When you buy a life assurance policy you make a bet with the people who sell it to you that you will live longer than they think. Yet they are always right; if they were not it would be a poor look out for them and you, because they would go bust, and very likely before your turn came round to die. Whether you win your bet or not makes little difference to the people who lay the odds. They ask you some awkward questions and have you medically examined so that they can form an opinion as to how long you are *likely* to live. If you die sooner it is hard luck for them and you. If you live longer you have to pay for your good luck and theirs. But whether you live long or die short makes little difference to the assurers because you are not by any means the only person whose life interests them. You are, of course, merely a unit in a calculated average. They have to assure thousands of other customers before they dare assure you. I often wonder what happened at the start. Just as there must be an occasion when a hairdresser does his first job, which, for all you know, may be upon your head, so these assurers must have had only one life to begin with. It must have been an anxious time for them until they had managed to persuade so many more people to join in the game that they ceased to care whether you lived or died. I can imagine them dogging your footsteps, taking a peep at you in a restaurant, say, to see if you looked a little pale or if you were choosing your food wisely; and going home and telling their wives how they thought you were getting on.

We must however consider large scale business long after it was first established. When an insurance agent persuades you to enter into a life assurance contract with the people who

employ him, he tells you how rich they are, and very likely shows you a picture of the palace they have built or bought for use as a head office. This is done to make you trust him. If you ask him where they got their money from, he will probably say he does not know. But I know and I will tell you. They got it in four different ways: first, they either saved or borrowed sufficient capital as would satisfy certain legal obligations, to start with; second, they accumulated payments from people like you who had not yet died; third, they confiscated the money paid by people who started to pay as you did but who could not or did not continue; fourth, they invested or gambled successfully with the money they were supposed to be saving up until you die, and so increased their funds by performing the function of ordinary money lenders or gamblers. (Lest there be any misunderstanding, I do not suggest that they go horseracing or to the dogs with your money. They do their gambling more politely on the stock-exchange or by buying businesses. But we will examine this further on.)

The revenue derived from the money lending function of the business often exceeds, when it has grown sufficiently large, the profit making capacity of the main job, assurance or insurance; but we will consider this after I have explained insurance proper as distinct from life assurance.

Insurable Risks. If your home or business were destroyed by fire the loss might mean ruin to you if you were not insured. If you ran someone over and killed him with your car, you might be ordered to support his widow for the remainder of her life. If all your wealth were stored in a safe and burglars opened it and stole the lot, your plans for the future might suffer a serious setback. There are other events that might occur of a less disturbing nature, but which would annoy you. The law compels you to pay a premium to certain people privileged to conduct insurance businesses because they are accepted by the government as of more financial stability and therefore of discharging their responsibility with more certainty than you or I. You are not compelled to buy the services

of these ultra responsible professional risk takers for *every* possible disaster that may overtake you, but you must do it if you want to own and use a motor car or if you want to employ people who may hurt themselves or other people while working for you.

Now, in a competitive world, how do these insurers arrive at the price they must charge, not only to enable them to make good your losses, but to yield a nice profit to them for their trouble, caused, for all they know or care, by your own miserable incompetence?

Once again they are guided by figures based upon previous experience. They employ people who are good at mathematics called 'actuaries.' These actuaries are people whose job in life is to study the 'law of probability.' All their study will not, of course, reveal the precise moment when your dog will bite your neighbour's leg, nor can they assess either said bitee's vindictive temperament or avaricious nature, or the state of the digestion of a judge who may try the case. But they do know to the last decimal point the average cost of the dog bites that have occurred in the whole world over a long period. They may come cheaper or more expensive in one place than another. These actuaries either think they know all about it, or make a guess.

We need not spend too much thought upon remote dogs. Let us consider the commonest and therefore the biggest risk of all: fire. What goes for fire, goes also for the next two big ones, burglary and accident. Marine insurance and war risks are subjects for special study by people who like that sort of thing.

There is a lot of money in fire, yet the cost of insurance is surprisingly small. It is not only the life assurers and bankers who can afford palaces for head offices; the fire insurers go in for pretty elaborate establishments, too. How is it done?

Well, to start with, everyone is a customer. A man may not care whether his heirs benefit by his death or not; he may not like them anyway and may therefore refuse to pay away good money for their benefit that he can otherwise spend upon his

own enjoyment while he remains alive. But such a person will readily part with a few shillings a year to be able to replace his chattels should they be destroyed by fire even though he may dislike these things with a hatred as intense as that with which he despises his own family. If, therefore, you add together the replacement value of countless trumpery collections of rubbish, all of which become important when burnt, and add to this total another enormous list of articles of real value and add to this the value of all the buildings that house these things, the grand and final total is pretty terrific. However hard the underwriters may try to ignore them they are confronted by facts. A really good house afire is so rare an occurrence that I would willingly get up in the middle of a winter's night to go to enjoy the spectacle, comforted not only by the warmth at the end of my cold journey to the scene, but by the knowledge that a rich insurance company is paying for my entertainment. You can even derive pleasure from contemplating the delighted countenance of the owner of the property even though he be dancing about in his nightshirt on a snowy lawn. It is perhaps his lucky night. The insurers might be pleased too. The payment of the claim might be a cheap advertisement.

The secret of success in this, as in all insurance, lies in charging far more for the risk than it is really worth. You may say if you like that since these underwriters know the real value of a risk it is monstrous that a few people should be licensed to exploit their knowledge by forming themselves into an insurance company. The answer is that you can go and form yourself into an insurance company if you wish, just as you can, or could, start a bank in rivalry to the Bank of England, or, should you be annoyed with a certain daily newspaper, you can enjoy one of your own production if you care to make an effort to establish it. But perhaps like me, you have neither the time, money, or ability for such matters. All you can do as a practical measure is to try to persuade as many people as possible to support your view that betting on certainties is all very well for the layers of the odds, but that

the 'book' should be public property. In case you are even less familiar with turf jargon than I am I will try to make the matter clearer.

An insurance company buys knowledge that a small collection of people provide, for practically nothing, in comparison with the enormous revenue derived from it. Upon this knowledge the companies base their costs. To these costs must be added the expense of salaries and commissions paid to many people, all of whom try but only one succeeds in getting each individual item of business. Yet the cost of all the unsuccessful triers must be added to the price, or premium, charged to the insurers. The matter does not, however, end there. The calculations upon which premiums are based are naturally only concerned with figures relating to the number of people who are actually paying premiums at any given moment. Of that number, very few suffer the losses for which they insure. This is all right. It is fair that the fortunate should help the unfortunate, but what happens to the accumulated premiums of a person who suddenly decides to stop paying? They are appropriated by the insurance company.

Lapsed Policies. Were this business organised for public rather than private benefit, these lapsed policies would, of course, be taken into account. This is a 'vexed question' that as far as life premiums are concerned has already induced legislation for the benefit of the holder of lapsed policies. The companies were compelled reluctantly either to pay a 'surrender value' or to issue 'paid-up' policies to people who desired to discontinue the payment of premium upon life assurances. The surrender value is a lump sum paid at the time when the policy lapses. It is always much less than the total of the premiums already paid. The loss to the former policy holder is said to have been absorbed by expenses plus some compensation that must be paid to the company for the risk it took during the duration of the policy. The paid-up policy is given in replacement of the original policy. It is usually for a sum payable on death which is, of course, less than the

original sum, but is also less than the amount of the total premiums paid. It should be borne in mind that this money has been invested as it was received and will go on earning interest for the company until payment has to be made upon the death of the assured. It is a nice business.

Profit Sharing. So nice is it that certain insurance companies have from time to time become conscience stricken. They have devised ways to make their policy holders ' participate ' in the profits. There have thus come into being two sorts of life assurance companies. One lot is called ' mutual.' They share all their profits after paying expenses which usually include some very fat salaries. The other companies are ' proprietary ' who share only a part of their profits.

Size of Companies. The largest life companies in 1941 were, in order of the size of their accumulated funds, in millions of pounds: Sun, 194; Prudential (Ordinary Dept.), 125 (both proprietary); then comes Australian Mutual with 104; next is a big drop, Canada Life with 55 (again proprietary). It seems odd, and I cannot explain why three out of four of these companies are colonial concerns. Maybe it has something to do with taxation.

Expenses. It is interesting to note that the expense of running the proprietary Canadian Life is 23.61% of its premium income, whereas the Australian Mutual costs only 11.64%. Sun, of Canada, costs 16.92% and Prudential 13.44%. Several of the smaller Mutual Companies are operated at very low cost, *e.g.,* Equitable, funds £12 million, cost 5.4%; Medical, funds £1⅓ million, cost 4.48%.

Industrial Insurance. The largest company by far of those specialising in the insurance of small people for small sums is the Prudential Industrial Department, with funds £214 million and expenses 25.38%. For this class of business, costs, which include weekly collection of premiums, are in my view wastefully high, *e.g.,* Pearl (proprietary) funds £55 million, costs 30.14%. Liverpool Vict. Friendly (mutual), funds £44

million, costs 36.60%. Royal London (proprietary), funds £32 million, costs 38.42%.

All of you who wish to study many of the other aspects of insurance, I would recommend to read *Whitakers Almanack,* from which issue of 1943 all the above figures were taken.

I am now concerned to examine the secondary, but in my view, the more important functions of these great privately owned insurance institutions, namely, the money-lending aspect.

Investment. When I have said that Insurance Companies are great money lenders, that their main business is really money lending rather than insurance, I daresay that you will have thought I was exaggerating. The plain truth is that they own nearly half of the total wealth of Britain. Napoleon's well-known statement that we are a nation of shopkeepers is no longer true, if it ever were—we are a nation of insurance-cum-money-lenders. I challenge any of the critics who have already signified disgust at my flippant remarks about the sacred business of insurance to deny that it is a good business. The total sum owed to Insurance (I think they deserve a capital 'I') Companies at the end of 1945 was nearly five thousand million pounds. The total wealth of Great Britain at the outbreak of war was computed to be about eleven thousand million pounds.

Although the magnitude of the investments of Insurance Companies is not generally known, there is nothing very surprising about it, for a moment's reflection makes it clear that accumulated premiums must be invested to provide that security which is naturally demanded by purchasers of policies in addition to the necessary clerical work for which they pay so dearly.

Money lenders are never reckless people, despite the small advertisements you see in newspapers offering to lend large sums on 'note of hand alone.' These seemingly generous advertisers require to know a good deal about the hand that signs such a note. Lenders invariably take good care to safe-

guard themselves before they part with hard cash in the form of a loan. You have to pledge something of greater value than the amount you desire to borrow. Insurance Company lenders of course follow this principle, but they are not bound to invest all their, or their policy holders' money in 'Trustee Securities.' They can and do take risks. They are professional risk-takers and can afford to employ highly qualified people to study and advise upon the odds. The bookmaking analogy persists.

It requires careful judgment on my part to avoid overloading you with tedious figures, but I cannot escape using a few to illustrate this business. The promise made by the British Government to repay a loan at a stated time is considered the safest of all risks. The interest received by the lender is correspondingly low. There are special laws permitting trustees to invest only in these funds and certain others called 'Gilt-Edged' or trustee securities. The current rate of interest is about 3%, yet it is a fact that one great insurance company managed its investments so well that it is able to achieve an average return of £4 11s. 5d. per cent. How is it done? Obviously by more speculative investment than the gilt-edged variety. But this one company increased its holding of government loans between 1940 and 1945 from £2 million to £5 million and one of its officials said this in a speech:

> 'The reason for this increase is not our patriotism or our liking for gilt-edged stock, but in our obligation to apply the whole of the increase of our funds in the purchase of the current "tap" issue, together with one half of all other money requiring reinvestment.'

The Prudential Assurance Company, to take a large one at random, on March 22nd, 1946, owned investments to the total of £439.7 millions. In 1942 out of a total investment of over £324 millions, only about half was invested with the government. This company took such risks as the early financing of Marks & Spencers and many similar firms. It is also largely interested in armament, chemical and engineering firms deriving great profits from the production of goods used for the

purpose of war. It is a large shareholder in many shipping companies, Morris Motors, Rowntrees Cocoa, and similar concerns. As far back as 1915 Sydney Webb (afterwards Lord Passfield) said of it:

> 'It has become absolutely the biggest shareholder in the Bank of England, as it was in the New River Company; the most extensive owner of railway securities, as well as of freehold ground rents; the most considerable holder of Indian and Colonial Government bonds and stocks; the most important mortgagees of real estate; one of the greatest of London's ground landlords, owning more than half a square mile of the Metropolis and probably the greatest owner of freehold property in the United Kingdom. Of late years it has become absolutely the most extensive provider of capital for the various local authorities and one of the most important "underwriters" of all the new high-class securities that are placed in London on the financial market.'

Such activities have more than financial significance. They carry political and other power. Not only do the directors of such companies also sit as directors of banks, but they naturally appear also in Parliament itself. In 1933, to quote the sober *Economist* once more, this passage appeared:

> 'Even by-products of its main activities—its policy as regards loans on real estate, for example—may exert a powerful influence on current events and tendencies.'

And in a pamphlet *Planned Investment* issued by the New Fabian Research Bureau, we can read:

> 'They are subject to no form of democratic control and considerable secrecy surrounds their investment activities.'

If before reading this you thought it a simple matter to put an end to the purchase of such costly clerical work, you cannot now lightly disregard the formidable strength of the opposition to be encountered.

Ownership. You might imagine that the Prudential Insurance Company possesses enormous capital of its own, but it does not in fact do so. Like the Banks, its capital is comparatively trifling; a meagre £2¼ millions. There are thousands of shareholders, and they have all received in the past twelve

years their capital paid back five times over. I am tired of calling it a 'nice' business; perhaps the proper word is 'magnificent,' or even 'ridiculous.'

The huge accumulated funds in the hands of the Insurance Companies are an anomaly that I find it difficult to elucidate. To whom do they really belong? Legally, of course, they are the property of the company shareholders, but unlike ordinary property they cannot be dissipated at will. They are held to cover contractual obligations in the same way that any other trader retains money for the payment of his debts. But the debts of Insurance Companies to its policy holders do not become payable until or unless certain events occur: but some of them may never occur. What happens then? Quite clearly we have seen that the Insurance Company simply sticks to the money, adds it to its profit account, ultimately it is hoped hands it to its shareholders as dividends when, at last, they can spend it as they please.

So far this is easy enough to understand. My difficulty is to grasp the final destination of the money that cannot be so distributed: the funds made up of accumulated premiums plus compound interest, on policies about which contractual obligations still exist. The enormous totals have been accumulated in comparatively few years. When will the process end? Whilst it is clear that substantial funds must exist to provide the security required by policy holders it is equally clear that these funds are already vastly in excess of what is required for the payment of claims, otherwise the accumulation on so vast a scale could not have occurred. But if the process goes on unchecked the snowball will continue to grow by accelleration, as snowballs do, until—what? Quite frankly I do not know, but I can guess—and so can you.

SOURCES OF INFORMATION:

Bourne's Insurance Year Book
Whitaker's Almanack
Encyclopædia Britannica
Insurance as a Career

E. W. Humphry

CHAPTER FIVE

Food

HAVE YOU ever really thought about food? I do not mean when you are hungry or otherwise concerned with a good tuck-in; I mean about the way food supplies are organised so that you can always, or nearly always, get a good meal provided you have coupons and can either pay for it or get it paid for by someone else.

All food, except fish and a negligible proportion of hunted wild animals and birds, comes from the cultivation of the land. The process is called agriculture: the people who do it in this country are farmers: in some other countries they are called peasants. In every country in the world more people are engaged in agriculture than in any other occupation. It has been computed that more than two-thirds of the world's population is occupied in producing food. The conference held at Hot Springs in America during the war disclosed that although insufficient food is produced to feed everyone in the world properly, enough could be produced if the business of production were sensibly organised. Except for one large country the business of food production is almost entirely left to private enterprise.

A planetary visitor arriving here on Earth with a desire to set up in business would be forced, I think, by sheer common sense to choose food for his profession, merely because there is a bigger and steadier demand for it than for anything else. But when he came to make a few inquiries, the one thing he would decide not to do would be to produce it himself. He would find out at once that farming is the worst paid and

most hazardous of all occupations; so much so that every government in the world has to pass special laws to subsidise its farmers. The largest risk he would find would be that of a bumper harvest, because in that unhappy event he could not sell his crops at a profit. This would of course seem crazy to him, and if he did not discover how to make money by trading in food instead of by growing it he would probably become a socialist and give up his desire for business altogether.

This is the general situation. We must now proceed to break it down and examine the parts.

England could not have become a rich and powerful country, capable of giving birth to its even greater American child, merely by growing food for home consumption. Yet it is still one of the leading agricultural countries. This seems to be a contradiction, but it is not. The explanation is fairly simple. English soil is wet and fertile. England cannot help being a good agricultural country so long as there are sufficient people able and willing to be farmers or by habit and circumstances are unfitted for any other occupation. Fortunately for the farmers, although they together with the workers they employ are more numerous than those in any other occupation, the others, added together, outnumber them by about nineteen to one. Nineteen twentieths of us (in England, but not throughout the world) are not farmers; we do something else more profitable. We do not produce food, we produce goods, that can be exchanged for food at a nice profit. In other words we sell the results of our labour to the peoples of other countries and in exchange we receive not only food and raw materials but a bit more besides. For many years we invested this bit more both at home and abroad. By our investments we grew rich.

The first breakdown in our food situation is therefore a division between home produced and imported food.

Farming in Britain. As I have said, farming is a charge upon all taxpayers. Farmers cannot stand on their own feet; they have to be subsidised by the government. The only item

of agricultural produce in Great Britain which has not been subsidised for years is milk. The reason for this exception is that an official organisation was set up (by a Labour Government of 1929) called the Milk Marketing Board, whose job is to eliminate the private enterprisers who had so wrecked the milk producing industry that unless something drastic had been done, supplies of this essential food would have dwindled to a point of danger to public health.

Before we consider the production of milk and other farm produce, it is, I think, of vital importance to try to understand the fundamental causes of the poor 'pay off.'

As recently as March 6th, 1945, the average rate of wages for men throughout all Britain's industry was officially declared to be £6 4s. 6d. per week. At that time the farm workers' pay was raised from £3 5s. to £3 10s. per week.

The average size of a British farm is 70 acres. The average income of a 100-acres farmer is £270. He requires at least £2,000 capital which at 4% is worth £80 p.a. without work or risk. The net income is reduced therefore to £190.

Man can create nothing except ideas. He can only move and change the relative positions of substances provided *gratis* by nature. But man cannot even do this without food. When therefore man applies himself to the resources of nature, what he really does is to change the food he has consumed into something else of greater value. Goods are produced in stages. A shirt, for example, composed, say, entirely of cotton, is a complex affair which would take many pages to analyse through its main detail, but if we make a short list it will serve to illustrate what I am trying to simplify. Shirt production needs machines; machines are made of steel; steel of iron; iron of ore, limestone and coal. The coal miner and all other workers must eat. Those who organise or manage them must not only eat but they demand something more called profit. So do the people who lend their possessions. At every stage of production more food and more profit is added, so that the final shirt is the product of much food plus many

profits. But each worker consumes many things besides food, including shirts. All these other things are themselves the product of food. If profit making were to become illegal, goods could still be produced, providing managers worked on the same basis of pay as manual labourers. Profits could be abolished but food could not.

From this it seems fairly evident to me that all profits are derived from the sale of goods at prices higher than the value of food and food-containing goods which have had to be consumed by workers during the period of production. If this is true, as surely it must be, we can reduce all our productive processes to a simple formula: the value of goods is the value of food they contain plus profit.

Now at any given time the money value of food for any given community may be taken as equal for everyone living within it. So that if there were no profits to be added, the money cost of an article would depend upon the money value of the food consumed by the number of people whose work had seen it through its many stages. The more people, the more food, or if one person did all the work from start to finish, it might take him a long time, but all this time would have to be accounted for in terms of food.

Profits are in fact in our system added to the cost of food at every stage of production, which means that with food at a constant price for everyone, the people who are engaged in the production of food and nothing else are at the base of a pyramid upon which all profits are erected. If you raise the money payment to the food producer, you will raise the price of food and of everything else of which it is composed. Thus the food producer must of necessity be the lowest paid of all workers, since all the other workers have to earn enough not only to pay for food, but also for profits added to everything they consume. You may say that the food producer himself has to consume goods, other than food, to which profits have been added. This is quite true and is reflected in the comparatively small difference (compared with the pay of profit makers) between the wages of all classes of workers, but so

long as the food producer remains at the bottom of the list the system can function; otherwise it cannot. Food producers in most countries other than in ours rely largely upon the consumption of food they have themselves produced. Then they are called peasants. If they are able to produce more food than they need for their own consumption, they sell the surplus and spend the proceeds to satisfy their requirements for goods other than food. In our own country matters are more complicated because a far larger proportion of our population does not directly produce food than does the population of a peasant country.

I hope you have not found this too heavy going. All you have to remember is that all articles of value are made entirely of food to which profit is added whenever this is possible. The fixing of the margin of profit or loss by ' marginal utility ' lies outside the scope of our present study.

The test of theory is practice. Are those engaged in agriculture in fact the lowest paid? Yes, they are; in every country in the world except one.

The above is an extension of what is known as ' The Labour Theory of Value ' first put forward by an Englishman, Adam Smith, and afterwards amplified by a German, Karl Marx. The critics of Marx object that he does not supply a satisfactory explanation of how labour itself is valued. I am here suggesting that agricultural labour and produce are locked together, and may, if you like, in the absence of any artificially fixed measuring rod of the value of £1 sterling, such as gold (or any other unit of currency), be regarded as the nearest we can get to a fix on the value of money. Thus £1 is equal to-day to 2/7ths of 48 hours work of an average agricultural worker, or 2/7ths of the average weekly produce of all our farms, since 70/-* is the weekly wage of an agricultural worker, fixed by law.

(A famous professor of economics who examined the above statement said, to my surprise, that my fraction, two sevenths,

*Now increased to 90/-

was not clear to him. It is simply that £1, the twenty shillings we are seeking to evaluate in terms of goods (of 'real' rather than 'nominal' value), is 2/7ths of the seventy shillings weekly wage of an agricultural worker).

Agricultural Bill, 1947. Whether or not the British Government accepts the views here stated about the permanent subjection of agriculture within a framework of private enterprise, I cannot say. In February, 1947, it introduced the most far-reaching Bill ever produced for the amelioration of the difficulties stated. Its first clause reads as follows:

> '1. The following provisions of this Part of this Act shall have effect for the purpose of promoting and maintaining, by the provision of guaranteed prices and assured markets for the produce mentioned in the First Schedule to this Act, a stable and efficient agricultural industry capable of producing such part of the nation's food as in the national interest it is desirable to produce in the United Kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested.'

The provisions of the bill alone would not have the effect desired unless two other things are done: first, agricultural wages must be fixed at a level which compares satisfactorily with those of industry generally. Second, to fix retail prices of food at a level which will prevent increased agricultural wages from driving them higher.

Food subsidies in 1946 amounted to about £1 million per day.

MILK.

Farmers are free to produce as much milk as they like with an assurance that they will be able to sell it all at the same price at the same time. The prices vary throughout the year and are paid by account to the farmer by the Milk Marketing Board without any help from the taxpayer. By virtue of the monopoly vested in the M.M.B. distributors and industrial users of milk (for making butter, cheese, choco-

late, buttons, umbrella handles, etc.) have to pay prices which no longer drive farmers into bankruptcy. It is private enterprise right enough, but on the whole it is a poorer do for the farmer than it is for the distributors, as I know from my own bitter experience as a dairy farmer.

Dairy farming has been aptly described as 'the lowest form of human activity.' I think this is mainly because the prices paid for milk to a farmer show far too small a margin of profit to compensate him for coping with (a) the unfortunate nature of cows who demand to be milked twice every day, Sundays included, (b) the unfortunate nature of milk itself in the speed of its souring, which forces farmers to get up in the middle of the night, (c) the unfortunate nature of human beings who demand fresh milk in their early morning tea, (d) that for half the year at least early mornings are bitterly cold and for the other half depressingly wet, (e) that cows are fickle, unhealthy creatures.

Tuberculosis. British milk is without exception the most expensive in the world. I do not know if it is the poorest in quality, but I do know that the American government considered it so dangerous to the health of their troops stationed in Britain during the recent war that they forbade them to drink it. We have no effective laws to prevent the sale of milk from tuberculous cows such as are imposed and enforced in other countries reputed to be civilised. 40% of British cows are said to be tuberculous. This is not however the dreaded form that attacks human lungs. It is bovine tuberculosis found in the udders of cows and capable of affecting human organs other than lungs. Opinion varies as to the importance of the danger, but all are agreed that it is undesirable to feed raw milk to babies and young children. It is also said that British adults have become immunised to the danger.

Certain schemes have been devised and are operated by County Councils to encourage the production of clean, or cleaner, milk, but compulsory powers do not exist. 'Tuberculin Tested' milk is authorised to be sold at ½d. pint above

that of ordinary milk. The dairy farmer who supplies my own household produces only 'T.T.' milk and I pay the extra halfpenny, but I know that the majority of his customers refuse to do so. He shakes his head sadly. He must sell his milk and has to be content with his clear conscience and small bonus he receives from the M.M.B.

Although England is said to be the leading dairy country of the world it refuses to destroy its tuberculin cows because it says it cannot afford to do so. The medical profession says it costs more to deal with the disease and to bury the dead. I say that the human lives lost were worth something!

Prices. The retail price of ordinary (non T.T.) milk in England at the moment of writing (Feb. 1946) is 3/- a gallon. In 1938/9 it was 2/4d. in English towns. In France at that time it was 1/6d. and in Sweden 1/1d.

Shortly before the recent war, following the disclosures of Sir John Boyd Orr, that about half our population could not afford to buy sufficient food, an Advisory Committee on Nutrition found that milk was the only food containing all the materials essential for growth and maintenance of life in forms in which they can be easily assimilated. A survey in Merseyside showed however that one family in six with an income between 27/- and 40/- a week did not buy any fresh milk at all. In 1934 in Cardiff one poor family in four used only condensed milk. Margarine is also substituted for butter almost entirely by about half our population: this England that we love so well!

Distribution. Around every centre of population in the civilised world there exists a belt of dairy farms. This is necessary because no time must be lost in transporting milk from the cow to the consumer. In very large cities, such as London, where problems of organisation cause delay, milk is 'pasteurised,' (nearly boiled and then rapidly cooled) to preserve it a little longer. There are about seven million cows in England and Wales, one to every six or seven of us. You can easily work this out:

Average yield per cow, 540 gallons a year: 1/6th equals 90 gallons, for 365 days or nearly 2 pints daily. (Some of this must be allocated to manufacturers of butter, cheese, chocolate, buttons, etc.).

Milk is distributed in four different ways. First, farmers do it themselves: they are called 'Producer-Retailers' and about 17% of our milk is sold by them.

Second: Marketing Boards in Scotland do it but the quantity is unimportant. They save ½d. a pint to their customers.

Third: The Co-operative Societies handled about 25% of the total in 1939. Their costs of distribution are lower than those of the fourth group. (5¾d. to 9½d. compared with 9d. to 1/0¼d.).

Fourth: Ordinary private enterprise ranging from small independent milk-shops to mammoth concerns like United Dairies Ltd. with its capital of £6 million and its correspondingly powerful influence exerted upon the M.M.B. itself.

Here we recognise again the picture we shall see throughout all private enterprise: free competition destroying itself. In this instance we find that the great dominant concerns, having first eliminated free competition, or brought it under control, have won certain privileges for themselves. One of these leading to much discontent amongst small firms was the concession granted to the big firms by the M.M.B. whereby they obtained reductions in the prices they paid for milk when they sold it to manufacturers. As a result of this discontent a Committee of Investigation was set up in 1937. Here is an extract from its report:

> 'We have been deeply impressed with the unnecessary elaboration and waste of effort in the present distributive organisation. We have had evidence, for example, of the overlapping of distributors, over twenty operating in one street . . . not an unusual occurrence.'

Milk Marketing Board. For the benefit of those readers who do not know what the M.M.B. is or what its functions are it is explained briefly:

It is a Board set up by Act of Parliament in 1929 to organise the production and distribution of milk. All farmers are compelled to sell their milk to the Board or to account to it for the milk they sell direct to the consumer. The Board fixes the prices received by all dairy farmers and those paid by wholesalers, retailers and the consumers.

The Board is composed of members nominated, not democratically elected, to represent producers, traders and consumers. The Chairman receives a salary of £10,000 a year and is appointed by the government.

BREAD.

Bread is said to be the 'staff of life,' why, I do not quite know. Bananas, according to Prestcott's *Conquest of Peru,* are said there to support more life in Earth than any other single foodstuff. It is obvious that bananas do not do it here. I suppose it is a popular fallacy that potatoes do, or did, it in Ireland. However, there is no need to quibble; we may as well give bread the benefit of the doubt and get on with the job of finding out about it. We must start with wheat and proceed via flour to the baker round the corner.

Wheat. In 1937/8, about four-fifths of the bread consumed in Great Britain was made from flour produced by grinding imported wheat. If you are, as I hope, a good British patriot, or at any rate an American admirer or sympathiser, you will forgive me if I first show you the less important fifth produced in the British Isles. Before I do this, it is perhaps as well to mention that British wheat is for technical reasons (for all I know they may not be good, but merely put out by 'vested interests') considered to be inferior to the imported article. It is said for example to be too soft, which does not seem unlikely to me, in view of the many wet summer holidays I have endured.

Wheat Act, 1932. I can spare you any passage backward through time beyond 1932. Then, as the result of the findings of the Wheat Commission, a complicated Act was passed. It will be a tough job to simplify it, but here goes:

First you must know what all the fuss was about. It was simply this: every Autumn farmers suffered from a slump. The better the harvest, the worse the slump.

Every farmer looks forward hopefully to the day when he will receive some money for his work. Wheat farmers have to pay out for a whole year before they can recover their outlay, plus, they hope, some profit. There is only one wheat harvest a year in Britain. When the longed for day at last arrives, farmers do not find eager buyers. All the other farmers have wheat to sell. They are all desperately in need of cash, after their long wait. Remember they are nearly all poor people. The purpose of the Act is to remedy this unfortunate situation.

The Wheat Commission, acting under the Minister of Agriculture, first calculates the total quantity of wheat that it thinks will be produced in each year. It then fixes a standard price. When the crop has been harvested the total quantity is ascertained. If it be greater than the quantity estimated, it is obvious that it will fetch more in total than a smaller quantity sold at a fixed price.

Every miller and importer is required to subscribe to a 'quota' fund. From this fund payments are made to farmers. They are called 'deficiency payments.'

Farmers are left free to sell their wheat in the ordinary way. Prices of all sales are recorded and the average over the whole country is calculated. The deficiency that is made up from the quota fund is simply the difference between the standard fixed price and the actual selling price. The effect of all this is that rich speculators can no longer grind the faces of the poor farmers into the flour you eat. Furthermore, it is done without any help from the national exchequer.

You may raise a quibble and say that this is not private

enterprise. Perhaps you are right. I have no space in which to argue with you.

The operation of the 1932 Act was suspended during the recent war and a still stronger measure of State control substituted for it.

The Ministry of Food actually buys all imported wheat and flour itself. Farmers receive a direct state subsidy for every acre of wheatland sown. Selling prices of wheat are fixed by the government and a higher price rules in the spring to encourage farmers to hold their stocks. All wheat except 'tailings' (poor, small and mis-shapen grains) must be used for human consumption. Millers also receive a subsidy from the state. This, of course, is complete state control and no-one at the moment of writing knows how long it will last.

Imported Wheat. The reason for my scepticism about soft British wheat is that I notice most of the milling is done at sea ports. The picturesque wind-mill of my childhood has disappeared. The water-mill in Devon that I could work single handed as a boy of 12 was silent when I went to see it a few years ago. I suspect, in fact I know, that the importers are lords of almost all they survey. Large scale flour milling is far more economical than the old-fashioned methods. You occasionally meet people, who may not be cranks, who say that the new flour is not so good.

A fraction over half of our imported wheat comes from Canada and the United States (half as much again from Canada as from U.S.A.), nearly a quarter from the Argentine and slightly over one tenth from Australia. Before the Russian Revolution that country was one of the largest wheat exporting nations. Now it consumes all its wheat itself.

Milling. Since 1914 two big firms (Ranks Ltd., capital £7.7 millions and Spillers Ltd., capital £4 millions) bought as many as they could of the smaller milling concerns with whom they had been in competition. They then organised the Millers Mutual Association which includes nearly all the firms that could not be bought. This association fixes the quotas required

by the Wheat Commission. Next, these two giants, aided by five of the largest remaining independent firms, established Purchase Finance Company Ltd. which bought up and destroyed most of the surplus mills. The milling combine appears to be dominated by a Mr. Arthur Rank, whose fortune, said to be in the region of £50 millions, is also employed in the cinema industry (where we shall again meet him).

Details of the operations of Millers Mutual Association are not known to the public, but it is known to control about 80% of the flour produced in this country. Most of the remaining 20% is produced by the Co-operative movement. Before Millers Mutual was formed in 1939, profits on milling were about 1/- per sack of 280 lbs. This organisation is said to have doubled or trebled these profits by a system of fines and bonuses to restrict production. Ranks and Spillers have expanded until they control more than half of the national production.

Wages. Wages and conditions are comparatively good; they ranged from 62/6 to 73/- when the national average before the war was about 55/-. Yet they were only about 10% of the value of gross output when the average over all industry was about 15%.

Bakers. Bread is a peculiar article of merchandise. In view of its great usefulness it is surprisingly cheap. Why is this? Before I try to answer this question let us take a look at this table, extracted from *Whitakers Almanack*:

Country	*Pence per 4lb. loaf*
England and Wales	9d.
I.F.S.	10.5d.
Canada	13d.
Australia	10.4d.
New Zealand	10.8d.
Union of South Africa	14d.
U.S.A.	16.5d.

Argentina	10d.
France	7.5d.
Germany	24d.
Hungary	6.3d.
Poland	6d.
Denmark	22.4d.
Belgium	5.5d.
Netherlands	7.2d.

The thing to notice here is the countries where bread is cheapest. They are those where wheat farming is least important. You are thus confronted with the anomaly that the countries with the least wheat have the cheapest bread. Surely you would expect the reverse.

In the cheap bread countries, its production is heavily subsidised by the state and agricultural wages are depressed. This policy is pursued to secure a low cost of living figure so that other products of these countries may find an easier entry into world markets. This is certainly the policy of Great Britain.

The odd thing about bread is that whilst you want *some* badly and cannot in fact remain healthy for very long without it, you will not eat more than a certain quantity even were you paid to do so. In this respect it is unlike every other manufactured commodity.

Another factor about bread which contributes to its peculiar situation in our world of private enterprise, is that it will not keep for very long. When it is stale and hard no one will buy it. Science, so far, has failed to devise any method of overcoming this difficulty. Refrigeration is useless, and the stuff cannot be canned. All that can be done is to manufacture biscuits as a substitute. This is the way out for the crews of small ships when facilities for the baking of bread on a voyage do not exist.

Although I begrudge the space taken up in stating these particulars, I can see no escape if we are to understand how so important a substance as bread reaches us.

Most of our bread comes from small local retail shops employing 2 or 3 men. There are about 20,000 of them. They actually manufacture what they sell and so short circuit the usual system wherein manufacturers sell to wholesalers who sell to retailers who sell to the public. The cheapness of bread is somewhat difficult to understand. Maximum prices are fixed by the government through the 'Food Council.' Minimum prices are fixed by local Bakers' Associations which exist in every part of the country. Bakers are thus by no means the freeest of free enterprisers.

Certain nationally advertised breads, such as 'Hovis,' are manufactured by local bakers in the same way as ordinary bread, but from flour sold to them by the advertisers. There are a few wholesale manufacturers of special breads who sell to shops but they are relatively unimportant.

Wages. Bakers' wages before the war were deplorably low (men 46/-, women 23/-). The government however stepped in to rectify this with a Trade Board.

MEAT.

For about ten years of my life I spent a fair amount of time investigating other peoples' businesses, at the request either of their owners or of their creditors. The idea was to find out if these firms could be made more profitable. For this reason I suppose myself to possess commercial or industrial experience which varies above the average. But I have never been a butcher. Nevertheless I have the good, or bad, fortune to belong to a family with vast ramifications. There are plenty of poor relations and a few rich ones. Of these last, there departed this life of surprises, a year or so ago, one whose estate was a published fact. Two things about it of interest to us are, first, that it ran well into six figures, second, that this sum was made out of meat.

One of the people who had helped the departed to amass this fortune was well-known to me in our nursery days, but our paths have since diverged. I have reason to suppose, or

hope, that this baby boy is now passing rich, so, neglecting no opportunity, and having been told of a black cloud veiling meat, I wrote to my playmate. He only intensified the gloom, but what he did say was this:

> 'The pre-war distribution of imported meat, now wastefully and expensively carried out by the State, was a highly organised trade, and despite my 37 years of hard labour adorning a very small section of it I should not feel competent to supply any worthwhile information.'

On the whole the reply was as chilly as the meat he cherished. In vain did I ask to be given reasons for the charge of waste and extravagance. I was left to probe the mystery unaided. I have not had much luck; but I did find these words in the report of a Committee of Inquiry set up by the Conservative government under the legislation following some trade agreements made in Ottawa, concerning 90% of our meat trade with the Argentine:

> '. . . the power of half a dozen private concerns which are so jealous of their rights to conduct their operations with freedom and secrecy that they refused to co-operate in this inquiry which was set up for public purposes by the two governments . . .'

Where the government had failed, could I hope to succeed?

As you will perhaps have noticed, I have much respect for governments. All the same, I lack their responsibility, and can offer you a story about meat more tasty maybe than theirs—according to your own private choice.

We must go back once more to the poor farmer. Meat, in a world scared stiff by its failures, has, like nearly everything else, taken its place in this age of hectic government investigation.

Britain is the most carniverous nation in the world, but it cannot produce half enough meat to satisfy its appetite. More than half has to be imported—but not much more than half. The farmer who produces the slightly less than half, has, as usual, a poor do. From the hoof to the Sunday mid-day joint is a fairly simple story. There is not much secrecy about this

one,—not after the government boys have been digging into it for twenty years or so.

You must start with two different sorts of farmers, the breeder and the fattener. In between you may or may not interpose a market and a dealer. The farmer who breeds animals usually sells them before they are ready for slaughter. A second farmer (vegetarians please skip) who must be an exceptional person in a nation of animal lovers, feeds the brutes with a horrid eye on the main chance. If he cannot bear to participate in what is about to happen, he can, or could before the war, sell the live animal in a local market where the jolly butchers congregate. Alternatively, he may be harder hearted and, being also prepared to face facts, will retain his interest after death by selling the carcass in a wholesale market, having of course first come to terms with an executioner.

Meat Markets. This last system was encouraged by the government which provided special facilities for farmers to use it. Everyone is willing to help farmers providing it does not cost anything to do so. Before the war there were a number of large meat markets in densely populated centres. By far the largest was 'Smithfield,' London. In 1937 the Livestock Act set up by the Commission previously mentioned, under the Minister of Agriculture, had to control these markets and to provide officials at each of them to safeguard the farmers against unfair treatment. These officials actually arranged sales and farmers could be sure of getting exactly the amount of money promised to them. At the outbreak of war this method had reached as much as 3% of the total sales by farmers. It may not sound much to you but this is because you do not know the ways of farmers. The other 97% provided a commission and a profit for an agent and a dealer. These latter gentry die hard.

Imports. This is where the fun begins. The live animals are so remote that we can cease to be sentimental about them. The arch-humourist, the emperor of meat, is named Vestey.

He will not like it if we do not confine ourselves to published facts, but there are enough of them for a good story. Let us first look at *Who's Who*. There are two Vesteys in the current edition, one a lord, the other a baronet. The lord seems a trifle more aloof from meat than the baronet, but I have an earlier edition, 1917, which, after all, is not so very long ago, but it is long enough ago for it to reveal progress in the name of Vestey, for then there is one, not two, of them there. He is the original lord and lived in the modest London suburb of Herne Hill. He died in 1940.

Vestey. The action of the government in honouring Vestey with a peerage was violently criticised: protesting in the House of Lords, Lord Strachie in June, 1922, called attention to evidence published two years earlier showing that Vestey had moved the headquarters of his firm to Buenos Aires and thus avoided British taxation to the value of some £3 million. Lord Crawford stated that the Prime Minister's notice had not been drawn to this matter when he made his recommendation to the King.

We have seen the important consequences of man's 98.4° Farenheit, and shall learn later of the 212° Farenheit at which water boils; we have now to consider the inescapable figure at which it freezes: 32° Farenheit. It is upon this figure that the Vestey Empire is founded. In the bad old days before it, one of the many of man's inflictions was meat that had 'gone off.' Some would call it 'high.' A more expressive term exists. Spices were used in winter to disguise the revolting taste. It was too costly to feed animals in the winter, so you killed them in the autumn, salted them down, hoped for the best and used plenty of pepper, nutmeg, cinnamon and whatever you could get to make bad meat taste like something else. Then along came Vestey. With every desire to placate so powerful a name, I cannot give it credit for having discovered refrigeration. I cannot even state that it is responsible for its first application to meat. The first lot of frozen meat came to Europe from America in 1874, from Argentine in 1878, from Australia in 1879. Chicago began to attack the British

market. It was then that Vestey popped up with the Union Cold Storage Company Ltd. which has put its chill on all it handles.

Beef. In 1938 about three-quarters of all the beef imported into the United Kingdom came from South America (mainly Argentine). Of this about nine-tenths was handled by the small group of firms which included the Vestey interests. The other five in it are: Armours (American), Sansenina (Argentine), Smithfield & Argentine Meat Co. (British), Swift Beef Co. (American), Wilson Meats (American). Each of these companies is closely linked with the companies in South America whence they draw their supplies and they co-operate to regulate the quantities they will bring to the British market. Not only do they do this, but they have combined to form the South American Meat Importers Freight Committee, which reserves shipping space. Vestey, Armour and Swift had about a quarter each. The Vesteys also own or control the Blue Star Line of steamers, of which Sir Edmund Vestey is the head. He is also chairman of Commercial Properties Ltd. This company in 1935 owned 805 shops, worked by companies associated with Union Cold Storage Ltd. Its capital is only a quarter of a million pounds (all privately held), but it has power to borrow up to £2 million and at that time had done so to the tune of £1¼ million. The principal, interest and repayment in 1983 is guaranteed by Union Cold Storage Co. Ltd. which was first registered as a joint stock company in 1897. Its capital is £12 millions, all privately held.

It 'owns cold-storage premises and refrigerating plants in Great Britain and abroad and refrigerated steamers sailing under the flag of the Blue Star Line. Also owns all the shares of following companies:

Anglo Cold Storage & Product Co. Ltd. (formerly Anglo-Argentine Cold Storage & Produce Co. Ltd.)
Argentina Meat Co. Ltd.
Blackfriars Lighterage & Cartage Co. Ltd.
British & Argentine Meat Co. Ltd.
British Beef Co. Ltd.
C. Kingston Ltd.

Donald Cook & Son Ltd.
Empire Meat Co. Ltd.
G. Wiseman & Son Ltd.
International Export Co. Ltd.
J. H. Dewhurst Ltd.
John Layton & Co. Ltd.
Lonsdale & Thompson Ltd.
Proprietors of Fletcher's (Meat Importers) Ltd. (q.v.)
Pure Ice Co. Ltd.
R. C. Hammett Ltd.
Union Cartage Co. Ltd.
W. Weddell & Co. Ltd.'

For the years 1923 to 1934 it paid 10% dividends to its ordinary shareholders in addition to interest to holders of various classes of preference shares, some of which are owned by members of the public.

Other Vestey interests include Pure Ice Co. Ltd., and Eldorado Ice Cream Co., Ltd.

The situation above described was made permanent by the Conservative British government of the day under the Ottawa legislation, and doubtless would have remained so had not war intervened, or until the British public placed the government in other hands. But the situation was too much even for a Conservative government to swallow. It set up the Joint Committee of Inquiry into the Anglo-Argentine Meat Trade in 1938 and despite its remark about secrecy already quoted, it is upon the information gathered by this committee that my story is based.

In case your indignation gets the better of you I must remind you that we are fair minded people. Maybe the strangehold on beef operates on the whole to the public benefit. Who can say? Let us look at the profits. In doing so however, we must bear in mind that many of the costs carry a profit for the same six sets of people, since they own or control so many of the operations of production, transport and distribution.

The first cost of the beef itself, as ascertained by the committee, was about 2¼d. per lb. By the time it reached England the cost of freight, insurance, etc., raised the cost to about

3¾d. lb. The total average price at which the beef was sold (in many cases to companies owned by the same group) was about 4½d. This is about 15% profit on sale. The total profit therefore paid by wholesalers and of course recovered finally from the public, works out in the specimen year, 1934, at about £2½ millions. The net profit rate may be considered about 3 times as much as the net profits gained in other analogous businesses, where competition is really free or freer.

Argentine. Since most of the beef eaten in Britain comes from the Argentine, we may as well visit that country in a recently published American book about it. *The Argentine Republic* by Y. F. Rennie gives the following information about the traffic in meat.

> 'British investments in Argentina have been greater than those of any other country.
>
> 'British investments in Argentina in 1928, £420,000,000. British investments in Argentina in 1933, £436,000,000.
>
> 'Britain was also Argentina's best customer. She bought almost half the country's exports, including 90 per cent of the exported meat.'

The Argentine Senate voted an investigation in 1934 which led to a duel, a murder and the fall of two cabinet ministers. De la Torre speaking on June 18th to July 23rd said:

> 'The report which I have signed reveals a discouraging picture. The most genuinely Argentine industry, the livestock industry, is largely in ruins because of two factors: the extortion of a foreign monopoly and the complicity of a government which permits it to act, and at other times directly protects the action of the monopoly.

He then presented the results of a years' investigation which he had carried on with the help of professional accountants.

> 'The statistics presented by the Minister of Agriculture were full of errors which were given to the committee without the slightest warning of their mistakes and deficiencies. And when the investigation, in the part referring to the payment of income tax, proved evasions that were *prima facie* evidence of fraud on the part of the meat-packing houses, the Minister of Finance refused to let us examine the books.'

The majority of the meat-packing houses had hidden their books. One company had tried to smuggle its books out of the country, putting them into twenty-one boxes labled ' Corned Beef ' and hiding them aboard the British freighter *Norman Star*. The fraud was discovered in time and the books seized. The companies had been dishonest with the Argentine Government. They reported one cost to the customs and showed another in their own records, the object being to evade Argentine exchange controls and keep money for negotiations in the free market and abroad. They not only concealed the real amount of sterling exchange they had, but also their real profits in order to avoid high income taxes. The tax authorities charged the packing houses much less income tax than they should pay. Their profits were enormous. In five years Swifts made 91,000,000 pesos (about 10-12 to the £) on an investment of 45,000,000. They lost money in New Zealand, Australia, and Brazil and made up with profits of Swifts la Plata, but they paid a higher price for inferior Australian meat than for top-level Argentine chilled beef. The tax authorities allowed them to deduct losses abroad from gains in Argentina and to show a loss so that they did not have to pay taxes. The Government also allowed foreign packers to keep 25 per cent of foreign exchange for their own private use.

Mutton and Lamb. Most of our imported mutton and lamb comes from New Zealand (65%) and Australia (31%). It seems possible that in those countries there were people determined to resist the domination suffered by the South Americans. Supplies from New Zealand are regulated by the New Zealand Meat Producer Board set up in 1922. The meat emperor and his court still have a finger well in the pie, but both the British Colonial governments involved have become anti-conservative and things are not so easy as with the fascists in Argentine.

The producers in these two colonies receive much more for their work than do their opposite numbers in the Argentine. So do all the other workers engaged in the complicated opera-

tions involved in the preparation and shipment of meat. No committee of inquiry has been deemed to be necessary and I am not therefore so well provided with figures. The New Zealand Meat Producers Board Annual Report for the year ended June 30th, 1938 does, however, furnish prices received by producers during that year. They range between 6d. and 8½d. per lb. according to season for lamb. Although I daresay it costs less to rear and fatten cattle in the Argentine than sheep in New Zealand these prices show a marked contrast with the 2¼d. paid to Argentine producers of beef.

Pork. Delicious though the flavour of roast pork is to many of us, the quantity imported is far below that of beef or mutton: less that 1½ million cwt. compared with 13 million beef and 7 million mutton and lamb. If you include bacon the figure rises to nearly 10 million; but bacon is a separate subject to be examined later, by itself.

The demand for pork falls off during the summer; Jews are forbidden to eat it. These may to some extent account for the reduced quantity. So far the Beef hierarchy seems to have left it little touched.

The only country sending fresh pork to Great Britain was Ireland. The rest was frozen. About half came from New Zealand; slightly more than a quarter from Australia; slightly less from Argentine. No other country had much of a look in.

Wholesale Distribution. Smithfield was before the war the most highly developed wholesale meat market in this country: it also acted as an important international meat exchange. It was mainly concerned with imported meat, although it handled a small quantity (7%) of beef and veal of our home production. This was about 15% of its total trade in beef and veal. There are also a number of similar, though smaller, provincial markets.

I can well remember visiting Smithfield on many occasions and wondering what so many hundreds and hundreds of butchers shops, all packed close together and looking much alike, could be up to. Everyone seemed to be in a great hurry

and everyone of whom I had any personal knowledge was passing rich despite the cult of a shabby straw hat, open at the top. It was all a mystery to me. I know a little more about it now.

There are several different types of private enterprisers at Smithfield. Some of them bought and sold on commission like stockbrokers, getting a fixed 4d. a stone of 8 lbs. Others actually bought from farmers and dealers and sold to the retail butchers in and around London. Another set bought whole carcasses and cut them up so that they could be sold in bits and pieces to buyers whose trade did not require the whole lot. Certain bits are good for salting, for example, and others for sausages, pies and restaurants. Finally the large importers, Emperor Vestey at the top, were there too. All these people, in the days when I used to talk to them, were united in one thing: 'You cannot do without Smithfield.' But even before war forced the issue it was found during a strike of Smithfield meat porters that 10/- a ton could be saved by using smaller suburban markets.

Profits made by meat wholesalers have not been, as far as I can discover, as carefully tabulated and published by the Food Council, who first reported in 1929 and again in 1939, as have retail profits, which we will go into presently. But we can do a little calculating on our own, just to get a rough idea.

Using the official figures already stated for 1937/8, we have beef at average cost 4½d. per lb. which you must try to remember gave a profit of 15% to Vestey. The Central Markets' Committee report for 1938 gives the average wholesale selling price by wholesalers to retailers for Argentine Chilled Hindquarters at from 4/4 to 4/6 a stone of 8 lbs. or say 6½d. per lb. I do not know what happened to the forequarters but unless they showed a dead loss there is here a good gross profit of over 20%. From this there must of course be deducted the heavy charge incurred in the market, 12/2d. per ton and the possibility of having to pay for the cold storage of unsold stock (another rake off for Vestey's Union Cold Storage Co. Ltd.).

I do not think it is worth while to pursue such calculations for mutton and lamb.

Retail Butchers' Shops. There are 45 to 50 thousand of them in Great Britain of which about 2,500 are connected with the Vestey interests. The average weekly sale is £85. Most of these butchers are not butchers at all. They are gentle fellows who would run from a bull, like you or I, and would certainly tremble at the idea of standing up to it and laying it out with a pole-axe as did their grandfathers.

When I have seen my mother or wife buy a lump of a dead animal, I have often wondered how the butcher comes to be quite sure he will make a profit on our bit. He seldom looks the kind of chap who would shine at mental arithmetic. I have since discovered that it is all worked out on a formula which you may as well know in case you are equally puzzled.

My difficulty, and I suppose yours might be too, if you thought about the matter at all, arises from the different prices charged for various joints. The butcher must charge enough for the best cuts to compensate him for the cheaper cuts. It always seemed to me that this would take a good bit of working out.

Let us for ease and simplicity consider a New Zealand lamb weighing 32 lbs. and costing the butcher 5/4d. a stone of 8 lbs. Like most other retailers he needs a profit of half as much as his cost price. This lamb having cost 8d. a pound, good, bad and indifferent, must therefore be sold at an average price of 1/-. The butcher's A.B.C. formula tells him the legs will weigh 9 lbs., shoulders 7 lbs., saddle 6½ lbs., neck 6¼ lbs., breast 3¼ lbs. He will look in his table book and see under 'Lamb to average 1/-,' legs 1/3, shoulder and saddle 1/2, best end of neck 1/1, worst end 7d., breast (nearly all fat and gristle) 4d. If you want a little job you can check up and see if the table book is true.

Net profits after paying all expenses (including before the war, alas, making a journey of miles to deliver a few pence worth of sausages or scrag) were checked by the Food Council. They found small butchers made 4½% on sales. Multiple shops

(price cutters) 3.6%. Co-ops 11.7%. Profit on capital investment varied from 51% to 27%.

The supply of people willing to lend themselves to a life of butchery seems to ebb and flow. It is said that people can be found who will do almost anything, for money. Somehow the news gets round that so-and-so is doing fine as a butcher, so so-and-someone-else decides to have a go. When there are too many, bankruptcy sorts out the weakest. It is no different from the ordinary planless process of private enterprise.

Ministry of Food. For good or ill the government has taken control. It has done so by the simple though, for this country, revolutionary device, of direct purchase by the state of all meat supplies. ' Necessity knows no law ' is a hackneyed phrase which may here be inverted : ' Law knows necessity ' (when it sees it). It is amusing to speculate, in passing upon the reactions of the reactionaries in parliament had this drastic step been taken by their political opponents. The dethroned emperors and their aristocracy of wholesale butchers are even now, like other wandering royalty, eager to regain their dominions. But millions of pounds balanced against millions of people weigh less than ever before.

Having acquired ownership of every ounce of meat intended for sale to and consumption by the public, the Minister of Food is able to exercise effective control over its distribution. It is sold to the same wholesalers who formerly could have done what they liked with it. But now they must sell it in fixed quantities at fixed prices to fixed retailers, who in turn must sell to the public under similar restrictions. The object of all this is, of course, to deny to private enterprises the normal privileges for the sake of which their efforts are presumably exerted. If individual initiative is spurred into activity, as we are often told, by the hope of an increased share in the good things of life, then clearly meat is no longer to be regarded as one of them. Those who can afford to eat more than their ration must do so in public. Our society has not yet reached a stage of development wherein a person seen

eating in a restaurant is regarded as a social outcast. But unless he has the excuse of strict necessity, that is his logical status. For one who refuses to bear his share of a burden deserves no place of honour amongst his fellows.

BACON.

It is to be hoped that some day bacon will resume its pre-war supremacy on the breakfast table. When it does it will turn a new page in a long and unfortunate history. There was something so desperately wrong with the bacon industry that in the nineteen thirties many efforts were made by the government to disentangle the mess. This is quite a different story from that of beef. It may be shown, like a character in a play, as a weakling in contrast against beef, the strong man, and mutton the hero. For whereas beef is dominated by the interests of a few millionaires, and mutton has been brought up successfully to defy their power, pork and bacon had not yet, at the outbreak of war, been rescued. Our story is a first class example of the incompetence of private enterprise to take care of itself.

Although it may tax your patience and mine to understand it, I think the effort is well worth while because here we have a first class example of an attempt being made by a government to apply principles contrary to those for which they stood when elected, and which formed the background of the political and economic system they represented. I will make it as easy for you as I can.

We can start our little story with the setting up of The Re-organisation Commission for Pigs and Pig Products (England, Wales and Scotland) in 1932. It gave birth to:

The Pigs Marketing Board, in 1933.
The Bacon Marketing Board, in 1933.
The Bacon Development Board in 1935.
The Bacon Importers National Defence Council in 1940.

We thus have plenty of published material to investigate. What was all the fuss about?

The Pig Cycle. The fuss really started in my opinion because certain ruling politicians did not like certain facts and therefore refused to face them. The fact they disliked was the Pig Cycle. It was an ordinary enough cycle: merely a miniature edition of the commonplace Trade Cycle, the incubus of *laissez faire*. This, in simpler language, means that uncontrolled and inadequately informed private enterprise extends until it has produced more goods than consumers can buy. Then it slows down and sometimes stops. Extension is called a 'boom,' contraction a 'slump.' When the slumps occur, modern governments tend to see what they can do to help, because one of the main evils of a slump, as doubtless you know, is widespread unemployment.

Pigs themselves possess certain peculiarities which add force to the ordinary process. The special feature of the pig cycle is the introduction of a novel factor: the price of pig food. In an ordinary cycle scarcity of supply stimulates production: in the pig cycle cheaper food for pigs does it too. This innocent looking factor you would not expect to cause much trouble, but it does, or did, because it made farmers breed pigs at the wrong time. People will not buy pork for pork's sake, but only when they can afford to do so. Pigs are prone to an infectious disease called swine fever. This also had added to the difficulties.

Pork v. Bacon. There are two aspects of pig: the pork and the bacon aspects. They are conflicting aspects and much difficulty has also been caused by this conflict. In 1926, the importation of fresh pork, excepting from Ireland, was prohibited. Bacon was received here instead. By 1930 three-quarters of the home produced pigs were sold as pork. By 1932 our home market became flooded with foreign bacon. The Re-organisation Commission was set up to examine the chaotic conditions which resulted from this situation. Pork or bacon? Farmers had to decide: and no one knew which way the pig would jump.

The Commission wanted the pigs to jump into bacon; I think mainly because it is a popular foodstuff in steady

demand, is far less perishable than raw pork, and therefore will wait to be organised, and finally because our own home bacon curing capacity lagged far behind in efficiency that of our chief foreign supplier, Denmark. It must be remembered also that what happened at this time, 1932/3, was influenced by the abandonment at last of our historic free trade policy, contrary of course to the promises given to the electorate in the General Election of 1931.

Marketing Boards. The two Boards set up (one for pigs, the other for bacon) were bound by the government policy of the day to do what they could to encourage the importation of bacon from the British Empire in preference over foreigners. Between 1931 and 1937, the tragic bacon years, Empire imports were multiplied by about 5 to $2\frac{1}{4}$ million cwts., while home production was less than doubled in that time to about the same figure.

Prices fell and quality deteriorated. The curers who were left uncontrolled could not sell their production at a profit. Danish bacon was taxed and people who could not afford to buy it, disliked English bacon and would not buy it at any price. They preferred to go without bacon altogether and did so. The first scheme therefore failed.

The second shot was a desperate bid to transfer some of the losses, which the Board could not afford to stand, to the farmer. This contradicted the whole original idea. Farmers refused to play; they ceased to produce pigs, which then became scarce and prices rose. There were insufficient pigs to operate the bacon scheme. The second scheme also failed.

The third shot permitted curers to buy pigs where they liked if they could price them. This finally shot the whole thing to pieces. All that remained were a few standards of quality measurement and the registration of pig and bacon traders.

Bacon Development Board. This was set up in 1935 and made a new and tottering start. The idea was to control an industry without owning it. It had the Bacon Industry Act speedily passed for it in 1938 which enabled it to do two

important things, first to put small inefficient bacon curers out of business by refusing to grant licences; second, to collect from the taxpayer sufficient money to bolster up prices by means of subsidy. Quotas were also set up to control imports.

This scheme also failed. The pig cycle beat it. Feeding stuff prices went up and the pig proprietor went down.

What has been the total effect between 1932 and 1938 of all these failures? First supplies of bacon have diminished from 137 to 100. Second the retail price rose from 10d. to 1/3½d.

Structure. Bacon curers in England are curiously divided as to size. Small curers with a weekly output below 5 cwt. make up 40%, whilst one large private company, Marsh and Baxter, probably also handles over 40% of the total.

Bacon Importers' National Defence Association. This was planned by a group of private bacon importing enterprisers shortly before the war. It is an ordinary privately owned profit-making company, enjoying the unique privilege of a link with the Ministry of Food such as lay beyond its wildest dreams when its formation was first contemplated. Although all bacon, like meat, is first bought by the Minister of Food, he sells the whole lot to members of this company who then enjoy a monopoly secured to it by the government. This company divides the total amongst its members on a pre-war quota basis. Why the government cannot do this itself as it does with other goods, I cannot explain. I can only suggest that its unhappy experience in attempting to meddle with this particular industry has frightened it. A director of a firm associated with Marsh and Baxters was made Controller of Bacon Supplies. He had taken a leading rôle in the Bacon Development Board.

We must congratulate ourselves perhaps that we have not yet experienced in this country a fiasco similar to that reported from America:

> 'A friend of mine in New Zealand has a neighbour who has received a cheque for 2,000 dollars for not raising hogs this year. So my friend wants to go into the business himself,

he not being very prosperous just now; he says, in fact, that the idea of not raising hogs appeals to him very strongly. Of course he will need a hired man and that is where I come in. I write to you as to your opinion of the best kind of farm not to raise hogs on, the best strain of hogs not to raise, and how best to keep an inventory of hogs you are not raising. Also, do you think that capital could be raised by issuing a non-hog-raising gold-bond?

'The friend who got the 2,000 dollars got it for not raising 500 hogs. Now we figure we might easily not raise 1,500 or 2,000 hogs, so you see the possible profits are only limited by the number of hogs we do not raise. The other fellow had been raising hogs for forty years and never made more than 400 dollars in any one year. Kind of pathetic, isn't it, to think how he wasted his life raising hogs, when he could have made so much more by not raising them.'

(*Extract from an American paper.*)

The conclusion to be drawn from our pig story, and indeed from the entire story of meat, is that if you must have private enterprise, it should somehow be controlled in the public interest. If millionaires do it they will charge a high price for their services; if it is done by government its officials are handicapped by the necessity to proceed with justice. They will have to surmount snags placed in the way by private enterprisers who detest state interference. This is probably the reason why complete state control will henceforth remain.

BUTTER AND CHEESE.

There are one or two odd things about butter and cheese, a statement which may help to introduce you to a superficial understanding of the business.

The first odd thing is that it takes about three gallons of milk to make one pound weight of butter and about one gallon for a pound of cheese. This is odd because three gallons of milk can always be sold for more than the price of a pound of butter and one gallon for more than a pound of cheese to the consumers of these things, if only you can keep the milk fresh. The second odd thing is that you could always before the war buy imported butter and cheese for less than you had to pay

for the corresponding home produce. This is odd because our largest overseas suppliers of both these things were in the most remote of all countries, New Zealand. It is surely surprising to find that the further you go the cheaper, despite the cost of transport. New Zealanders do not starve: about a quarter of their population is engaged in producing these things for us.

There are two more minor oddities that may as well be mentioned whilst we are about it. The first is that despite the import duties imposed in 1932 on foreign dairy produce, to provide a 'preference' to our Empire, a larger proportion than before has come to us from foreign parts. Second, there are a few conspicuous firms in England who have made phenomenal profits from turning milk into something else.

My problem is to boil all this down to a few pages.

We can easily polish off the home producer. Before the war, he produced less than one tenth butter and a quarter of the cheese consumed here. The butter was usually sold locally by farmers' wives as a sort of hobby. The cheese was pure luxury trade. Now, the home production of both is illegal.

Imports. Sour milk as such has no value; make it into butter or cheese and you are all right; or better that than nothing. There are not enough people in New Zealand or Denmark (its chief competitor) to drink all their own cows' milk, so we eat it for them.

Provision 'exchanges' similar in effect to the 'stock exchanges' and other markets like Smithfield, existed in large centres of population. Here importers sold to wholesalers who sold to wholesalers or to retail shopkeepers. I have no data as to the rates of profit generally enjoyed by the big shots, nor can I find that any of them had a serious stranglehold on the business. Retailers profits are known to be below the average rate of most goods sold by retail. They were 16 to 17%.

Farmers Co-operation. The outstanding explanation of the peculiarities referred to is in the exceptionally high degree of co-operation between producers both in New Zealand, Australia, Denmark and Ireland.

Although for over 200 years Cork in Southern Ireland was the leading butter market of the world, and the success was due latterly to the early establishment of a Joint-Stock Creamery in 1884, owned by member farmers, uneven supplies in summer and winter and the development of refrigeration have placed Ireland sixth on the list of countries supplying Britain with dairy produce in 1937, as compared with fourth in 1923.

Denmark leads the world in farmers' co-operation with 90% membership. In New Zealand the percentage is nearly as great and in Australia 70% of butter is produced on this system.

Manufacture. Aplin & Barrett Ltd. and Cow & Gate Ltd. are eminently successful firms whose profits have increased since the introduction of the milk marketing scheme, the former paying 30% in 1933, 30% plus 20% bonus in 1934, 25% on the increased capital in 1935 and 17½% in 1936 when the capital increased from £450,000 to £1 million. Cow and Gate paid 16⅔% from 1934 to 1936 and 18% in 1937 despite having increased its capital from £550,000 to £1,400,000 in 1936.

The sales value of milk products as ascertained by Board of Trade inquiry in 1933 was £20½ millions. Wages paid were £1,650,000 and annual profits about £4 million (16½% for workers against 40% for private enterprising owners).

EGGS.

Eggs again are peculiar things. They all have to start new laid and new laid sell for more than old laid, which cost something to store, and tie up interest-carrying capital. Why let eggs get stale? Is it that more eggs get laid than can be consumed quickly enough? Not altogether. The government with an ' Egg Re-organisation Commission ' had to try to sort out in 1934 the muddle of the private-enterprising egg men.

The trouble, I think, started in a pub in the 1860's where less than half a dozen egg magnates met in the parlour on Monday mornings. From this arose the London Egg

Exchange, quite a grand affair with its own building and some 200 members, who deal in eggs even before they are laid. Reading between the lines, I should say there seems scope for some pretty gambling. The hazards are somewhat fascinating to people who like that kind of thing. If you keep hens in your backyards, it would be easy to organise a sweepstake on the daily lay. Something of the sort doubtless keeps egg men awake at night, but there is another peculiar factor, one which we are told prevents us all from living in a sensibly organised world. It is 'human nature.'

If it be true that poverty and war only exist because human nature is what it is, then what the Commission of inquiry into eggs found out is probably true too. It discovered that unless human nature could buy eggs for a penny each, it became suddenly indifferent if the price rose to 1½d. The egg men had to struggle hard to keep down to 1d. and to be able to get something for their trouble. The retailers would co-operate with the wholesalers. They were willing to sacrifice some profit for the sale of the penny egg.

These things have changed during the recent war. I sold eggs as a retail dairy farmer for 2d. each and earned 3d. for collecting and distributing a dozen in ones and twos, and if two or more in a dozen were bad or broken I did the job for less than nothing. I was not allowed to sell for 2d. the eggs laid by my own hens. I had to sell them to the government for over 3d. each so that I could buy them back for 1¾d. Thus was I subsidised.

Seven thousand million seems to me a tidy few eggs. This is Britain's normal home consumption and works out at three a week for each of us. Americans and Canadians eat half as many again. In 1936 our wives and mothers paid £46 million for eggs, of which only about a third were imported.

'Eggs is eggs,' like many old slogans, is misleading. Before the war there were 45,000 tons of eggy slime most of which in 1938 came from China to be used for manufacturing purposes. During the war and after it, powdered eggs have been

in the headlines. There is more in an egg than meets the eye of a candidate at election times.

In China, as in Britain and elsewhere in the world, a very large proportion of the total quantity of the eggs of commerce are laid in humble backyards or on the small holdings of farmers and peasants where the hens have free range, requiring little and receiving less attention. From the earliest times professional egg collectors, called 'Higglers' in this country, gathered in the harvest all the year round in small quantities. In England up to 1939, about 25% of our 7,000 million were produced and collected here in that way from holdings of less than one acre. About one fifth of our total consumption was produced in specialist poultry farms.

Poultry Farms. After the 1914/18 war, many demobilised young men, especially officers, took up poultry farming. Such men are loth to return to indoor office work. You can buy and read a few simple books, invest your gratuity and savings in hen houses, and if you haven't enough cash left over to buy a large number of expensive hens, all you have to do is to hatch out chickens from the few hens you can afford. It all looks like 'money for jam.' Within a few years poultry farming took second place to house building on the list of bankruptcies. Why was it? What was wrong?

There is no general agreement in the answers to these questions. I think that what was fundamentally wrong was the general poor pay off to farmers and food producers of every description. Office work may be boring but the unpleasant facts it reveals must be faced. Costs and depreciation are realities. Disease in fowls becomes important when an office reveals it. Figures, not cockerels, 'rule the roost.'

During the period between the wars our hen population increased by 90% and egg production by 50%, the number of eggs laid per hen increased, as a result of the scientific attention devoted to them, by 20%. The fittest poultry farmers survived and gave this attention. All the same, there were far too many private tragedies. The dominating factor is the

farmer whose hens running free are a sideline. He sells his eggs for what they will fetch, and whatever he receives he regards as all profit or something extra to provide pin-money for his missus. He fixes the 'marginal-utility' price of eggs without of course knowing anything at all about it.

Costs of Eggs. The 'battery' method is the most economical. The average lay is 180 in a year. A pullet costing about 6/- lays for 18 months. A battery costs 2/6 per fowl year, labour about the same, and food 12/6. Thus it is estimated and generally agreed that 180 eggs cost 22/9, or slightly more than 1½d. each. The penny egg was thus a tight fit.

FISH.

In my introductory remarks about farming, I referred to an occasional fish. It is significant that we have the Ministry of Agriculture and *Fisheries,* for here is confirmation that the prime sources of food are to be regarded as one unit of a nation's life. At a rough estimate, the odd fish we ate every now and then cost before the war about £50 millions a year, of which the fifty thousand or so men who caught it received about £16 millions.

We have a Royal Commission set up in 1933 to help us in our investigation, for here again we have an industry that private enterprise could not keep under satisfactory control. The problem broadly stated was this: unemployment amongst fishermen during a period of scarcity. Such a situation is contrary to the so-called *law* of 'supply and demand' upon which private enterprisers base all their claims to existence. They justify it by saying that demand regulates supply; that enterprising people come forward automatically to satisfy demand when it arises: they even say, not without truth on occasions, that in their eagerness to make money they will create demand. In the case of fish, however, something evidently went wrong. It is our job to find out what it was.

Fishermen. Like the farmer, the fisherman is on the average a poor man. He has a hard and hazardous life which differs from that of the farmer, who lives longer than anyone else, in

that he frequently loses it in stormy weather at sea. He does not get paid much for the risks he takes and when he does not take them, he and his family suffer the less spectacular, but even greater, risks of ill health arising from under-nourishment consequent upon unemployment. In 1938 there were never less than 17% of our fishermen unemployed: for several months of that year the percentage was double. Fishing is a neglected industry.

Most of the fish we eat are caught nowadays by trawling. The ships that do it are usually driven by steam and are too expensive for poor men to buy. There were before the war about fifteen hundred of them, mainly owned by firms who were members of the British Trawler Owners' Federation. The average crew of a steam trawler was nine, who were paid small wages plus a share in the money received when the fish caught were sold. By this method the fisherman not only risked his life but he shared with the owner of his ship, who did not risk his life, the risk of the market.

White Fish. The Royal Commission discovered that there were two main sorts of fish which would have to be considered separately, so we must do this too. The two sorts are: white and herrings. Their relative port values per year are: white, £13 million; herring about £2½ million: prices, white about 15/- per cwt., herring about 6/- per cwt: quantities, white about 15 million cwt., herrings about 5½ million cwt. We will sort out the troubles of white fish first.

White fish has no value unless it is fresh. No housewife will deliberately buy bad fish. It goes bad very quickly. If there is any undue time lag between the sea and the cook you must apply ice or smoke in the interval.

The catch of fishermen is as unpredictable in quantity as the harvest of the farmer. In this respect they are both victims of the same sort of difficulty; plenty is their curse, for, as we have seen in our consideration of agriculture, a good harvest for one is good for all, prices fall and governments must come to the rescue to save the industry from ruin. This

is the second fundamental, almost inescapable obstacle confronting fishery. In this industry, to the curse of plenty is added to an even greater degree the curse of perishability: hence, in my view, the curse of poverty in both callings.

I have used the adjective 'almost' in front of inescapable. It is obvious to me that the only way to circumvent these two difficulties is by a high degree of efficient organisation. This is what the Royal Commission found to be lacking. The Duncan Commission was set up in 1934 to investigate prices and costs.

Prices and Costs. When you spend a shilling at a fishmongers, the original owner of the fish you buy, who organised the catching of it, gets about sixpence. What he paid the actual fisherman for his uncomfortable share of the proceedings is nobody's business. Three traders intervene who each get about 2d. They are the port wholesalers, the inland wholesaler, and the retail shopkeeper.

The disorganisation and inefficiency all along this line may be summarised thus: lack of refrigeration facilities at ports and elsewhere; large shore staffs are kept in idleness to deal with sudden gluts (3 men to every fisherman); slap dash sales by auction on quayside, where fish is landed, to a mixed lot of buyers which include private consumers in search of a bargain, as well as wholesalers trading inland, local wholesalers and local retailers.

Restriction. Instead of tackling these difficulties, the Commissioners followed a lead then fashionable. They argued thus: if trade is unprofitable we must induce scarcity by restricting production.

This is the stock formula of private enterprise which usually works well enough for the owners although it is not so good for the workers and consumers. This policy laid up 400 ships and arranged for the taxpayer to compensate their owners but not the displaced workers.

Herrings. The herring story is also a sorry one. Although herrings are probably better food value than any other item

of diet, traders do not like them. They are too cheap. They have done their damnedest to raise the price but the humble herring has beat them every time. They are terrific breeders and extremely foolish. They seem to like being caught in large quantities. They also like company and to swim about in our most dangerous (to them) island waters, so that whole families of them, numbering many millions may all die together. They are almost as silly as men who have no personal quarrels, going to war and slaughtering each other.

As is usual in our crazy world, we would rather starve than eat the food which is so easy to obtain. It is our practice to send about twice as many herrings to other countries as we eat here. Unfortunately this picture is not complete. Our export trade declined by 55% in the 20 years prior to 1938 and our home consumption by 45%. Private enterprise kept steadily on with approximately the same number of ships and proceeded to ruin itself, until yet another Commission was set up in 1935; the 'Herring' one this time. By 1937 it had bought and destroyed 116 ships. This Commission actually proclaimed that although re-organisation was possible, it thought the difficulties so great that it preferred to recommend restriction.

Export. One of the difficulties as we shall see later about export business is that the buyer is apt sooner or later to wake up. Russia and Germany, who took most of our herrings, did so in our time. Both these countries had political revolutions of diammetrically opposed ideology. Before their revolution, the Russians took nearly half our exported herrings. At the outbreak of the last mass slaughter they took hardly any at all. Germany, which once bought an even larger proportion of the total, fell from 1319 thousand barrels in 1913 to 396 in 1933, even before its revolution.

Curers. The kipperers and bloaterers are a powerful lot; they were able to defy the government's Herring Board. Here is the story:

For every 41 bloaters, there were in 1937 328 kippers, while 227 fresh herrings got by the smoke. The output of a curing crew of 4 fell by half in the four years 1929/33. The Herring Board plumped for restriction, finding far too many small inefficient firms making, as we have seen elsewhere, a large margin of profit for the big and efficient few. This enraged the little men who held off buying. There were so many of the little chaps that the herrings they did not buy were too many for the big chaps; besides, the bottom fell out of the big men's paradise. There were some stubborn Scotch rebels who wanted to go on inefficiently and to be subsidised by the Treasury. The Herring Board was dissolved abruptly in 1938 without explanation. Was any needed? What will be done when the war situation is really over we do not as yet know. What we do know is that control by the Ministry of Food in its early days was a fiasco and dropped. Wholesalers are organised 100%, retailers are hardly organised at all.

Markets. There are five large fish markets in England and Scotland, of which by far the largest is Billingsgate in London, handling in 1937 4 million cwt. of fish. The others are in Glasgow, Manchester, Liverpool and Birmingham. All these markets are publically owned and controlled. The average rate of profit earned by private enterprisers operating in these markets is 15%. There are about 3,000 wholesalers registered with yet another White Fish Commission. At Billingsgate, about one tenth of the operators do about half the total trade.

Retail. Two important modern developments of the trade which hands us our fish from a cold marble slab, or a bath of boiling fat, is divided by those two emblems. The cold marble slab development is Unilever, whose story is not without a dash of romance.

Lord Leverhulme, the soap king, tried to buy the Western Isles. He succeeded in getting a goodly share of Harris and Lewis in the Hebrides. Then he felt sorry for the poor fishermen there and tried to do something about it. But the canny Scot was 'suspeechious.' Most of us are a bit wary of the

millionaire who offers to do us good. This one bought besides his island properties a few fish shops on the mainland, thinking his island tenants would be glad to sell their fish to him. They preferred, however, their old traditional auctions. His Lordship sold his shops to Lever Bros. who, preferring soap, formed a separate company called Macfisheries, which now has some 400 shops. It also controls some 40 other companies dealing with every branch of the industry from ships to shops, from oysters to ice-cream, from sardines to whales.

Fish and Chips. The other important development is the increased respectability and diminshed odour of the ubiquitous fried fish shop. Like the Salvation Army, the Fried Fish shop has not yet become a rendezvous of the aristocracy of land or money, or of the extremely fashionable élite of society. All the same, ordinary people like you and me who after all count most, are not above an occasional quick and delicious supper wrapped in newspaper. I am afraid we shall have to forget the chips in this chapter. You will forgive me this when I tell you that nearly three-quarters of our white fish before the war was sold to us hot fried.

On the whole this is a small scale business that acts somehow as a prime tempter of those rebels amongst us who want to be our own masters. The fish you fry in a day is sold for cash; all the capital needed is for one day's purchases of raw fish plus a bag or two of potatoes. Your cooking range and your oil you bought on credit. This is the easiest way I know, apart perhaps from selling newspapers on the street corner, of starting your own business. There are, of course, some snags, such as getting up early to go to market for your fish and staying up late to sell it, but if you don't mind these, or the heat and smell, you can go right ahead; little or no experience is required. The people who sell you the equipment will tell you how to do the job. It is so easy that although the National Federation of Fish Fryers has been going for over 25 years, not half the fried fish shops have bothered to join it. They are an independent lot, as you will find if you are cheeky. One

of them once offered to make an agreement with the Bank of England. It said we will agree to give no credit if you will agree not to sell fried fish. All the same, the big market chaps have aroused their resentment by trying to corner fish suitable for frying. There was an historic occasion when the market authorities of Glasgow were able to help the fried fish men by breaking a corner. This, I think, is one up for public enterprise. You can always live somewhere else and conceal your source of income from your fastidious and snobbish friends. I am all for the fried fish shops as a way of life.

Canning. We cannot finish about fish without some reference to the canning side of the business. It used to be said that what you can't sell you can, but in recent years the quantity of canned fish sold in Great Britain alone has outgrown that poor and hoary chestnut. It amounts to some £10 millions a year and about 90% was imported, mostly, before the war, from Japan.

GREENGROCERY.

I am here confronted with a difficulty I had not foreseen when I undertook to write this book. An encyclopædia is one thing, a chatty book about private enterprise is quite another. In producing this long chapter about food I soon found the necessity to investigate faithfully many varieties of it, but there must be a limit to your patience and mine, to say nothing of the resources of my publisher in these days of paper restriction. If I break down greengrocery by an effective analysis I shall have to give you a separate story for every one of a vast number of different vegetables, fruits and even nuts. My difficulty is to condense the whole thing into terms that will not be too general and therefore misleading. If you should happen to be particularly interested in the ins and outs of the greengrocery business you must be content to accept my remarks about it as a brief introduction.

The importance of greengrocery may be judged from two facts, one quantitative, the other qualitative. The first is an

estimate that the British housewife spends annually nearly £200 million on it of which nearly half is used to buy fruit and nuts, a quarter potatoes, a quarter other vegetables. The other, qualitative, fact concerns health. Apart from the energy-producing starch contained in potatoes and certain other and obvious roots, it is from the greengrocer's shop that we buy the natural mineral salts essential to good health. They are contained in green vegetables and fresh fruit.

Imports. Every item of greengrocery imported from abroad is taxed. The import duties were first imposed by a government elected in 1931 under the premiership of Ramsay Macdonald, who promised that whatever else his conservative party masters forced upon him, he would never submit to any taxes on the peoples' food. Our climate forces us to import about half our total requirements of apples and other fresh fruits that will grow here in the summer, but such important items as oranges and bananas are 100% imported.

The importation of bananas is almost entirely in the hands of one firm, Elders and Fyffes, which is controlled by a vast American combine, the United Fruit Company. It is worth while to pause, I think, for a moment to consider this. What happened is a good example of failure to introduce co-operation into a field where private monopoly interests predominate.

About fifteen years ago, at about the same time that the duties were imposed as part of a scheme to protect our Empire trade, the Jamaica Banana Producers' Association was set up to provide resistance against the aforesaid domination. Jamaica, as you know, is a British colony, and therefore part of the Empire, and provided a fair sample of a place needing such help as our government intended to supply. The Association was rich and powerful enough to own its own ships. It proceeded to send bananas to Europe in competition with its American rivals who own a large part of our so-called British island. We do not own the place, we merely govern it. The important difference between ownership and government, a distinction only recently coming to be understood, and which

may fairly be said to be dividing our modern ideologies, is here shown in sharp relief. (There may or may not be ' lessons in stones ' that are as hard as stones themselves to learn, but there certainly is an easy lesson in bananas.)

Members of this Association who were banana growers agreed to sell entirely to it, but they could not withstand the temptation of higher prices offered to them by the American privately owned monopoly. The government of Jamaica refused to help. It sided with the Americans and the Co-operative marketing scheme failed.

Potatoes. As I know to my cost the growing of potatoes on a large scale is a tricky business, for I have tried it to the extent of a few acres in successive years. Potatoes were the only vegetables to have a government controlled Marketing Board before the latest war. We therefore know more about them. There is no need to repeat my explanation, laboured at length in my writings about British Agriculture, of the ruinous consequences of inelastic demand confronting a most elastic supply, but potatoes provide a first-class example of it. Here the government was simply forced to come to the rescue. Its problem was the usual one of coping with abundance. It sought to restrict over production in a starving world by setting limits to acreages and by ' riddle.' (Don't laugh.) You sort potatoes into various sizes by shaking them over a sifter with holes of carefully regulated size. This thing is called a riddle. The government fixes the size. If, despite restriction in acreage permitted to be sown, potatoes stubbornly persist in growing more freely than was anticipated, the government makes you use larger holes in your riddle. You may only send to market the potatoes that refuse to go through these holes. You can do what you like with the little 'uns.

Bishop Auckland Experiment. The best example I have come across so far in a long life, devoted to some extent to a search for common sense, of an attempt made by authority to use it, is the Bishop Auckland Experiment to sell potatoes in an unusual way to people who needed them, but who could

not afford to pay the prices ordained by private enterprise even when helped by a Marketing Board. There was a great deal of unemployment in this place at the time of the experiment. Potatoes were sold cheaply to the poor people there. Local greengrocery interests were compensated by being paid so much for not selling potatoes. Believe it or not, it is not only in America that such peculiar facets of common sense are seen; wait till we come to sugar.

Distribution. If you are tempted in your folly to set up as a market gardener, you will find the emphasis falls upon the first word of your calling. The market rather than the garden is the problem. If growing potatoes is a tricky business, marketing gardening procedure is sheer wizardry. The process follows the pattern with which I will not again weary you, excepting to remark that the mess is even worse than usual. It is said that perishable greengrocery is sometimes handled as many as twenty times before it reaches the consumer. Small producers frequently receive less for their produce than the cost of transport and one market salesman's commission. It is all a question of getting the goods to market at the right moment. If you are late it usually pays better to let your crops rot and the public starve. In this race the chances are heavily in favour of the large producer who possesses his own market facilities. Price fluctuations within a few hours are enormous. Costermongers infest the markets like vultures over the famous burning Ghats of India. By their arduous barrow pushing labour they hawk the late-arriving produce amongst the poor at the expense of the growers who may in consequence be equally poor themselves. Strange though it may seem, these humble retailers may perhaps be regarded socially as the greatest redeeming feature in a system which so far has defied any attempt at sensible organisation.

Covent Garden. The size of this market place is recognised not only to be grotesquely inadequate to the needs of London, but it is most awkwardly located in an almost inaccessible and congested district. There is no serious monopolistic domina-

tion there, which perhaps, in the absence of state control, was unfortunate. In a choice between the devil and chaos, it might be better to advocate the former if you are desperately in need of food. All the same there are two big firms, Munro and Poupart, which although not large enough in themselves to dominate the market, are sufficiently well organised to influence it.

TEA.

The popularity of this beverage is probably due to two things: first, it is a mild drug that bucks you up; second, it is cheap, costing about ten cups a penny. Great Britain however spent £44 millions on it in 1936, upon which £6 millions taxation was levied. Retailers and wholesalers (including advertisers, brokers, blenders, etc.) received about £8 millions each for their services. We consume about half the world's production of tea, of which over 90% is grown in the British Empire in tropical places where very low wages costs prevail. A few very rich firms in England control the business.

Labour Conditions. There is a deplorable lack of labour organisation in the plantations. Whole families are employed, including women and young children. The average weekly earnings are stated to be: Men, 5/5d., Women 4/7d., Children, 2/11d. (Report of Royal Commission on Labour in India 1931, p. 385/399).

Trade Monopoly. The conditions in the tea industry follow much the same pattern as we have seen in other food industries. Constant repetition of similar detail becomes wearisome. Here we have the owners getting together in 1929 and in 1931 to fix prices and to restrict supplies: we have a Royal Commission and a 'Food Council' report published in 1931. The selling price of tea at Mincing Lane (the London Market) fell to 4d. a lb. but soon rose to 7d. The cost of production, which of course includes management expenses, appeared to be about 8d. a lb. The average wholesale price in London in 1935/6 was a little over 1/- a lb. Before the slump which

started in 1929 dividends paid by tea planting companies were from 20% to 30%.

Tea, when it arrives in England, is stored at the London Docks and is sold by auction at Mincing Lane. There it is the object of speculation or gambling, but two brokers who act for competing groups of buyers handle about 80% of the total supplies between them. The competing groups of buyers are: Brooke Bond 20%, Lyons 20%, Allied Suppliers (Home & Colonial, Liptons, Maypoles, Meadow & Pearks) 20%, all owned by Unilever. Make one guess: Co-operative Wholesale Society, 25%, is the other. Here we see once more the increasing influence of the democratic and totalitarian C.W.S. acting as a curb upon private monopoly.

Distribution. Apart from the chain stores mentioned, whose distribution is obvious and simple, Brooke Bond specialised in supplying independent grocers. They employed 800 vans to make weekly deliveries for which instant payment was demanded. Apart from this, proprietary advertised brands were sold to small local wholesalers who supply the very small street corner shop at the very small margin of 2½% for their trouble.

Taxation. The tax in 1938 was 6d. for the Empire and 8d. on the lb. for Foreign tea. When the tax was first imposed it was calculated upon the gallon but later changed to 5/- a lb. During the 1914/18 war and after it was 1/-. Winston Churchill, after used the tax to influence the election of 1929, abolished the duty altogether. Chamberlain put it on again in 1932!

SUGAR.

Sugar provides a fascinating and amusing story. I might almost call it a romance: it possesses an element of fantasy, with two giants, Tate and Lyle, and a fairy godmother the British Government. The public of course is the hero or heroine: a Sleeping Beauty, Snow White, Cinderella, Sinbad the Sailor, Aladdin and Robin Hood all rolled into one, with

perhaps the Babes in the Wood for make-weight. As for Prince Charming! Well, spare my blushes, I am about to tell you the story.

Sugar, like tea, was for many years largely an Empire product. It was one of our smaller sources of national wealth gained at the expense of poor, underpaid, half-starved native labour in the tropical lands, where the Union Jack proudly flies and upon which, of course, the sun fails to set. This sugar was made by crushing the juice from a special kind of cane which can easily be caused to grow in very large quantities. All this was very nice, but unfortunately for our sugar magnates, there were other countries with a sweet tooth who had no cheap native labour to exploit. They found they could squeeze juice from a certain kind of beetroot and make it into sugar. Before 1914 the proportions of world supplies were about equal, half cane, half beet. We had to do something to beat beet. Tate and Lyle were the boys. These two boys had evidently sat up at night to read and digest the doctrine of Carnegie, which I have mentioned earlier in this book. They could not grow and remain permanently rich by stringing the public along for high prices. They must make sugar cheap: how they were to do it was nobody's business until the fairy godmother waved her magic wand in the form of a Royal Commission and an Act of Parliament, or what have you.

Sugar Cane. First we must consider cane sugar: by 1937/8 not much more than half was produced within the Empire. A quarter of the total came from Cuba, a West Indian island stolen by the U.S.A. from Spain. Australia was the next largest producer with 16%. There, however, it cost 24/3d. to produce one cwt. whereas in Cuba it only cost 8/4½d. This was awful. It meant that Australia, South Africa and the British West Indies must either go out of the business or else be content with less profit. It also meant that the sugar owners of Cuba and Java were having a fine time. So, of course, the owners of the plantations as usual got together. The International Sugar Council supervised the Chadburne agreement designed

to restrict production and its action was supported by our Sugar Reorganisation Act of 1935. It would be wearisome to trace once more the ramifications of all the bodies set up to endeavour to make order out of chaos. This part of the story is by now familiar. An interesting note is, however, provided by beet sugar.

Sugar Beet. As we have seen, all governments have one everlasting headache. It is to satisfy their farmers. Because it is impossible to make beet compete with cane, the production of it in England has been called an economic farce. Nevertheless, in 1937/8, we produced 391,000 tons of it while the quantity of cane sugar imported during the same period exceeded that quantity by about two million tons. Those of us who pay taxes had to pay £49 millions for that beet sugar in nine years in addition to the price paid over the counter. It was a government sop to farmers. It sponsored the Sugar Beet Corporation, a state controlled, but not owned, monopoly.

Refining. It is when we look at the refining end of the business that we begin to smile. Raw sugar is produced by the cane and beet growers by crushing; it is then refined. Sugar refining is a separate business dominated by Tate and Lyle, whose own plant takes about three quarters of the total. Its associated companies take about half of what is left. These two giants are thus concerned with about 87½% of our sugar. They came together in 1921 and now have a combined capital of over £8½ millions, of which nearly half is 'water.' (When we speak of 'watered capital' we mean money produced by waving a magic pen). The shareholders of Tate and Lyle since 1932 were given two bonuses of 40% of their holdings. These extra shares they could, if they liked, sell for real money on the Stock Exchange. The idea of watering capital is to conceal a rate of profit that is so high as to make its owners somewhat ashamed of it. The dividends paid by this combine between 1934/8 was never less than 18%. Without the watering processes, 36% would have seemed too greedy. In 1939

the net profit of this concern was £1,319,788. How is it explained?

Tate or Lyle, but I think it was Lyle, seems to have charmed the government. Having made an agreement with it in 1936/7, whereby the 'refining margin' (including excise duty) was limited to 13/- per cwt., Sir Leonard Lyle exchanged some correspondence with the Treasury whereby it was further agreed that this margin could rise with the cost of raw sugar. This was clearly money, not for jam this time but for treacle, for it does not seem that refiners would have to work any harder on raw sugar costing x/- per cwt. than if it cost xy/-. Anyway, they did very well by this arrangement, as I have shown; but this is not all. They also had a finger in the beetroot pie.

The situation grows a little more complicated, but we will not let this deter us. The sugar beet people started to refine their own raw sugar. Tate or Lyle noted this, and then charmed the government again. (In fact they did this one earlier, but the order of charm and events does not matter). The Finance Act of 1928 reduced the duty on raw sugar below that of refined. As a consequence the beet sugar producers passed on their raw sugar to be refined by our clever boys, instead of doing the job themselves. They then bought raw sugar from abroad and used their plants to refine this imported sugar. This was a preposterously extravagant procedure, for it added greatly to the cost of handling and transport. This absurd situation lasted long enough to provide Tate and Lyle with the opportunity to acquire their great power in the world of sweetness, during which period the taxpayers horse, Beet Sugar, began to run slow. In 1933 the Minister of Agriculture negotiated another agreement which regulated the proportions of refining to be done by the opposing refineries. Competition came to an end and the profits of both groups improved.

By 1935, however, the government began to grow tired of

its sugar beet baby. It was now ten years old and it could not yet stand on its own feet, let alone walk. Instead of smothering the wretched child out of hand, the government gave it some more money. The British Sugar Corporation was formed with only three directors out of eleven appointed by the government, but with a basic net profit to be distributed as dividend guaranteed at £200,000 a year on a capital of £5 million. This from a business that everyone knew to be basically unsound. This profit was therefore magically conjured from the taxpayer's pocket.

So the fantasy goes on. The next astonishing trick to come out of the conjurer's bag was an 'Incentive Agreement.' A 'Sugar Commission' was set up in 1936 because the government found that its three directors of the British Sugar Corporation could not play a strong enough part in our fairy story. This Commission had, apart from trying to make the wretched thing pay, to fix the amount of government subsidy paid to farmers if the Sugar Corporation and the National Farmers' Union could not agree amongst themselves. The amounts paid by taxpayers in subsidy are interesting: 1936/7, over £2½ million: 1937/8, under £1¼ million: 1938/9, over £1¾ million. The cost of producing one cwt. of raw sugar from cane in 1938 was between 4/- and 8/-. The cost of one cwt. of beet sugar at that time was 16/-.

To round off our fairy story we find that from the outbreak of war to December 1939, shortage of supply and new taxation caused the retail price of sugar to rise by 49%.

Sugar, you see, is a sticky-sweet business.

CATERING.

The pleasures of the table are not amongst the features for which Britain is most noted. The tendency, alas, seems to be rather the other way. We are derided by our European neighbours as a one menu nation: Roast beef,

Yorkshire pudding, boiled potatoes and cabbage, preceded by gravy soup and boiled cod, and followed by apple pie and custard powder. Well made coffee, to top it off, is a rarity. We have yet to learn, so they say, how to make it. None of this, of course, is true, but there is much truth in it. Gourmets do not rave about the excellences of our London restaurants as they do about those of Paris and Vienna, nor do we claim to manage hotels as well as it is done in Switzerland or the U.S.A. The strange truth is that the British are not good cooks and to remedy this deficiency our more expensive feeding establishments usually employ foreigners to do the cooking and to manage their businesses; even the King, I am told, employs a French chef.

The largest British catering firm is Jewish. It is J. Lyons & Co., Ltd., wherein as directors, the families of Salmon and Gluckstein predominate. You may wonder why it is that with nearly £10 million capital plus its Jewish business acumen this firm does not approach nearer to the continental standard. The truth is that it could and would if it dared. There are two reasons, in my opinion, why it dare not: first, we have a gloomy depressing climate (cold damp winters, and wetter unreliable summers); second, the public does not have the restaurant or café habit (the reasons may partly result from the climate and partly from tastes and habits developed from the early days of the industrial revolution when a light hearted peasantry was driven from the land into squalid manufacturing towns). Lyons, despite dreadful discouragement, makes a marvellous best of an uphill job. Apart from a few outstanding popular hotels and restaurants most of its activity is concerned with what may be regarded as catering for convenience. We are not a nation of diners out, we are lunchers and tea drinkers.

We have only a few large fashionable holiday resorts in our country possessing a number of competitive first class hotels, they are: Brighton, Eastbourne, Hastings and Folkestone, all within a few miles of each other in one corner of our land; for the remainder, on the coast are Bournemouth,

Torquay and Scarborough, while Harrogate is practically the only survivor of our once fashionable inland spas. The rest is all gloom relieved by a short summer season enjoyed by 'working class' resorts such as Blackpool, Yarmouth, Clacton, Southend and Margate and by a few isolated expensive hotels in the beauty spots of Devon, Cornwall, Scotland and Wales. But all these places, fashionable or not, close at 10 p.m. and a wet Sunday in any of them, holiday season or no, is an acutely depressing experience. Our hotels elsewhere, like the majority of Lyons' feeding establishments, are for convenience rather than for pleasure. This convenience is catered for in our large provincial cities mainly by the big three Railway Companies, said to be the largest hotel proprietors in the world. The Midland, Manchester; Adelphi, Liverpool; Queens, Birmingham, are such examples where valiant attempts are made by our railways at an approach to gaiety which will be defended with vigour by local patriots, but on the whole our provinces are as sad as our skies are grey.

In London things are not quite so bad. Apart from the popular priced Lyons controlled series (Strand Palace, Regent Palace, Cumberland and Trocadero) we have a few famous expensive hotels, headed by the Savoy (capital about £1 million) which also owns Claridges, Berkeley, Simpsons, The Savoy Theatre and a laundry. Its chief fashionable competitor is The Carlton (capital nearly £$\frac{1}{2}$ millon) which controls the Ritz and owns His Majesty's Theatre. It is linked by directorates with the Park Lane Hotel, Café Royal Limited, Alexandra Hotel and the Cliff Limited. The Dorchester in fashionable Park Lane is part of a chain of 'Gordon' hotels, which include: Metropole, Victoria, Mayfair, Grosvenor also in Park Lane which is loaned from a £1 million finance trust company owning the whole building, the rest of which is divided into luxury flats. Outside London Gordon Hotels Limited (capital over £2 million) own Metropoles at Brighton and Folkestone and Monte Carlo and the Cliftonville at Margate. Another big chain hotel company is Frederick Hotels Limited (capital nearly £$\frac{3}{4}$ million) owning in London: Great

Central and Russell; and elsewhere: Pavilion, Folkestone; Majestic, Harrogate; Sackville, Bexhill; Metropole, Whitby; it leases Lord Warden, Dover from Gordon Hotels.

In the steady-going, not so expensive, but still more or less luxurious field a great chain of some 214 hotels and inns is owned by Trust Houses Limited (capital £2 million). Most of these are in the provinces and many of them rely much upon the sale of alcoholic liquor in the bars of attached licensed public-houses.

The supremacy of Lyons in catering of convenience for mid-day and teas is challenged in London by the Aerated Bread Company (A.B.C.) and the Express Dairy Company. Sometimes, as for example at Sloane Square, Chelsea, London, you see all three of them side by side. Outside Paddington Station, London, for another example, the three appear again, but this time there is a fourth, R. E. Jones Limited, (capital £1,700,000) owning The Piccadilly Hotel, London, and numerous tea shops in the provinces, particularly in South Wales. Fuller's Ltd., (capital £½ million), originally a famous high class chocolate firm, now owns about seventy day restaurants in London and the provinces. Cadena Cafés Limited (capital £½ million) owns 28 cafés and 12 bakeries in the South of England mainly in holiday resorts and spas. It also owns Botherways Road and Dellers of Exeter, Paignton and Taunton.

The list is by no means complete, but my object in giving you so much detail is to make you aware, when you see the establishments bearing any of the above names, to whom they belong. It is also because they have recently become news. There is a peculiar contrast between luxury and misery; for the people whose work provides the former, too often suffer the latter, and the poor conditions they have so long suffered have at last found public recognition.

Profits. Some specimen trading results are as follows: Lyons for 1938/40 made net profit of over £3 million or 65%. A.B.C. profit £122,492 or 5%. Express profit £327,279 or

24%. Fullers £105,528 or 30%. Trust Houses £781,809 or 21%.

Masters Organisation. The catering employers are well organised. The Hotels and Restaurants Association has the late Lord Derby as its Chairman, and Vice-Presidents include Lords Clarendon, De la Warr and Iliffe. There are also the National Trade Defence Association and The Incorporated Association of Purveyors of Light Refreshments. When Bevin's Catering Bill of 1943 was before Parliament, 116 M.P.s held 180 directorships. D. H. Gluckstein, M.P., of Lyons, one of the leaders of the opposition to the Bill said, 'There is something very sinister about the way this Bill has been introduced, something extremely dishonest.' This remark might be interpreted in a sense opposite to that intended, as consideration of the labour situation may reveal.

Labour. Mr. Banfield, M.P., speaking in debate on the same Bill expressed another view:

> 'I charge the whole of the catering trade with doing all they possibly could and can to stifle any trade union organization inside the industry. I charge them with that and I am sure they cannot deny it if they speak truthfully. They have blackmailed and victimised men. I have seen men discharged from the great catering trades in London after they have worked in a place for twenty or thirty years; I have seen them discharged and sent onto the street because they were told they could not work in a place if they had a trade union card. Men have gone onto the streets and their wives and children have suffered, and it has nearly made me cry to think they had to suffer simply because these men had the guts as Englishmen to say they had the right to belong to a union. I say that the catering trade, the hotels, the restaurants, the big tea-shops in London and in the provinces have done nothing to organise the trade as far as the workpeople are concerned but have put every obstacle in their way.'

The number of meals sold in catering establishments in this country were calculated in 1942 to be well over 100 million per *week*. This represents an enormous amount of work. It has been carried out under conditions which have

always been notorious. Mr. Ernest Bevin speaking in the House of Commons on 9/2/43 said:

> 'Any of us who have been knocking about hotels for the last thirty years must have been a little conscience-stricken when the girl who comes with the breakfast is the same girl who has been waiting on one all hours of the night.'

In 1942 the average rate for female kitchen hands was about 9d. an hour plus meals. Cooks averaged about 1/- an hour. Waitresses in teashops were paid less than 25/- a week plus food. Cooks worked from 8 a.m. to 3 p.m. and from 5 p.m. to 8.30 p.m. making a 10½ hour day. Manageresses of cheap teashops were paid £3 a week and cashiers 46/6.

We hear fantastic stories about the high payment of chefs in luxury hotels. There may be a few exceptions but official inquiry revealed facts of average rates at £8 to £9 a week. First cooks received from £5 to £7 and other cooks from £2 10s. od. to £5.

We hear also that the wages paid in the catering trade are supplemented by tips and even that head waiters and hall porters actually pay thousands a year for the privilege of receiving these tips. It is not possible to secure exact information about such secret practices but it is safe enough to assert that they are grossly exaggerated as to the amounts and that such conditions can apply only in very rare instances. The whole system of tipping is hated, almost to a man and woman, by all who receive the gratuities. They are self-respecting people who desire to be properly paid like everyone else for services rendered. As long ago as 1931 Miss Bondfield, then Minister of Labour, attempted to set up a Trade Board for the Catering Industry but the employers instituted a law suit challenging her power to do this, and succeeded in it. Legislation was required but upon the fall of the then Labour Government, the matter was dropped. It has recently been revived and The Catering Act has been passed despite the heated opposition of the employers represented in Parliament. The new Act set up a Commission to study and make proposals regarding the re-oganisation of the industry. It has

recommended the establishment of Wages Boards and has made proposals regarding recruitment, holidays with pay, etc. Its analysis of employees reveals the total number of workers to be over three quarters of a million in slightly less than a quarter of a million establishments.

SOURCES OF INFORMATION:

Agriculture at the Cross Roads	Sir Robert Greig
Feeding the Nation in Peace and War	G. Walworth
Britain's Food Supplies	Chas. Smith
The Argentine Republic	Y. F. Rennie
The Wheat Act, 1932	H.M. Stationery Office
Agricultural Act, 1937	H.M. Stationery Office
Agricultural Bill, 1947	H.M. Stationery Office
Glory Hill Farm, Epilogue	Clifton Reynolds
How a Labourer Lives	B. Seebohm Rowntree
Sugar Industry (Reorganisation) Act, 1936	H.M. Stationery Office

CHAPTER SIX

Heat

I DO NOT know and I suspect that no-one else knows precisely how much of the food we eat goes to keep our bodies at the vital temperature, the inescapable equaliser, of 98.4° Farenheit. But I do know that we have to supplement the internal combustion of food with the external combustion of fuel, and that, excepting for a negligible quantity of heat derived from oil and wood, we warm ourselves with coal or its products. This chapter, therefore, is mainly concerned with coal.

Most of the coal mined in this country is used to keep our home fires burning. Most of the rest is used to heat water for industrial purposes. We are thus confronted with two arbitrary natural laws; arbitrary in the sense that 98.4° is a figure we cannot alter, nor can we change 212° at which water boils under normal circumstances.

Modern civilisation, as we know it, is based perhaps more upon this second law than upon anything else, for if we confine water in a strong box when we heat it, steam pressure will be generated and thus a few of the heat units contained in the fuel burned may be transformed into energy. It is this coal through steam power that drives the machinery required to produce goods with so much less consumption of agricultural produce than if man, animal or wind or water power were still the only common forms of energy, as they were before steam In consequence, manufactured goods are much more plentiful, and therefore cheaper and more widely distributed than at any earlier period in the world's history.

Electricity, the modern miracle worker, stands well within this picture in most countries, since it is produced almost entirely by steam engines.

You might suppose therefore, since so much depends upon it, that the production of coal would have been the most carefully regulated of all industries. Such, however, was not the case. The story of the coal industry records a most deplorable mess.

The main trouble, I think, was a hangover from the good, or bad, old days when it was obviously a slice of good luck for a landowner (and bad luck for us as things have turned out) to be informed that the black stuff that would burn better than wood was contained in his land. Ever since then the owners of coal bearing land have been very careful to make the most of their 'rights' and have often grown very rich or very much richer, not only from revenues derived from 'royalties' (that is so much a ton for all the coal extracted) but from the increased value of surrounding land arising from an influx of population occupied in the coal and other derived business.

These fortunate or unfortunate landowners cannot often be accused of being private enterprisers, in that they usually gave themselves the trouble of taking any part in the work of establishing and organising coal mines, or 'collieries' as they are more frequently called. The landowners have usually been content to grant leases to private enterprisers, who, from a social viewpoint, are the persons mainly responsible for the mess it is my duty to describe.

Development of Coal Industry. The development of coal for industrial uses corresponds, as may be expected, with the period of the Industrial Revolution. In 1700 about $2\frac{1}{2}$ million tons were produced; by 1850 this had increased to 54 million tons, and about 183 thousand coal miners were employed. By 1913 the corresponding figures were the highest on record, 287 million tons and about $1\frac{1}{4}$ million miners; the present figures have fallen to about 200 million tons and about

¾ million workers. Even so, Great Britain is second only to U.S.A. as the largest coal producing country in the world. In 1913 coal was Britain's largest industry, apart from agriculture.

Decline. The rot in the coal industry set in after the 1914/18 war. During that war the government had taken over the control of the coal mines. When the war was over, this control was relaxed with such unexpected suddenness that the owners were not ready to cope with the new situation. Improved methods of production and distribution had been discovered during that war, and had been introduced more effectively in other countries than in ours. During the period of general trade slump that followed the war, less fuel could be afforded by the comparatively poor people who form the vast majority of our population; our export trade had suffered from competition with more efficient foreign producers and crude oil had come in for much wider use in ships. The owners sought to reduce costs by wage cuts; there was a three months' strike in which the workers were defeated. Wages were reduced by more than half and unemployment rose.

Coal mining is a dangerous occupation, second only to innkeeping from the bottom of the list of life assurance risks, and there was a feeling throughout the country, dangerous to the government, that miners should be paid higher wages. A Royal Commission was set up by the government under the chairmanship of a famous judge, Sankey, to inquire into, amongst other things, the question of removing the ownership of coal mines from private to public enterprise. There were four each representatives of owners and workers. The latter were in favour of nationalisation, and Mr. Justice Sankey gave his casting vote to them. The Conservative government promised to do it, but it never did, and finally there came the General Strike of 1926 as a direct consequence of this failure.

General Strike. The strike itself failed to help the workers, but the struggle went on. The world depression of 1929/32 did not help matters. A Coal Mines Act was passed in 1930

to reintroduce certain measures of government control by fixing quotas for individual collieries and to promote amalgamations between owners, with the hoped-for results that the more efficient might take over the inefficient mines.

In 1935 a Joint Standing Consultative Committee was established to bring together the owners and workers in the coal industry, on a nation wide scale, but the two opposing forces of capital and labour appeared to be well nigh irreconcilable. Nor did the policy of amalgamation under the Coal Mines Reorganisation Commission, set up by the 1930 Act, meet with much success, since the owners objected to forced manipulation of their rights.

As the trade in coal steadily declined, new technical processes made their appearance, but more especially abroad, because in our country the system of ownership on the one hand and the menace of unemployment on the other removed the incentive both to private enterprisers and workers. Britain's share in world coal export trade fell from 46% to 37%. When the war came in 1939, our coal owners, with the support of our Conservative government, wherein their interests were well represented, were negotiating for a European Coal Cartel. It is true to say that our vital coal industry had failed to keep pace with other countries. Coal output per man day compared with 1913 had risen from 100 to 113 in the United Kingdom by 1938, but in every other coal producing country the improvement had been greater. (Germany, Ruhr 164, Silesia 162, Holland 201, Poland 159, U.S.A. 136). In 1942 U.S.A. produced 4.64 tons per man day against our 1.07 tons.

Such is, or was, the sorry story.

To understand the situation it is, I think, advisable to consider the problems of workers and owners separately.

From the workers angle coal mining is a singularly unattractive occupation. If it were not that mining towns, villages and communities exist where men have, by upbringing and habit, become more or less unfit for any other kind of work, it is doubtful if enough people could be induced to

persist in it, unless of course, special inducements such as high wages were offered. Yet, work these miners must, or else our vast industry and indeed the whole of our national life would come to an end.

How then has this problem been solved in other countries?

Leaving aside for the moment the question of wages, we must look first into the problem of the recruitment of young people into the industry, for unless a sufficient number of them is forthcoming, no measures can be effective to keep coal production at the level required to maintain our standard of life and national industry. It makes no difference who owns the mines or however well they are equipped, if insufficient labour is available to work them.

Training. In Germany and Holland, the European countries showing the greatest pre-war advance in production per man, the training of recruits received great attention. Boys up to 18 worked on the surface, where their education in the theory and practice of coal mining was thoroughly organised. Model mines were constructed where modern methods could be studied, safety regulations properly explained, gas testing and the legal aspects of the industry fully understood. Before any young man could commence work beneath the surface, he must pass an examination to qualify him for a hewer's certificate. A general standard of education and physical fitness was also required, for which supplementary educational facilities, including gymnastic training, were demanded and provided. By such means, not only has the level of individual proficiency been raised, but the occupation itself has achieved a status of consequence; a consideration of much value to young people.

Conditions in our country compared most unfavourably with all this.

Wages. It is an old gag that coal miners earn high wages. It is necessary here to look soberly at facts if only to expose a fallacy which ignores them.

The first thing that must be understood in considering wage levels in any industry falling within the category of private enterprise is the prevalence of unemployment at any time relative to an average wage figure. Private enterprisers forced by free competition to sell their products in markets where supply exceeds the demands of people possessed of enough money to pay for what they require, must produce as economically as possible. The payment of wages is a major item in the cost of production. Wages can only be reduced to a minimum if there are more people seeking employment than there are jobs available. This is called the 'Iron Law of Wages.'

In the years between 1927 and 1939 one out of every four miners was unemployed. In the more depressed coalfields, over half were without jobs and in the worst district of all, Blaina, in 1934, 75.5% and in 1938 60% were out of work.

In 1938 the average weekly cash earnings of coal miners over the whole country was £2 15s. 9d. per week. If young people are excluded from the average, the rate for adults becomes £3. Coal occupied 81st place in a list of 100 industries of graded wage rates. In 1941 miners' wages averaged £4 3s. 0d. against aircraft workers' £6 7s. 5d. and general workers employed by the government £5 10s. 0d. How then does the notion of high wages arise?

It is an arrangement common in many industries to allocate a task to a gang of men, on a basis of payment by results. In most mines a bargain is made between the employer and the head man of a gang to pay so much a ton for all good coal brought to the surface by the gang. The head man ballots with other head men for the choice of the best sites at the 'coal face.' It is possible for a head man who has a lucky draw to make well above the average wage for himself every now and then, because he agrees with the men of the gang to pay them a fixed sum per shift worked. If things turn out better than expected, the head man pockets the excess of what he receives over what he pays. It is upon such rarities that the fallacious notion is based.

Now it may seem odd that at one moment I am stressing the need for recruits, and yet shortly afterwards am pointing to excessive unemployment. If any explanation is necessary, it is simply a contrast between long and short term policy. An industry already depressed works within a vicious circle wherein poverty encourages even poorer conditions. This is a theme that pervades all private enterprise. It is called 'The Trade Cycle.' It is your evil heritage that can only be removed by your understanding.

Owners' Angle. As you may by this time have noticed, there were before the latest war two sorts of owners concerned in this business. First, the people who own the unmined coal, locked in the bowels of the earth—their earth. Second, the people who, having made a bargain called a mining lease, with the first group, own the buildings, machinery and properties of the mine as apart from the coal itself. When this second group had succeeded in establishing a coal mine by purchasing buildings and machinery and by paying labourers to dig a deep hole in the ground and ultimately to bring some coal to the surface, it sold the coal at a profit which it shared with group one. The ratio of profit dividing between the two groups was not equal in amount or certainty. Group one usually received a fixed rate per ton and did not work at the mine, group two received all it could manage to keep for itself after paying the fixed rate of royalty, miners' wages and other charges.

This method of dividing the profits of private enterprise, although it may or may not have seemed fair enough at first glance, was the root of the trouble.

Under such a system the working of a mine terminates where the lease ends and not where the good coal ends. Consequently much coal that could be brought to the surface economically must be left untouched. This system, until it became illegal under the Coal Act of 1938, was almost unique to our country, but its legacy of inefficiency remains.

Another unique system applicable to the ownership of coal interests in this country, and perhaps as detrimental as were

mining royalties before they were abolished, may be gathered from the following quotation from a journal of unquestionable respectability called *The Economist.* In its issue of October 7th, 1944, occurs:

> '. . . British business management is still dominated by the amateur. It is only in this country that the curious profession of the "director of companies" still exists. There are thousands of men in this country who make a handsome living by sitting on a large number of boards and directing the affairs of companies to no one of which they can give more than a small fraction of their time and attention. Some of them, of course, are mere guinea pigs. Even the more reputable and hard-working, though they can offer their companies a good deal of sound general advice, based on a wide knowledge of men and affairs, remain the merest amateurs in relation to each one of them. That a sprinkling of such men would be an asset to any board is beyond doubt. But that so many boards should consist entirely of such men cannot be other than a handicap to wise, energetic and far-sighted management.'

The amateur 'gentleman' director is an anomaly practically confined to this country, and he is accused of amateurish approach, technical conservatism, unwillingness to take risks and to modernise equipment, etc. Most coal boards met monthly to consider output and more particularly financial results. If profits were steady all was well, if not the manager was told to look more carefully into wage costs.

About a quarter of the coal industry was owned by iron and steel interests, who regarded production of coal as secondary to their main external business.

Size. According to the *Colliery Year Book 1943,* there were in total 750 businesses operating 1,588 coal mines and employing about $\frac{3}{4}$ million workers. Nearly $\frac{1}{2}$ million of these worked in large concerns employing over 2,000 people, but these were only 14% of the total number of coal producing businesses.

Concentration. Some thirty large owner businesses controlled well over half the British coal output, although there were still far too many small and comparatively inefficient

coal mines. A point for consideration in passing is the prospect enjoyed by the average humble coal miner, be he ever so industrious in his work and frugal in his private life, of ever owning the mine in which he worked. It was very small indeed. It would have been much easier to marry the owner's daughter, difficult and perhaps onerous as such a task might be if considered as a miner's policy.

Profits. Although there is some difficulty in finding a satisfactory estimate of the total capital value of the British coal business, it is possible to obtain a fairly accurate statement of total profits between 1920 and 1943 because they have had to be ascertained for wage fixing purposes—so insistent has been the demand of the National Union of Mineworkers for properly co-ordinated wages regulations. Without wearying you with a long table setting out yearly results, I will pick out a few significant years. The best was 1920 with over £34 million profit or 3/4d. per ton; the worst was £10 million or 11d. per ton. In 1939 the profit was nearly £17 million or 1/7½d. per ton. From then onwards, during the latest big war, profits have been fairly steady between 10 and 15 million pounds a year. Since 1942, profits have been guaranteed by the government at from 1/6 to 1/9 per ton according to district. To produce this result, every ton of coal sold carried a levy, or tax, varying from 5/- in 1943 to 15/- per ton in June, 1945.

Technical Problems. An industry incapable of standing upon its own resources and, although owned by private people, dependent upon public assistance, is unlikely to be self-reliant in the provision of funds for technical improvement. You cannot reasonably expect a pauper, in receipt of poor law relief, to buy himself a new and more efficient motor car, as better, and perhaps more expensive, ones are produced. We saw that the Trade Cycle intensifies the depression of workers in a vicious circle, and the same thing happens to owners. When things are bad and improvement depends upon courageous

new expenditure, who amongst owners will put his hand in his pocket? Certainly not you or me.

Yet if this vital industry was to be restored someone had to do it. Before we pass on to find out who that someone must be (I believe you are intelligent enough to have guessed that there was no one else to foot the bill but you and me in the end), I will tell you what the experts said must be done at a cost of between 150 and 300 million pounds, of which about half was required for the digging of new holes or in coal mining jargon, 'the sinking of new shafts.' It is said that much of the new machinery acquired has had to depend upon the financial assistance provided by its manufacturers. Now what is this new machinery for?

Apart from the extended use of mechanical coal cutting devices, the pricipal need is for improved underground transport. To rely mainly upon man and beast to do the hauling, is hopelessly out of date. Similarly lighting, pumping and ventilating systems in many old mines belong to days before our foreign competitors were awake. Surface machinery for sorting and loading, to say nothing of the service of shaft equipment (for raising the lifts or 'cages') had fallen similarly behind the times. But apart from all this, the methods of actually working and supporting the roofs and sides of workings have been greatly improved in other countries.

Nationalisation. If ever an industry deserved to have its breeches taken down and to receive a thorough spanking it is this one, and it is a tribute to our good sense that we have given power to a government which has made no bones about doing it. The late Conservative government had two shots at it. The first, appropriately named after its sponsor, was a certain Mr. Robert Foot. This gentleman had been chairman of the Gas Light and Coke Co. and Director-General of the B.B.C. He now became chairman of the Mining Association of the owners. He was said to be independent of any company or group, and no doubt he was, excepting that he can well be considered to have represented the whole jolly lot of them. He issued a plan in January, 1945. Although

Foot recognised the necessity for central control he did not suggest that it should be vested in the state; nor did he provide for the interests of the mineworkers other than the inclusion of two members of a Central Coal Board composed also of thirteen other persons drawn from within the industry and presumably representing the owners. Consumers were not included.

The other plan, put forward in March 1945, known as the Reid Report was concerned mainly with the technical reorganisation of the mines. Mr., now Sir Charles, Reid was Chairman of the Technical Advisory Committee of the Ministry of Fuel and Power. The inspiration that leads to such inquiries is of course always a matter of conjecture, but it seems to be fairly certain that this one was rather hurriedly convened after the government had been shocked by a report made by a Mission of American Mining Engineers in 1944 after an investigation they had made at the request of our government. This report was not made public, but it was generally assumed to be more adversely critical and frank in its denunciation of our out-of-date methods than the government, in view of an early General Election, could, with safety to itself, disclose. If this be true, it means that once again the welfare of the nation took second place to that of a political party.

The most valuable part of the Reid Report in my view was in the courageous comparison it made between our methods and those practised in other countries. Many of the items I have already discussed were brought into the open. Only a change in government was needed to sweep away the opposition to out and out nationalisation of our coalfields at last.

Coal Nationalisation Act. The Labour Government, elected in 1945 lost no time in keeping its promise to deal with the coal muddle in the terms that were presumably understood when we elected it. Since I first wrote this chapter the Bill has become an Act. The question of compensation for the owners caused much controversy. The government pays

15 years purchase, the owners wanted 30 years. This means, roughly stated, that each mine owner is offered government fixed interest bearing paper certificates to the value of 15 times the income he received formerly in one average year. I recently sold a business of my own for 3 years purchase. It was the best I could do. I feel therefore that 15 years is pretty generous. If I could have obtained it I should be a rich man.

I think you should consider two opposing notes upon the vital question of compensating the coal owners.

Those critics of the government whose views are more socialistic than those of official Labour Party declarations say that it does not greatly matter what is given now to dispossessed owners to keep them quiet, because a Socialist government, if it so decides, may vary the value of what is now paid, at some future date. It can reduce the value later on of what it gives now.

The Conservatives, including most of the owners, say, 'Keep quiet, boys, take all you can get and wait patiently until these Labourites make such a mess of the mines and everything else, that they are thrown out. Then we can buy back the mines for next to nothing as we did the cable undertakings and still stick to what we get now.'

Since both left and right are brought up in a world where sectional interests are seldom subordinated to those of the whole community, it is but natural that they should each hold these views respectively.

The National Coal Board. Time marches on but book production has lagged behind it so much that I am able to insert a sketch of the institution set up under the Coal Nationalisation Act to own and manage this great industry.

Perhaps the most important thing to understand about the N.C.B. is its responsibility. It is particularly necessary to grasp this because, so far, I have deliberately excluded any analysis of publicly owned enterprises from this book.

On January 1st, 1947, all the assets of this industry became 'vested' in a group of nine men who had been chosen by the Minister of Fuel and Power as the most suitable people he could find for the job of managing the coal and allied industries. The chosen nine are required to make a report once a year to the Minister. Should he find this report unsatisfactory, he can dismiss any or all of them. There is not the slightest doubt that the level of competence of these men greatly exceeds the average of the erstwhile directors who were formerly responsible only to groups of shareholders which were often composed mainly of themselves and their relatives and friends.

During the comparatively short period that this highly qualified group has been effective, immense strides have been made. They have been quick to realise the importance of the mineworkers. Great efforts have been made to remove as many as possible of the disabilities suffered in the past by this essential section of our population; and above all to secure for it a fitting place in the social scale.

The re-organisation of the mines, like getting books printed and bound, takes time. The initial organisation by which the coalfields of the country are sub-divided into eight geographical divisions and forty-nine areas, forms the basic plan. Over a thousand actual colliery units are thus co-ordinated and special measures of development applicable to each are (for the first time in our national history) made available for study in relation to the whole industry.

The human problems confronting this gigantic undertaking (said to be the largest individual business in the world) have not only included such innovations as the five-day week, free pit-head baths, canteens, medical centres and so forth, but great efforts have been made to provide satisfactory means of education and training for young recruits. At the same time new preventative measures have been introduced to combat the danger of dust diseases, and improved lighting will safeguard the eyesight of the miners.

All this has been done without raising the price of coal to

a level comparable with that of the general average of wholesale prices. It remains to be seen what response will be received from the descendants of those men who for a century or more strove to elevate this calling to its rightful place as the industry above all others upon which the prosperity of Britain depends.

OIL.

Coal is not always used directly in its solid form to heat water to produce power. It is sometimes converted into gas and electricity, an account of which industries, although they have for long ceased to be entirely free, I will append to this chapter.

An alternative fuel coming more and more into use is oil. This is still with one exception entirely in private hands. Its sources of production are amongst the most potent influences in international politics. There are but few main sources of supply. They are U.S.A., Persia, Mexico, Trinidad, Rumania, British and Dutch East Indies, Burma and Russia. The first eight are operated by privately-owned companies. Russian oil is the property of the people of the U.S.S.R.

Domination of the other oil fields is in the hands of three main groups of people, of which the largest by far is the Standard Oil Company of America, organised and controlled by the family of a Mr. Rockefeller, who recently died, not only as one of the oldest men in the world but also the richest. Its British subsidiary, Anglo-American Oil Company, Limited, has a capital of £10½ millions.

The other two important groups are British and Dutch. They overlap somewhat and work together to hold up their heads in competition with their formidable American rival. Royal Dutch (capital 505 million florins) owns Shell, and Shell is amalgamated in Shell-Mex. Anglo-Iranian (capital £33 millions, of which £11 millions is owned by the British Government), is British, but so are many of the shareholders, not only in Royal Dutch, but also in Standard Oil of America and all of them have a finger in the Rumanian oil pie. It is a mix-up far too tangled to be completely unravelled here. All

of them are immensely rich and powerful, so that all the governments of the world can be made to tremble by the emperors of oil, whose main headache is Russia.

So vital is petroleum, and its by products, to the 'Great Powers' that they cannot retain their greatness without it. A current example is seen in the pre-occupation of the British Government with the affairs of Palestine. It is said, not without some justification, that the lives of British soldiers are sacrificed in defence of pipe lines bringing oil across the desert from Persia to the Mediterranean coast. Whilst it is true, as we have seen, that one third of the capital invested in Persian oil, and these pipe lines, is the property of the British public, the other two-thirds are also defended with British blood and lives.

British Oil Interests. The British taxpayer also owns oilfields elsewhere. One of the two directors, Lord Alanbrooke of Anglo-Iranian, appointed by the British Government, is linked with the Burma Oil Company, with shipping and other interests. British Controlled Oilfields Limited (capital £27½ millions) is interested in Venezuela and Trinidad. Here are a group of prosperous companies of which Trinidad Leaseholders Limited £1 shares in 1937 were worth 88/- each; the Kern Oil Company is another, and the British Borneo Petroleum Syndicate largely interested in Apex (Trinidad) Oilfields Limited, paid 45% dividend in 1937 when a Royal Commission was set up to investigate conditions that had resulted in strikes of the oil workers of Trinidad. It reported:

> 'Briefly it may be said that the general health condition in the colony is affected by a combination of circumstances, *e.g.*, diseases, malnutrition, overcrowding and bad housing, rather than by any single factor.'

(Low pay was evidently not regarded as a 'single factor').

The Acting Colonial Secretary in Trinidad stated:

> 'I would stress very strongly the view that an industry has no right to pay dividends at all until it pays a fair wage to labour and gives the labourers decent conditions.'

Mexico. The government of Mexico threw a spanner into the international oil works when it decided to nationalize its oil resources and to compensate (more or less on its own terms) the foreign owners of the undertakings within its territory.

Oil Warfare. *The Times* (3/9/40) reported huge shipments of petrol to Japan from ports in the Gulf of Mexico. About November, 1941, a U.S. Senate Committee reported that Standard Oil tankers were delivering oil to Teneriffe for German and Italian use. In 1940, Royal Dutch sold a million barrels of oil to Japan while a British government nominee, was actually a member of the board of that company. This contract was not cancelled until August, 1941.

Germany, desperate for oil, having available no natural sources of supply apart from the speedily conquered oilfields in Rumania, and finding its extravagant efforts to produce oil artificially from coal insufficient for its *blitz-kreig* war effort, was forced into a gambling blunder that led to its final disaster. The premature invasion of Russia was extended in the direction of the Caspian oilfields. Stalingrad stood in the way. Germany's defeat there marked the beginning of the end of the Nazi régime.

Prices. The prices at which oil is sold to consumers do not seem high when we consider the immense and complex technical treatment and transport it receives. Perhaps this is the reason that national ownership has not taken place in any country except that one where full blown socialism is the economic system.

Oils used for heating purposes are usually either 'crude' or paraffin. The other two chief forms it takes are petrol (called gasoline in America) for transport, and 'diesel oil' for power. Crude oil is burned under boilers for raising steam for power, particularly in ships. Diesel oil is used in internal combustion engines which are usually more powerful than the petrol motors of cars.

If you consider how great is the aggregate of all these uses

of oil, you will begin to grasp the power in world politics exercised by its owners. The early aggression of Japan in China, that of Italy in Abyssinia and Spain could all have been stopped at the will of the oil emperors. But they were too greedy for profit. Had they exercised their power to prevent these wars it is doubtful if the last world war could have occurred.

ATOMIC HEAT.

No qualifications of high prophecy are required to foretell that the scientific exploration of atomic energy may be expected to shake the world I have described. The sources of heat in coal and oil may soon be discarded. It is interesting to speculate upon the dilemma of the oil emperors. Can they or dare they try to interfere? Private coal owners are past praying for.

GAS.

The first use of gas was for lighting purposes. At the present time its main use is for heating. It can be made from wood, wood refuse and many other 'carbo-hydrates' as easily but not usually so economically as from coal.

The first person to discover that coal when heated in a closed chamber would give off a gas which burns with a bright flame was, according to the *Encyclopædia Britannica,* a certain dean of Kildare named Dr. John Clayton; 'prior to 1691' is the quaint way of putting it. He did his experiments in what would now be regarded as a schoolboy manner. He filled a bladder with gas, pricked a hole in it, applied a light, and was no doubt astonished to find that the heat of the flame obtained did not burn and burst the bladder. M.Ps. are said to have been equally astonished when they felt the cold gas pipes first laid in the House of Commons. It was not unreasonable for them to suppose that the flame itself travelled through the pipes.

A certain William Murdoch in Cornwall between 1792 and

1802 is said to be the first person to make gas lighting practicable, but in 1787 a Lord Dundonald lit his house with it. In 1799 Philippe Leben in France took out a patent for making gas from wood and gave an exhibition of it in Paris in 1802. This enthused a German, Herr F. A. Winsor, whose offer to buy the patent was refused. This German made experiments of his own and ultimately came to London, where in 1812, after some difficult opposition from Murdoch, he started our famous Gas Light and Coke Company, now the largest undertaking of its kind in the world.

The lighting end of the business progressed steadily until another German, Herr Welsbach, helped by, amongst other people, my father, in the 1890's, made gas light six times more powerful by using the 'Incandescent Mantle.'

In this country at the present time, the capital invested in the Gas industry is computed at £238 millions. 98% of gas supplied is from 'statutory undertakings.' Of these about a third are owned and managed by Local Authorities. A statutory undertaking is one that has been granted a monopoly of supply over a stated area by Act of Parliament. The number of people employed in this industry before the recent war was about equal to the whole Army, Navy and Air Force added together at that time, and not quite so large as the total number of people employed by the L.M.S. railway. The cost of coal consumed by the industry during a pre-war year was about £25 million and when this was converted into gas, coke and by products, they were all sold for about £75 million. Of all the gas produced from 60% to 70% was used for domestic purposes: mostly, I imagine, for cooking.

The main effect of statutory control is to fix prices chargeable to consumers by setting a maximum limit upon the amount of profit that may be retained by the private people and Local Authorities who own the gas undertaking. This means that a well managed gas undertaking performs a social service by reducing the price of gas in proportion to the degree of efficiency with which it conducts its affairs. If a privately owned concern fails to reach what is regarded as a reasonably

efficient level it would automatically get taken over by the Local Authority. This seems to me to be a slap in the eye for those people who still argue against public ownership, as, curious to relate, the official spokesmen of the Gas industry itself do. As you grow older such contradictions will surprise you less and less. We live in a world where comedy and tragedy are fairly mixed.

A feature of the gas industry that may be regarded by some people as somewhat comic is the wholesale side of the business. Despite all that I have said, there still seems to be a loophole for doing a deal, as it were, on the side. Large producers sell gas to small companies who re-sell to consumers at a profit just like our friends who run boot shops. The gas industry will, I hope, forgive us for being a little light- (this is not a pun) hearted over such serious matters especially when I add that some of the wares they peddle are not funny at all.

Coal may almost be regarded as a magic substance because it contains so many astonishing things besides gas. First there is coke, a substance fairly simple to understand until you learn that it can be heated again to produce an entirely new inflammable gas called ' Carbon Monoxide ' which is sometimes sold as such independently. Then there is sulphate of ammonia used more than any other chemical fertiliser to supply the nitrogen essential to our farm lands. There are also various inflammable oils and spirits, including that terrible high-explosive, Tri-Nitro-Toluene, T.N.T.; but the really big thing is tar.

When I was a boy, motor cars became commonplace. They ran for many years on very dusty roads. The dust was terrible, until as recently as the 1914/18 war, or shortly before it, someone thought of consolidating the dust by spraying it with tar. One of my early conundrums was: 'What did they do with all this tar before motor cars came in?' The answer was the same as that to the riddle ' What do the Chinese do with their banana skins?'

There are, however, some very valuable things in tar which

can be taken out before it gets put on roads. I am no chemist, and even if I were this is not the place to show off about chemistry, but I suffer acutely from headaches (do you wonder) and am indebted to two more Germans (I am certainly no pro-German, but fair's fair, and I cannot help these circumstances, for their astonishing feat of extracting aspirin from tar. I do not know who first tackled the Aniline Dye question, and I am afraid to look it up in case I find Germany once more, but a large number of astonishing materials can also be taken from tar. Let's leave it at that. The point is that all the by-products serve to make gas cheaper because, don't forget, it is the *profits* that are limited by statute and therefore, if the gas undertaking could only sell these by-products for higher prices, we could get our gas for nothing, or even (don't laugh) be paid for using it. But so far these by-products represent less than 25% of the value of gas sold.

Organisation. The Gas industry is one of the best organised in the country. This explains its aversion to 'nationalisation.' The argument is that it is so well planned that no government official could do it any better. There are no less than 15 important organisations concerned with 15 different aspects of the gas industry, quite apart from another group dealing with appliances. They range from the usual professional engineering and training bodies to Labour control federations and unions with appropriate societies interested in various bye-products, and lastly with research.

British gas appliances are said to be in less variety than in America but the Gas Research Board claims to have improved matters by 20% between the wars. This body is also concerned with the very important social amenity of 'smoke abatement.'

There is a great deal more that could be said about gas, but I judge the above sketch to be sufficient for its purpose. I have a final suggestion to make: the famous Gas Light and Coke Company would be more aptly titled the Gas Heat and Tar Company.

ELECTRICITY.

I must fain disturb my father. He would turn over in his grave, I am sure, if he could see how his beloved gas light has been ousted by its rival. The Gas companies face the situation without rancour. Electricity, on the whole, is better for ordinary lighting purposes. Opposition is fierce when it comes to cooking. There gas, *I think,* has it. But who am I to sit in judgment upon such giants?

Electricity performs the following services for me, if not every day, almost any day it might do so:

1. When I wake I switch on a bedside lamp.
2. I see the time by an electric clock.
3. I boil water for tea in an electric kettle.
4. I bath in water heated by electricity.
5. I have an electric radiator in my bedroom.
6. I shave with an electric dry-shaver.
7. I listen to the news on a mains receiver.
8. I hear the noise of an electric vacuum cleaner.
9. I make toast at breakfast with an electric toaster.
10. I take butter (or margarine) from an electric refrigerator to put on my toast.
11. I go by electric trolley bus to the station.
12. I go by electric train to Victoria.
13. I get a ticket from an electric ticket machine.
14. I go by electric escalator underground.
15. I go by tube to Piccadilly Circus.
16. I have another go on an escalator.
17. I have an electric hair-cut (my wife has an electric hair-curl if she is not at home working or playing with the electric washing machine or mangle, using her electric iron or sewing machine).
18. I have a coffee Horlicks agitated by electricity.
19. I go to a cinema and see electric pictures and hear electric voices.
20. I make my progress home again by six more reverse electric processes.

21. I play my electric gramophone which changes its electric records.
22. I decide to enlarge some photographs on my electric enlarger.
23. I judge the exposure with an electric second-counter.
24. I glaze and dry my prints with an electric burnisher.
25. I have also an electric cinema projector.
26. I may even top it all up with a moonlight trip on a summer's night in my electric canoe.
27. To get to the canoe I need an electric torch.
28. On a hot night I turn on my electric fan.

Apart from all this I live in a house with six bedrooms and two bathrooms. There are about 70 electric light points in my home and about a dozen heating devices. I never thought of all this until just now. If I were an American I would have a few electric motors for doing odd jobs about the house. We both have motor cars with—well only the accumulator gets a kick from the public supply now and then. During the course of the day we usually have a few electric telephone calls but here the 'juice' comes from a public source not under our present consideration.

For all this mass of diverse convenience we are indebted mainly to three inventors: Michael Faraday, an Englishman, who found that if you rotate a coil of insulated wire between the poles of a magnet, current will flow in the wire, and the converse, that if you cause current to flow in a wire so arranged the coil will rotate, and that if you wind insulated wire round a piece of iron and pass current through the wire, the iron becomes magnetised. These three devices are called respectively, a dynamo or electric generator; an electric motor, and a solenoid, as used in the electric bell and telephone. Thomas Edison, an American, gave us the electric vacuum bulb light and developed the distribution of electric power. Guglielmo Marconi, an Italian, did not discover wireless but adapted it to telegraphy.

The magnitude and diversity of electric services are of such

importance that Lenin, the builder of modern Russia, and who, think what you like of him, certainly had pretty keen perception, proclaimed it priority number one. In this country and all others it is closely controlled by law and public authority.

The Grid. It was not until after the 1914/18 war that the British Government realised the desirability of making electric services as widely available as was practicable. Until then the service had been confined to localities where private people or local councils had shown enough enterprise to instal it. In rural districts it was almost entirely absent.

Electricity is, in the last analysis, nothing more than a method of transporting energy derived from a central source. When our government woke up to this, it saw that the problem of distribution was the main thing. It set up the Central Electricity Board and gave it the job of constructing a network of wire capable of conducting heavy loads of current over great distances and into remote places. This is familiarly known as ' The Grid.' It would have been unthinkably absurd to leave so vast a conception of social service to the mercy of private people in their capacity of profit makers. In order to understand how it all came about we must go back a bit.

Light. Although the electric arc light was discovered in 1812, it was not until 1881 that electric current, then used for light only, was sold to the public. The Electric Lighting Act was passed in 1882, giving attention to the monopoly question and making provision for the compulsory purchase of electricity supply undertakings by Local Authorities in the event of their desiring to buy them.

Before you can understand what happened next there is one little scientific fact about electricity which for the benefit of those who do not know it already I must explain. There are two sorts of current, direct and alternating. For technical reasons, which you can investigate for yourself if you be so inclined, alternating current is safer and cheaper to send over long distances. For one thing, it needs much thinner wires.

Although 'The Alternator' was invented in 1878, it was not widely used by electric supply companies for many years. Now it is almost, but not quite, universal.

In this country, coal is fairly accessible everywhere, and there are not many waterfalls, so that, in the early days, electric supply was confined to the towns where the current was produced.

Power. In 1898 some 'special' Parliamentary Bills were promoted, probably because of the activity and sad experience of Mr. Edison in America, by private people who saw a chance to make some money by supplying electric current for power and traction purposes. When Edison's inventions were sufficiently advanced, he made the mistake of setting up in business with the result that his company, organised to supply electric power to the city of New York, got into a frightful mess. There were far richer and shrewder business men in America who wanted to have a finger in the pie. Edison himself was pretty tough and survived—but only just. Our Parliament passed many of these 'special' (or Private) Bills because it did not want supply companies to be forced into bankruptcy by jealous rivals.

The Power Supply Companies, when they got going, naturally installed the latest equipment, and their services usually covered wider areas than those of the Lighting supplies already established by Local Authorities and others. Apart from supplying current to replace steam, gas and oil engines in factories, electric power was in increasing demand for driving trams and electric railways. In 1909 another Act was passed to facilitate trading between producers of electric current, but this did not have much effect because there were too many varieties of current being produced which could not be mixed. You cannot send two or more sorts of current over the same wire sumultaneously; or at any rate you could not at that time. By 1914, to be quite honest, the whole electricity supply industry was in chaos, caused by the still surviving conflict between 'direct' and 'alternating' and the multiplicity of

voltages, frequencies, etc. Even in 1921, we can take London as an example, there were 80 supply authorities operating 70 generating stations, with 50 different systems of supply covering 24 voltages and 10 frequencies. Charges made to consumers even in adjacent areas were fantastically different (as they still are) and to add to all this confusion, appliances suitable for operation on one system were usually quite useless on another. In 1919 Electricity Commissioners were appointed to rectify the mess.

There are few better examples of the failure of ' free competition,' I think, than this. The case against it was so unanswerable that even a government, whose watchword it was, was forced to act upon the contrary principles of state control. These Commissioners at first tried to ' persuade ' suppliers to co-operate on a voluntary basis, but after five or six years of it they became convinced that the electric magnates (not magnets) would not play happily together: compulsion, they were reluctantly forced to admit, was the only solution in the public interest. In 1925, the Weir Committee published its findings and these became the basis of the present set-up. There were then 563 supply undertakings, of which 338 only were operated by public authorities.

Central Electricity Board. The Electricity (Supply) Act of 1926 set up the Central Electricity Board in 1927. The Board's first job was to build the grid. Before we look at the grid let us glance at the Board. I am using information supplied to me by the Board itself, so courtesy forbids me to find fault with it. But I must confess to some confusion.

It says that the Board is appointed by the Minister of Transport, but that apart from having the same regulation and control from this gentleman (and the Electricity Commissioners) as does every other statutory supply undertaking, it claims to be a ' business corporation with a maximum degree of independence in its policy and administration. It is required to be financially self-supporting, but is not allowed to make profits.'

My mind boggles at the word 'maximum.' As I understand such matters business corporations do not usually claim independence if they are 'not allowed' to compete freely; but to deny them profit is surely to deprive them of their very life blood. You can think what you like about the degree of independence: I know what I think.

Finance. Money to construct the grid was to be raised by advertisement for subscriptions in the usual way *(see Stock Exchange)*.

Rationalisation. This word 'rationalisation' was much more in vogue in 1926 than it is now. The great slump of 1931 killed it. It means the curtailment of production by the inefficient. The Weir Committee recommended the elimination of inefficient producers but the Act did not do this. What it did do was to allow existing stations to sell their whole output to the Board at cost and to buy back what they needed for local consumption. I know this sounds a bit odd, but it is the best I can do for the moment with a tricky subject, especially when to add the Board's own words 'Protection is provided for owners of selected stations.' This obviously does not mean, although from the way it is worded it easily might, that if the chairman's great aunt Matilda happens to own a bit of some awful little small town electric light works he will see that 'the right thing is done by her': or even if it is a jolly good electric supply company she has in her stocking.

The Grid. There is 4,000 miles of it; it has 26,000 pylons or steel lattice towers; it cost £27 millions. By war-time standards I think it was cheap.

The wires are steel-covered aluminium. That is to say there are seven strands of galvanised (zinc-coated to prevent rust) steel wire with 30 strands of aluminium wire in two layers wound round it. If instead of these 37 strands, there were 100, the diameter of the lot would be 1.1 inches. The actual diameter is therefore about a third of an inch. This is pretty thick when you consider all those thousands of miles. Copper wire

of the same capacity of electric conductivity would have to be only $\frac{1}{8}$ inch thick, but it would weigh much more. They used this thicker but less heavy wire because they could then manage to put the towers farther apart and not have to pay for so many•bits of land in which to plant them. As things are they had to pay and, for all I know, are still paying, 22,000 landlords and tenants.

The whole object of all this is to co-ordinate supplies and there is no doubt that from the point of view of the wholesale trade in electric current and appliances it is a magnificent success. From the retail or consumer's viewpoint, things are not so good.

What happens is this: the whole of England, Scotland and Wales is divided into seven central areas. There are 174 generating stations all told, divided between them. Those near coal producing areas, or near the sea or rivers where they can get plenty of cold water for steam condensers, can produce electric current more cheaply than those less fortunately placed. These good ones keep on putting current into the grid all the time. The others do it only to make up at times of peak load. All this is only possible with central control of voltage and frequency. The great snag so far is that the consumer cannot buy this current at the same price in every place. The small local retailers, all have monopolies and so long as they keep within their legal limits of profit they can charge what they like. No one fixes the salaries paid to the directors of privately owned electricity companies except themselves; and whilst I am not sufficiently well acquainted with this subject to say that this anomaly is an important cause of the grave discrepancies in prices, it could obviously be one of them: so could downright bad management.

Despite the grid, it looks as though the failure of the Central Electricity Board, the Electricity Commissioners and 'what have you' to safeguard the consumer has, leads to the inevitable conclusion of complete nationalisation.

SOURCES OF INFORMATION:

Britain's Coal	Margot Heineman
Post War History of British Working Class	Alan Hutt
Colliery Year Book	
The Case for Nationalisation	Labour Research Department
Who Owns Britain	Gordon Schaffer
Coal Industry Nationalisation Act	H.M. Stationery Office
Annual Reports	The Labour Party
Industrial Relations Handbook	H.M. Stationery Office
Reid Report (Cmd. 6610)	H.M. Stationery Office

CHAPTER SEVEN

Metal

THE GOVERNMENT is overtaking me as I write this book. It has decided to 'nationalise,' whatever that may mean, certain sections of the Iron and Steel production of our country.

Heavy Industry. Iron and steel are 'heavy industry.' They are so called I think because iron and steel cannot be produced economically in small quantities and the plant required is not only large but heavy and costly. Modern life is said to be based upon these two commodities, iron and steel, mainly I suppose because machinery enters so much into the production of nearly everything we need to sustain it. Machinery is made mainly of iron and steel. Its production is called heavy engineering. Ships and engines are also made mainly of steel, so are rails for trains and underground pipes are made of iron, and girders for buildings of steel.

STEEL.

Steel can be rolled into flat sheets, and round bars. It can be made thinner by being pulled either hot or cold successively through holes in pieces of specially hardened steel plates until the original thick bar is so reduced in diameter that it is called wire. The production of these flat sheets, bars and wire is an important part of heavy industry because these things are raw materials for other industries that are not so heavy. It has been said that the great British Empire overseas is housed mainly in buildings roofed and often built of corrugated steel sheets. The same is probably true of America and

all lately 'civilised' places. Popular priced motor cars are produced at low cost because the bodies of them and many of the component parts are, whenever possible, made very rapidly and with sufficient accuracy by heavy or light presses which cut and bend them from sheets of steel of varying thicknesses. Nails and small screws are made from wire. The tin cans so widely used for an infinity of purposes are really steel cans and the production of the thin sheets from which they are made is again an important branch of heavy industry. I could go on to make a long list; from agricultural implements to cutlery, from ploughs to swords and machine guns, from skyscrapers to children's toys, from battleships to tiny wrist watches, from steel masts of ships to the smallest of steel needles; all this great variety makes an intricate picture.

Steel possesses two major advantages to account for its wide use. It is much stronger and more durable than anything else that can be produced at anywhere near the same price. It can be fabricated into many useful articles by unskilled or semi-skilled, and therefore cheap, labour.

The main enemy of steel is rust. It can be protected by the external application of oil, paint, bitumen and other preparations, or by the internal introduction of some other metal such as chromium to make it rustless and stainless.

Another far reaching quality of steel is that it may be hardened or softened at will. Thus it may first be softened to make it bend easily and the bent piece may be hardened afterwards to make it stay bent. It can also be made more or less elastic so that springs are made of steel wire or of strips cut from flat sheets.

The main ingredient of steel is iron. It becomes steel when carbon is added. Science has made great progress in discovering which of many other elementary substances can be added also to liquid iron to change it into steel, possessing such special qualities as may be desired. For example, cutting tools capable of working upon very hard steel are themselves made from special mixtures. Some of these processes remain trade secrets and vast fortunes have been amassed as a result of monopolies

based upon such secrecy. But the chief cause of monopoly in this industry is the size of the individual undertakings that compose it.

The owners of very large firms do not want to jeopardise their profit-making chances by avoidable cut-throat competition however much they may advance the theory that competition is a fine thing for other people.

Let us then see what it is the government is determined to nationalise and try to understand the reason for its decision.

History. As with other industries the early predominance of Great Britain has declined to an alarming degree. It seems that the owners of the industry even in combination possess neither sufficient wealth, or intelligence, or good will to stem the tide of foreign competition. The United States of America is now, as Germany once was, our chief rival. Our steel men have been given numerous opportunities by governmental assistance and public money to put their house in order, but they have failed to do so in my view because they have adopted short-sighted policies based too much upon self-interest. The job was too difficult for the best brains private enterprise could muster. They have put their own interests before those of the consumers and as a result their customers, particularly those overseas, have gone elsewhere.

Decline. The horrid facts can best be disclosed in the figures showing Britain's share in world production of steel: 1870, 43%; 1900, 18%; 1930, 8%. America and Germany combined possess five times the productive capacity of Britain.

Prices. In a ship, steel is about 11% of its value, in machinery 16%, in motor cars 29%. Sir Andrew Duncan, perhaps our most prominent steel man, recently said: 'The general level of British prices are 25% above American.' Lord Nuffield put it at 33⅓%. The American industry pays about double our real wages.

Employment. In 1934 only about a third of our productive capacity was working. Another third had been idle for over

five years. In 1926 nearly 60% of insured steel workers, and in 1933/4 about a third, were unemployed. During the whole inter-war period unemployment in the heavy branches of the iron and steel industry was about double that in industry generally.

Protection. Between say 1900 and 1930 the futile efforts made by the industry to overcome its own decline took the form mainly of competition—defeating trade amalgamations. It tried both the forms we know about: vertical and horizontal. A Trust Report in 1919 disclosed 90% monopoly in castings used for buildings, 100% in galvanised sheets, 80% in bedsteads. But the vertical combinations are most important. Their list would make tedious reading. The Trust Report, 1919, states:

> 'The combinations in question have not been of any advantage to the retailer or to the public. They hold a very strong position in the trade and one of the resulting evils is that competition in the goods referred to is greatly curtailed. As a rule when this happens the consumer suffers.'

Speaking of another combination (name not mentioned):

> 'This is one of the most complete monopolies in the United Kingdom. In our opinion such a position as this is inimical to the public interest and the initiative that follows from competition; it starves its distribution; its huge profits are a heavy toll on the wages of the poor and the public's necessity becomes their opportunity.'

By 1930, 70% of the total was in the hands of 20 firms.

In January, 1932, the Federation of Iron and Steel Manufacturers appealed to the Conservative government, elected on a pledge not to abandon the 'free trade' policy of this country, for a stiff import duty to protect their industry.

They succeeded. A temporary duty of $33\frac{1}{3}$% was imposed conditionally upon a re-organisation of the entire industry being made by its owners. A time limit for this was set but this was afterwards abandoned. The British Iron and Steel Federation was formed. It is a 100% monopoly which proceeded to exercise its new power in precisely the opposite

direction from that intended. It raised prices and did little or nothing about re-organising the industry. It defied the government because it knew that no politicians dare face the outcry that would result from an increase in unemployment consequent upon an abandonment of protection. You have the absurd situation wherein a man like Lord Nuffield, while operating under protection for motor cars, was denouncing it for steel. He called it 'a perfect ramp, an absolute ramp—big cigars and nothing to do.' In October, 1940, the sober *Economist,* even with war threatening to destroy us all, called it 'one of the tightest and most drastic monopolies this country has ever known,' and again later its editor, Geoffrey Crowther, in *Economics for Democrats*:

> 'The result of Conservative steel policy has been to confer enormous advantages on the business men of the industry. They have been granted a monopoly and assured of its exclusivity and permanence; and they have been encouraged to use it to raise prices for their product. The policy has beyond doubt put large profits into the pockets of steel shareholders. And it is equally beyond question that some at least of these profits have come out of the pockets of the consumer of steel who include directly or indirectly almost every inhabitant of the island. But the return which the community has received for this assistance could hardly be detected with a microscope.'

Another grim facet of this appalling situation was this: Hitler was backed by international interests who saw that the steel trade, through armament demand, could make profits from the employment of long obsolete plant.

International Steel Cartel. The International Steel Cartel was founded in 1926. Britain did not join it. Our steel men wanted to keep our home market to themselves. In 1935, however, even they persuaded Mr. Runciman, then President of the Board of Trade, and an ex-Liberal free-trade minister, who had become allied with his former Conservative opponents, to fix a tariff of 50% on semi-finished foreign steel. With this they whipped the cartel and so obtained a fixed share of the world's export trade in return for permitting by agree-

ment the foreign members of the cartel to sell their steel in Britain. The steel consumer and the taxpayer were thus handed over to the tightest steel ring of all time. Ernest Bevin stated:

> 'Britain's steel industry is being slowly choked to death by its own steel ring.'

Prices reached such a level by 1938 that the flow of orders for British goods almost stopped dead. At the other extreme of political publicity, the Conservative *Financial News* in September 1938 said:

> 'If the Federation did not exist there would certainly be sweeping reductions in price. Never before has the British Steel industry been so tightly organised as it is now.'

Another facet of monopoly is worthy of consideration. New men and new ideas are often at a disadvantage when they conflict with short term financial interests. Here are two ugly stories as examples:

Richard Thomas & Co., Ebbw Vale. Sir William Firth, a former clerk, became chairman and Managing Director of the company in 1931. He conceived the idea of building a modern continuous strip mill of the American type. Besides giving employment, the mill would reduce costs of production of tin plates and steel sheets and would make the less modern plants of other firms uneconomic. Firth's plan met with determined opposition from influential groups in the steel trade. The scheme was embarked upon but the delay brought him into the period of rising prices and also, because of opposition, sources of additional capital became blocked to him. It proved impossible for him to obtain extra finance necessary without agreeing to the appointment of a Central Committee of bankers and competitors under the chairmanship of Montagu Norman (Governor of the Bank of England). This Central Committee was placed in control in 1938 as a condition for the grant of extra millions thought necessary to complete the strip mill. The firm was therefore made to conform to the ring's policy.

In 1940, Firth was discharged after conflict of opinion

following refusals to close down certain works, and decrease production. He also differed with the part-time Managing Director over the purchase of shares of an outside business. There was much public discussion in the press and elsewhere at the time regarding his dismissal and requests were made for his reinstatement.

If Firth had not persisted in his plan to build the strip mill, Britain would have entered the war without one, and our power to compete with U.S.A. and Germany in world markets would have been thereby reduced. In 1940 the plant was working near capacity as the biggest, most economic, and up-to-date steel works in the country.

Their gross profits for year ending March, 1939, were over £3,000,000, a record in the company's history, and was over £2,000,000 greater than the year before.

In 1944, Richard Thomas amalgamated with Baldwins on terms generally considered favourable to Baldwins' shareholders. Sir William Firth was the largest individual shareholder in Richard Thomas. He and his family held over 400,000 preference and ordinary shares in the firm. At the meeting of shareholders held to approve the merger, Firth led the walk out of a large number of shareholders. He stated that Thomas's were 'buying a lot of obsolete plant that should have been scrapped years ago.' The assets of Baldwins were transferred to Richard Thomas in exchange for ordinary shares ranking for dividend from 1/2/45.

The merger meant the control by the firm of 45% of the country's tin plate capacity. 40% of this capacity is covered by the new plant at Ebbw Vale. One seventh of the capacity was owned by Baldwins.

The Jarrow Scheme. Palmer's shipyard, on which Jarrow was almost dependent, was shut down in 1933. It was an excellent site for building a new iron and steel plant. Vosper Salt, who conceived the idea of building such a plant, obtained expert advice from Henry Brassert & Co., leading consultants, who supported the proposal. It was estimated that the plant

would produce steel ingots for about 65/- per ton, as opposed to 78/- and 83/- which it was then costing.

The plan was opposed by the Iron and Steel Federation. Their independent chairman, Sir Andrew Duncan, tried to make them agree to it. Eventually, after a public outcry, a truncated version of the original scheme was allowed to go forward.

Distressed Areas. The more information I seek for our mutual benefit, my readers and my own, the more do I see that to exclude political bias would make this book colourless and dull. It may irritate those who do not share my convictions to find so much repetition of charges against the wicked capitalists, but I am bound to present the facts I select, because I know no other way to do this job faithfully. It is impossible to keep politics out of it. If by including comments that indicate political bias the sales of my book are curtailed, so much the worse for both of us. I shall at any rate have the satisfaction of knowing that a book exists which contains a store of information about the major industries of our country as they were before the great swing over to a semi-socialist government. The picture I am making does perform the function of explaining in some degree the causes of the swing. You cannot fool all the public all the time.

This preamble is interposed to a personal story. The betrayal of the Labour Party by Ramsay Macdonald in 1931 led to the abandonment of our historic free-trade policy. The simple argument that by excluding foreign imports you would cure, or tend to cure, unemployment, led, as the free-traders had always foretold, to the reverse effect. The unemployment figure soon rose to the highest on record. There were nearly three million insured persons without work. All the small harbours around our coast were occupied by thousands of idle steamships. Our government had made a tragic mistake.

One of the most pitiful consequences of this mistake was that certain large industrial areas became derelict. They were declared by the government to be ' distressed areas.' A special

department of the civil service was set up under the Board of Trade and presided over by a 'Commissioner for the Distressed Areas.' One of his jobs was to acquire land and to help new industries to be set up in places where plenty of idle workers could be employed. I came into contact with his representatives in Cardiff. Someone had said that I was an enterprising person, capable of organising and running a factory, and that I might be persuaded to do something on the 'Treforest Estate.' I had been talking to some of my furniture manufacturing friends in Cardiff about the inadequate supplies of a new type of upholstery springing, then superceding the old fashioned system. It had been my intention to set up a small factory in High Wycombe.

The officials in charge of the Treforest project were most enthusiastically in favour of my factory being established there. They presented me with elaborate literature printed in many colours that promised well-calculated enticements to people like me. The most important of these was financial assistance. I was taken in a fine government car to examine the place and to see some of the factory premises which had been already built there. I could take my pick.

At that time I was a pioneer of the new springing. I was financially interested in several small factories that produced such goods and could sell far more than I could obtain from them. There were many consumers in South Wales. I was invited to prepare a concrete plan for presentation to the Commissioner, and did so. This entailed much hard work for myself and my staff. I had to seek out and interview the manufacturers of various types of machinery required and make calculations of output and labour costs. I had to investigate the alternative advantages of the production or purchase of wire, our major raw material. I had also to secure private financial support for my project. In all this intricate and time-absorbing work I received full official encouragement. If I had not been so urged I should not have proceeded. I felt at the time that I was not only helping myself but that it was a patriotic duty.

Finally when the scheme was complete and the Commissioner had expressed his satisfaction with it, I was sent surprisingly to an interview at the offices of an Insurance Company in the City of London. There, after the time of my appointment had passed in my waiting in an ante-room for almost an hour, I was dismissed by an office boy. 'Your proposals have been turned down,' said this bald-headed adult junior.

I sought official explanation and had a hard task to get it. I had to energise some influential parliamentary friends. A soft voiced gentleman was compelled to see me in a beautiful Whitehall office. He was very guarded in his replies and until sufficiently goaded would not disclose the names of the advisers who had sabotaged my scheme. They were, of course, all members of the Iron and Steel Federation. I was astonished that they should regard with alarm my puny efforts to produce wire.

I have remarked earlier in this book upon the deserts of the naughty coal boys. I would say here that if ever a school of sharks deserved extermination, this lot with steel jaws deserve what is coming to them,—or worse.

Non-Ferrous. Iron and steel, although the largest of the metal industries, are not the end of the story. There are other metals of great consequence to modern life Of these copper, zinc, lead, aluminium, nickel and tin, bulk larger than the rarer metals, platinum, gold, silver, chromium, manganese, tungsten, venadium, radium and now uranium. All of them are called ' non-ferrous ' to distinguish them from the elementary metal, iron, which rusts, as they do not. We will examine a few included in the first part of the above list.

COPPER.

Copper possesses some peculiar properties that account for its widest uses. Of these are three of major consequence. First, its resistance to deterioration by the action of air and water; second, its electrical conductivity; third, its use

in combination with zinc to give it greater strength in forming a new metal, brass. Although copper has to some extent been superceded recently by aluminium as an electrical conductor, it still remains, and is likely so to continue, by far the most widely used metal for this purpose. It is unnecessary to emphasise its importance in our modern electrical world. Free competition does not apply to about 90% of the world's copper supplies which may be considered in two main groups: American and the rest. The former is organised behind a prohibitive wall of import duty to prevent the introduction of foreign copper into the U.S.A. Nearly all the rest of the world's copper producers are members of a trade combine, or cartel, to avoid free competition amongst themselves and to help them to present a united front to Copper Exporters Incorporated, the American combine.

In 1932, this company, being unable to maintain world prices at a level high enough to produce the rate of profits it desired, sought agreement with the international cartel. This agreement lasted only about a year because it sought to restrict production to 26% of capacity. After this breakdown production increased until 1935 when another restriction scheme to 70% of the current level (not capacity), was made by the producers in Chile, Rhodesia and the Belgian Congo. World rearmament then, in 1936, led to much higher prices and increased production. On March 22nd, 1945, Lord Geddes (of Rhodana Copper) speaking in the House of Lords during a debate about monopolies defended that of his four Rhodesian copper companies and said:

> 'We indulge in the practice of price fixation and the limitation of output because if we had competed we should have destroyed one another.'

The total sales of Rhodesian copper in 1937 were about £12 million, of which about £5½ million was paid out in royalties and profits. African labourers numbering some 17,000 received less than £¼ million in wages, or roughly only 2½% of the value of the goods they produced.

ALUMINIUM.

In the late 1920's I was paid 24/- every year, for several years, by The Borough Polytechnic of London to deliver a lecture about Aluminium, an industry in which I was then engaged. I was also, for a while, vice-chairman of a trade association (not a price-fixing one this time) concerned with one section of manufacture of aluminium goods. Our supplies were then, as I believe they still are, controlled by international agreements. The British Aluminium Company (capital £8 million) and The Aluminium Corporation (capital nearly £½ million) had a virtual monopoly of U.K. supplies. They were closely associated with The Northern Aluminium Company of Canada. The chief opponents of these two were in America and Germany. Between them they formed an international cartel so powerful that Hitler built his Luftwaffe by threatening to deprive it of its power. Fearing a break-away by Germany the cartel, including British and American members, agreed to increase supplies to Germany right up to the outbreak of war.

There are one or two curious facts about aluminium production that are worth noting. A substance called Cryolite is essential in quantities, small by comparison with the ore called Bauxite which, unlike cryolite, found only in Greenland, is fairly widely distributed. Denmark, a weak and peaceful nation, governing Greenland, therefore holds the key to aerial warfare. By its own Cryolite it could be driven out of Greenland if necessity arose.

Another fact is this: electricity in quantities so vast are required for the reduction of the metal aluminium from Bauxite plus a little Cryolite, that production can only be conducted near waterfalls. The U.K. possesses only two plants: one near Snowdon and the other in Scotland.

TIN.

Cornwall was formerly a much more important tin producting centre than it is now. With the development of canned goods, larger and cheaper supplies of tin were required

to protect from rust the thin steel sheets from which cans are made. New sources of supply, where native labour is plentiful and cheap, were discovered. They are mainly in Malaya, the Dutch East Indies, Siam, Nigeria and Bolivia.

As usual most of the world's supplies are safe from free competition. There are two main groups of owners: The London Tin Corporation Limited (capital £3.6 million) and a rival group made up of a number of smaller firms. Since these rivals threatened to exterminate each other, the governments of the countries wherein the mines are situated were forced to intervene. They succeeded in reaching international agreement. In 1932 production was restricted to one-third of the 1929 output.

According to the *Statist* (13/5/33):

> 'The tin pools (which were formed to buy up and 'freeze' excess stocks) have powerful financial backing, and since the whole scheme of restriction and sales by quota has received the blessing of the Governments concerned, it is obviously extremely difficult for consumers to organise any kind of opposition.'

It goes on to comment that:

> 'The suggestion has been made that the whole scheme is being operated more in favour of the members of the pools than of the producers, and certain recent developments rather lend colour to this view.'

The agreement was renewed in 1934 and the quota varied considerably during the next few years. As a result of the heavy fall in prices the quota was reduced to 40% for the second quarter of 1939.

Tin Cans. The largest and indeed practically the only manufacturer of tin cans in Britain is The Metal Box Company, Limited (capital £2.7 million) which, mainly by virtue of its patents, has secured the almost complete elimination of free competition.

Nickel. International Nickel Company of Canada (capital £18 million) controls almost all the nickel mines in the world. Its importance to war industries need not be emphasised.

LEAD AND ZINC.

Attempts to monopolise control of lead and zinc have not been successful because these metals are widely distributed. Nevertheless, Sir Robert Horne, as chairman of Imperial Smelting Corporation, said in 1933:

> 'The International Zinc Cartel . . . established in 1931, has done very good service. At the inception of the cartel a general remedy was applied to the disease of overproduction and increasing stocks, the results were very satisfactory. By the end of August 1933 stocks outside the U.S.A. had been reduced by 35 per cent.'

In the smelting of non-ferrous metals other than aluminium, tin and nickel, the dominant firms are two combines with interlocking directorates, Amalgamated Metal Corporation (capital £5½ million) and Imperial Smelting Corporation (capital £4½ million).

MECHANICAL ENGINEERING.

The business of machinery manufacturers is called mechanical engineering. During the period of Britain's industrial development much of what was then said, and believed, about the virtues of free competition was true. But since the Kaiser's war, the tendency to destroy it has been felt in the many trades served by specialised engineering firms.

Machine Tools. Engineers themselves require machinery for the shaping and finishing of metal parts produced in foundries as castings, and forges as forgings or die-stampings. These shaping machines, such as lathes, borers, grinders, milling machines, planers, saws, etc., are called 'machine tools' since they are the machines that produce the parts of other machines. The production of machine tools is a very important section of the engineering industry, since all the other sections depend on it. Associated British Machine Tools Limited limits each member firm to a small prescribed range of products, while prices are fixed by a number of smaller associations concerned each with its own special aspect of this industry.

Textile Machinery. Textile Machinery Makers Limited, established by six firms in 1931, exercises control of the production of textile machinery in Great Britain.

Sewing machine production is largely dominated by Singers, which in this country is merely a subsidiary of its gigantic American parent company.

Sundry Machinery. United Shoe Machinery Limited (capital £14 million) is similarly related to an American monopoly firm (see clothing section) as is Waygood-Otis Limited, controlling lifts.

W. & T. Avery Limited (capital £1 million) controls weighing machines.

Engines. The production of locomotives, marine and internal combustion engines is dealt with in my section on Transport.

Electrical Engineering. Many and diverse are the industries dependent upon the simple discoveries of Faraday, Maxwell, Crompton, Edison, Hertz, Marconi, Rutherford and others.

The production of heavy electric generators and their allied equipment is mainly confined to a few very big firms with private arrangements between themselves and with international affiliations. They are General Electric (capital £8 million), Associated Electrical Industries (formerly Metropolitan-Vickers, capital £6 million), British Thomson-Houston, Edison-Swan and others.

Some of these firms also produce small electrical goods, wherein price fixing agreements control sales. Of these the most noticable is that appertaining to electric lamps and wireless valves. Prices are kept up by the members of The Electric Lamp Makers Association by a system of 'loyalty rebates,' whereby money is repaid after a period, to buyers who can prove that they have obtained no supplies of lamps, *or any other electrical goods made by members of the association,* from outside sources. This position has been strongly opposed by Woolworths and the Co-ops, who sell electric lamps at about half the price charged by retailers loyal to the combine.

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CHAPTER EIGHT

Clothing and Textiles

IT MAY come hard for many young readers to believe that there ever was a time when we could have purchased as much clothing as we could afford. There will, we all hope, come a day when we can all do so once more; then readers may wonder what the present fuss was about and it will seem unbelievably absurd that we once rationed clothes, and indeed nearly every kind of textile material from which other things besides clothes are made.

Of all the goods that are manufactured in Great Britain, cotton fabric is by far the most important. It is the largest of the many industries that enable us to support a population which vastly exceeds the number that could live at the level to which we are accustomed on the food produced in these islands. We get the extra food in exchange for the goods we make here, and of all these things, cotton is the biggest. Some people will disagree with this statement. They will say that we could produce enough food if we really tried. If this were true, and it is open to much doubt, there follows a devastating consequence: if we concentrated more upon food production and less upon manufacture we should have to put up with a much reduced standard of life compared with that enjoyed here before the international situation deteriorated to its present level.

It is our business in this chapter however to concentrate upon textiles and clothing, so that we may understand some-

thing of a complex series of trades and from this understanding be able to form opinions that may be useful in guiding the politicians from whose influence it is impossible to escape.

Every human being who comes into the world makes a job for him or herself. It is to keep warm. The human entrails contain, amongst a variety of oddments, a wonderful heating system. You supply it with combustible materials, hydrocarbons (hydrogen and carbon), take in some oxygen to burn them, some water and fat to lubricate the works and some calcium, iron and a few more bits and pieces to make good wear and tear, and this mechanism will carry on automatically for a surprisingly long time, providing you do not waste the heat it produces. The easiest way to waste your heat, is to stand naked in cold water or cold air. No sane person would submit his person to an everlasting cold bath, but sane or no he has to exist somewhere, and if he had no clothes he would have either to be tough enough to withstand cold air, or else go to live in some warmer place. Even in the tropics where most of the world's population does in fact live, it gets colder than our ninety-eight point what-not at night, so even the cannibals do not despise a bit of something to wrap themselves in at times. All this is good for trade.

Cotton lets heat pass through it more rapidly than wool, flax or silk. Cotton is cheaper than these other things because it is farmed in places where labour is even more poorly paid than it is in Europe. Its heat retaining qualities are good enough for cannibals and others who live in warm places. But cotton is a late comer. Mankind has only recently discovered it. Wool was the stuff used in preference to the skins of various animals that must soon have become rather smelly in the days before soap.

Wool is the foundation of British trade. Sheep seem never to grow tired of eating grass. They evidently have one track minds like many others amongst us. Britain is a good place for grass. You can deprive a sheep of his wool without seriously damaging him. He will with luck grow some more. If his luck

is out you can stoke your boiler by eating him. A useful creature is a sheep; perhaps that is why his singular and plural are a mess. We like him so well that we don't care to mention him one at a time. ' Sheep ' is singular in having no singular.

We have decided however to begin our investigation into the textile business with cotton, because it is of more consequence to our national trading life.

Lancashire. I am becoming increasingly conscious of a tendency to appear unduly depressing. Adverse critics of this work may say, when, if ever, they get as far as this chapter, and if they have not done so already, that I go out of my way to present the worst aspects of our industrial organisation; that I am deliberately picking out the bad things for emphasis. Let me assure them and you that this is not true. The researches I have made have depressed me as much as they can sadden any thoughtful person. I am not taking the enormous trouble involved in finding the facts in order to gloss over what does not make pretty reading. For better or worse this must be an honest survey. Forgive me, please, for so much preamble, but I have to administer a shock. The cotton situation is worse than anything else we have met so far.

Before the first great war (1914/18) the expansion of cotton manufacture in Lancashire had been uninterrupted for over a century. I was personally engaged in a facet of it so that I have more than mere book knowledge of the subject. I learned then that in Lancashire more than twice the quantity of cotton was manufactured than in the whole of the rest of the world added together. This was said to be due to the peculiarly humid atmosphere of that unfortunate English county. Cotton fibres need moisture to make them adhere when they are spun into yarn. The march of science and engineering led to the artificial humidification of air so that appliances became available which would enable the spinning of cotton to be done in places nearer than Lancashire to sources of raw material and nearer to the tropical and oriental

markets where cotton goods assumed almost the status of currency (money). Much cotton is grown in America, India, Brazil and Egypt. It has more recently been made to grow in Russia, where no private interests can interfere with the public efforts of very great magnitude required to alter the economic geography of that country. Now cotton mills were set up in all these places, and very often with capital extracted from the savings of relatively poor working people of Lancashire by the owners of cotton factories there who, seeing the red light, sold their obsolete cotton properties for far more than they were worth. But the biggest and by far the most serious new rival to Lancashire was Japan.

It is said that even were real wages equal in both places, Japan could still beat us on price for two main reasons. First, because their plant is modern; second, because their business men are more able than ours. The atom bomb may prove a blessing since it may have helped to remove these obstacles.

Let us now substantiate these seemingly wild statements by looking at some facts.

Decline. The average yearly British output of cotton yarn in the years 1910 to 1913 was 217 million lbs. By 1933 it had fallen to 135. The corresponding figures for woven cotton fabric are 6,651 falling to 2,117 during the same period (in 1931 the figure was 1,790). Between 1924 and 1929 the world consumption of cotton goods had increased by 20%. During those years British exports of these goods fell by 15%. Japan's exports meanwhile increased by 300%.

In 1919 a hundred Lancashire spinning companies paid an average dividend of 21¼%. In 1920, 150 firms paid 40⅕%. These years were lucky for the owners who, on the strength of such figures, sold out. No sane business men would leave an industry if they thought that such prosperity would continue. Some of these men were rewarded with titles. The resources of the taxpayer were applied in vain to clear up the mess.

Unemployment. One of the methods by which public money was applied to this industry was, of course, in the relief of distress caused by widespread unemployment. Here is an extract from the *Manchester Guardian* dated 8/2/36:

> 'In a badly depressed textile town 32 per cent of the men under 30 years of age, 45 per cent between 30 and 39, 47 per cent between 40 and 49, and 54 per cent between 50 and 64 have been unemployed for more than a year.'

In 1931 about one half of the British cotton labour force was unemployed. In 1934, 99 cotton factories were closed. In U.S.A. cotton growers were being paid from 7 to 20 dollars per acre to destroy cotton already growing.

The effect of such a situation upon the future recovery of the industry is one of the great industrial tragedies from which there is no escape.

Bank of England. Another application of public money was through the agency of the Bank of England in an attempt to 'rationalise' the industry. The use of such a word implies its negative 'irrational,' and this word, if you look in a dictionary, means 'insane.' The particular form of insanity that the Bank of England set out to cure was the extraction of capital by the former owners of the industry. Money was needed to purchase new modern machinery. The process by which most other industries are kept up to date had failed in this one. Most of the owners who are normally expected to do it out of profits had run away. Those of them who remained were treated in a somewhat curious fashion. Their worthless factories were purchased and then destroyed. Little or nothing was spent upon the installation of new machinery.

Apart from the changes due to artificial air conditioning, two inventions appeared, each of which effects great economies in production costs. One is for an improvement in 'spinning the other for weaving. The old fashioned spinning 'mule' still persists in England to the extent of about 23 to 10 of the new 'ring' spindle. The new automatic 'Northrup' weaving loom, almost universal in Japan, Russia, U.S.A. and

in all the new cotton manufacturing countries, has only so far been adopted to the extent of 3% in Britain.

Wages. Again I deem it worth while to quote from the incorruptible *Manchester Guardian.* On 15/4/36, it printed this:

> 'Never in the whole history of the trade have the employers been known to display an interest in the people. In their view the operatives are mere units, machine tenders, to be cast on one side when their utility ceases, regardless of the fact that inability to work is caused by the filth which the men have inhaled whilst working in the mills.'

Of 219 industries investigated in 1935, cotton was sixth from the bottom of the list of wage payers. When the standard rate of unemployment benefit was 28/- per week, the 'big piecer' (a specially poorly paid grade) was paid in Ashton and Bolton between 26 and 27 shillings. The average in 1924 was about 34/-.

Of the adults employed in the industry about 65% are women.

Raw Material. Cotton does not grow in Britain. All cotton imported into this country before the war was purchased by members of the Liverpool Cotton Exchange and sold by them, long before its arrival here, to many people, few of whom had any interest in cotton manufacture. They were gamblers in 'futures.' These people managed to extract about £30 million a year for their trouble in studying the market. This at any rate was stopped by the compulsory closing of this evil institution in 1941. What Sir Charles Macara, a President of the Federation of Master Cotton Spinners said of this after the war ended in 1918, remains true:

> 'It is felt that one of the greatest evils with which the cotton trade has to battle is the gambling which goes on in respect to the raw material. It is plain that the wild fluctuations in cotton with which the spinner is faced are largely responsible for the raising of prices to the consumer, and that no other factor works so detrimentally. When it is taken into consideration that the raw material is turned over innumerable

times before it reaches the hands of the spinner, and that it is reasonable to conclude that a profit is made on nearly every transaction, it will be seen where the trouble lies, and how necessary it is in the interests not only of the planter, spinner and manufacturer, but of the great body of consumers, that something should be done to eliminate this great bugbear of the industry . . . A computation made recently was to the effect that for every bale of actual cotton grown, 27 bales are gambled with. This is where the leakage is. The cotton grower and spinner are making the sacrifices, while the gamblers walk off with the loot. How long are the cotton growers and the manufacturers of cotton goods going to be the puppets of those who neither grow nor spin, weave nor merchant the material? One has no quarrel with the legitimate broker in cotton, but it is monstrous that cotton should continue year after year to be the sport of thousands of outside speculators.'

Monopoly. It may surprise you to learn that notwithstanding the deplorable situation of an entire industry here disclosed, it has been possible for some millionaires to amass huge fortunes from it. How is it done?

You only get to know how rich people are when they die. Then the value of their estates is deemed to be of such public interest as to warrant publication of the amounts in newspapers. The figures published are those accepted by the government in assessing death duties.

Eleven millionaires have died since 1912 whose fortunes were derived from the cotton firm of J. & P. Coats Ltd. This firm fixes prices for domestic cotton sewing thread because it owns about 95% of the entire productive capacity to supply this essential article. Not all of their factories are in Britain. One in Czechoslovakia, for example, is about to be nationalised. The firm demands payment in sterling. Its total capital in 1928 exceeded £30 million.

An odd thing about monopoly as applied to cotton is that it does not occur so much within the main industry of spinning and weaving but at the end of it. It is true that the Bank of England sponsored Lancashire Cotton Corporation, set up in 1929 with capital of over £3 million, acquired 107 mills, of which about a third were scrapped, is a monopoly of sorts.

It is a special case, a body formed to cope with a national emergency rather than to make a few people into millionaires.

In the weaving section only 64 firms out of 593 employ more than 200 workpeople. It is the goods these people produce to which the processes of monopoly with which by now I hope you are becoming familiar, is applied. Apart from, and in addition to the fat pickings of Coats, there are three hungry giants demanding satisfaction. They are:

1. The Bleachers Association with approximately 80 firms and a share capital amounting to £6 million. It depends for its protection against external competition on its monopoly of water supply.

2. The Bradford Dyers Association which has united some 25 concerns in the Bradford piece dyeing trade. According to Clapham it is 'the most successful of British industrial combines.' It was formed in 1898.

3. The Calico Printers Association comprising some 74 firms. It was founded in 1899 and produces 85% of the calico printed in England.

Conclusion. All this, I think, is enough about cotton to be going on with. We have more fish to fry, but the following quotation is worthy of consideration:

The United Textile Industries Workers Association, embracing the trade unions in the industry, published a report in November, 1943, which stated, 'The way to meet foreign competition, satisfy the aspirations of the workers to a better life, and make the industry a national asset is by the socialisation of the industry.'

WOOL.

If you want to prepare yourself for another shock, take a look at an old family photograph album. You will see that our grandparents and great-grandparents (photography was not discovered before their time) wore far more clothing than most of us wear now. 'Flannel next the skin' was dinned into my boyhood ears and in vain did I plead that I had a

special kind of skin. My mother beneath her own many layers of flannel petticoats was pitiless. Wool was King.

Here in the wool story we can disregard the cannibals and others who dwell in hot climates. Communities said to be more civilised live in places where it is cold in the winter, to say nothing of the periods called, by courtesy I suppose, summer. It is in these bitter climates that people can be induced to work in factories while a few philosophers and scientists sit before their fires or in steam heated laboratories working up the civilising theories and practical discoveries tending towards our greater happiness in peace or swifter destruction in times of war. All these people used to wear much more wool than they do now. If you disbelieve me take a look at the girls as they leave their work at the nearest factory. Compared with the people in the family album they are only half, or less, clad. If you are a girl yourself you will not need me to tell you that what little clothing you wear is mostly artificial silk. All this is bad for trade—the wool trade, at any rate.

For many centuries Britain, the first great workshop of the world, based its trading supremacy upon wool. Our horrid cold-wet climate pleases sheep. They are specially designed by providence for such places. They seem to be content to live like British working men and women on almost nothing. Take a look at any bleak hillside in winter and there you will see sheep contentedly munching away at frozen grass. They seem to thrive on very little even of that.

We need to go back only to 1924 to see what this little rigmarole means in figures. In that year there was a slump from which the trade does not seem to be able to recover. The price of wool fell to about half in one year. About a third of our total woollen manufactures were exported. In 1924 our exports of woollen fabrics was 221 million square yards; by 1939 the figure had fallen to 93 millions. On the way down in passing through the period when import duties (Tariff Reform) were introduced for the improvement of trade, our exports have been as low as 81 millions, in 1932.

Our woollen trade is centred, as to four fifths of it, in the West Riding of Yorkshire. The more expensive cloths are made in isolated mills scattered about the West of England (Stroud in Gloucestershire is a small centre) and in the south of Scotland (Hawick-on-Tweed). Although the manufacturing processes are similar in many ways to those of the cotton industry, the organisation of the trade is quite different. In cotton there are many independent firms specialising in one process, *e.g.,* spinning, doubling, weaving, finishing, whereas in wool these processes are frequently carried out by unit factories controlled by capital owning the whole series. This pattern is what we know as vertical combination. It is only in the first process of all, the preparation of raw wool for the spinner, called 'combing,' that much degree of monopoly price-fixing exists. The Bradford Wool Exchange lends itself to a certain amount of gambling in prices but this is confined mainly between people definitely engaged in the industry.

Labour. Wool provides an unhealthy atmosphere. In 1918 figures were published by the Ministry of National Service to prove it. Over half the men medically examined were below Grade 1. There are toxic substances, poisonous gases and bacterial infection in wool. Wages are very low. The average for women in May, 1935, was only 22/6d. per week. The average over the whole industry for the whole year 1934 was 36/- per week. Hence my remark about the contentment of sheep. Science has not yet discovered the source of ideas.

SILK.

This is quite a different story. We shall not be so depressed except for the poor silkworms who, after all, are living creatures and deserve a rest. They got it when someone produced a sticky, quick-drying substance which when pressed through a tiny hole in a steel plate made a filament so strong and shiny as to resemble silk. This stuff is called 'rayon,' and so important is it that it has not only served to intensify the cotton mess, to add to the decline of wool, but

has also ousted real silk to the extent of becoming six times as great.

Artificial silk, for the moment, is a closed trade dominated by two firms who work in close agreement. Courtaulds and British Celanese are the only two firms producing the raw material of the industry. The first is by far the larger and owns factories in many parts of the world. Their process is patented and a secret. In 1938 they paid a bonus of £12 millions to their shareholders. It is largely a family concern.

Even during the late war the manufacture of artificial silk increased from £1½ million in 1938 to nearly £8 million in 1943. Not a bad result from imitating a caterpillar!

We do not seem to be able to escape from the monopoly aspect of the industries we investigate, but here we have it in a new and perhaps more refreshing form. The rich Courtauld family did not invent their secret process themselves: they bought it. They were merely enterprising silk manufacturers in a relatively small way of business in Braintree, Essex, and I used to pass their old-fashioned wooden workshops as a boy when I visited an aunt who lived in that small town. The seller of the secret did not invent it, or the essence of it, either. The man who made the real discovery was a scientist. These exploiters received their millions as a reward for their ingenuity in devising methods to make a commercial success.

Although Courtaulds in 1938 had 18 factories in Britain, it was also closely associated with foreign producers of 'viscose' yarns in Italy, Germany and America. In the U.S.A. it owned American Viscose Company which produced about 50% of the output of that country. All the same, Courtaulds did not have quite everything its own way; another firm, British Celanese, using a slightly different process called 'Acetate' was a thorn in the flesh of the monopoly dominated by the giant. In 1939 however, agreement was reached between the viscose and acetate sections, whereby both raised prices by 2d. a lb. British Celanese has capital of over £10 million and is a section of an international combine.

CLOTHING.

Before the war, in 1938, every family in this country spent about 13/- a week on the average upon clothes. This was about 9% of the national income. In 1944, owing to clothes rationing, the percentage fell to under 6%. About 5% of our population works in this industry, which employs three women for every man. Although dressmakers and 'gent's-bespoke' tailors are scattered about freely in our islands, about threequarters of our clothing is ready-made and comes either from Leeds, Manchester or London. You will not, I hope, be disappointed to know that this industry gives us a welcome change in pattern, not in our clothes perhaps, but in its structure. It is time we had a break from the now too familiar monopoly controlled industry. There are only 6% of the clothes firms employing over 200 people. 86% employ less than 100 hands (46% under 25). We have an opportunity to see now how the small employer manages his affairs. Advocates of private enterprise are usually strong in their support of the little man. Clothing is perhaps the largest industry where we can see this little chap at his best or worst.

Wages and Hours. Both are dreadful. The little chap is very nimble and very artful. It is hard to get at him and make him behave himself. A needle and a thimble are the nimble instruments of his trade. Every poor girl is taught to use these things and such tools are inexpensive. Even a sewing machine costs far less to buy and to operate than the machinery of most other industries.

You have all heard the term 'sweated industry'—this is the one for most of the sweat. A sweated industry is one where poor people are given work to do in conditions that is apt to make them perspire unduly. Since practically every girl and woman can sew and since there are slums in every large city and since the people who live in them are desperately in need of some money, or else of course they would not be so foolish unless they were philanthropists) as to live in such places, and since they can do a job of sewing almost anywhere, the

place where they do in fact work is in their own slum dwellings. Slum dwellings are of course cheap and nasty. The nastiness arises mainly from congestion; they are too close together; ventilation is poor; heat is necessary to human bodies. Human bodies working close together provide warmth for each other. When the outside temperature rises these bodies are apt to sweat. Not only do they sweat from these natural causes but some unnatural ones add to the process. Everyone needs a certain minimum income in order to keep alive. The small enterpriser knows this very well, even though he may have forgotten about it. Because he is small he is numerous and because he also has to strive hard to keep alive in a competitive world, there are two things he must do. First, he must not decline to sell his goods if the price offered is lower than he thinks they are worth; second, to compensate him for his sacrifice when he is confronted with a situation where he has to accept it or starve, he must make his employees sweat. This in fact means that his sewing women have to work so hard to make sufficient to live in that even on cold days they still perspire. Anyone would on such rotten pay. Consider the following information about wages in this industry.

Investigation into the condition of slum dwellers and particularly of those in the 'East End' of London has for long been an occupation of well-to-do people who are also somewhat 'peculiar.' Perhaps now and again they get conscience stricken. Anyway, one of the most famous of them apart from General Booth who tackled the subject from a religious angle, and University Settlements, parsons and others who set up well financed charitable institutions in such areas, was a rich young lady called first Miss Potter, later Mrs. Sidney Webb and finally Lady Passfield. With a distinguished husband, this young woman entered upon a strong combination, but even before she met him she was doing pretty well on her own. She discovered amongst many other disgraces to civilisation that the 1,000 Jewish small coat-making firms she investigated had a general rate of pay for women of 2½d.

per hour. As a consequence of her many years of agitation, a Trade Board Act was at last passed by the Liberal government in 1909. It fixed the minimum legal wage for women at 3¾d. per hour. By 1937 this figure had risen to 7½d. for timeworkers. To-day (1948) the figure is 11½d.

Before the introduction, after the first world war, of the 48 hour week, 14 to 18 hours a day were common in this industry. Anyone working 18 hours a day for every day of the week including Saturdays and Sundays at 2½d. per hour would earn the princely income of 26/3 per week. Some industry! Some sweat! It almost makes you ashamed of the clothes our parents and grandparents wore. No wonder we became so rich a country when people could be persuaded to work so hard for so little. Even now only two thirds of the workers in this industry are members of Trade Unions, and in 1935 in dress making and women's light clothing trades there were only four thousand males in a total of 169 thousand workers.

Unemployment. It is an axiom of a poorly paid trade that there shall always be a large proportion of unemployed persons available, otherwise those in work would not accept such unsatisfactory conditions. They work because they know that there are many other poorer people eager to accept a pittance. Before unemployment insurance was introduced this situation was of course immeasurably worse, but even now the so-called 'dole' marks the limit below which wages cannot fall. With the increasing introduction of machinery into the clothing industry and the corresponding decline in the demand for skilled workers the unemployment situation became intensified. In 1938 about one person in eight was unemployed in this industry.

Mechanisation. Although, as I have said, the small firm predominates in this industry, there has been during the present century, and since the days when Mrs. Sidney Webb made her revealing investigations, the growth of mass produc-

tion upon a scale not then practised. In men's clothing we are now familiar with the Fifty Shilling Tailors, Burtons, and similar chains of retail establishments. Women's clothing is also produced under similar conditions, although the method of marketing is through ordinary retail shops. The difference in procedure between the distribution of men's and women's clothing results perhaps from a woman's dislike for stereotyped garments; men are not so particular. However this may be, factory production for both sexes has many advantages for the owners of the factories. Whole rolls of cloth can be cut at one time into standard patterns and, apart from the comparatively simple process of assembling the pieces into garments with long rows of electrically driven sewing machines, many intricate operations such as trimming and button-hole making can be done by incredibly ingenious machines. All this, of course, has made more attractive clothing available at low prices and the consuming public is benefited thereby. So indeed have the owners of factories, for we see in the men's section, Burtons, even in 1944, with a nice profit of £883,000 and, in the women's section, Debenhams, with an ordinary dividend of 25%.

HOSIERY.

Hosiery ranks in importance third after cotton and wool textiles. It is centred at Leicester, Nottingham and Derby, where stockings, socks and mechanically knitted underwear are produced. There are a few well advertised proprietary brands of these goods, but monopoly conditions do not as yet predominate. The whole industry has been stimulated in recent years by a growing demand by the public for knitted wear and probably also by the shortening of women's frocks to focus attention upon their legs clad in elegant stockings. Thus during the years of general trade depression we find that between 1930 and 1934 an astonishing increase of some 43% in the output of knitted goods, despite fierce foreign competition from Japan, America and Germany.

BOOTS AND SHOES.

There is a system in the boot and shoe industry, the equal of which I think does not exist in any other trade. Unlike other trades wherein manufacturers set up monopolies for the purpose of defeating their enemy, free competition, in this trade they are themselves the victims of a superimposed body of engineers who act as virtual dictators. The situation is this: 90% of the machinery used in this country is not owned by the proprietors of the factories and workshops where it is installed. It belongs to the engineering firm which made it. They do not sell their product but let it out on hire instead. They are not content to charge rent in the ordinary way as when a landlord grants a lease of his property to a tenant, but they charge so much a stitch for the work done on each machine, into which are built devices like gas meters for counting the stitches. Not only do they do this, but they impose conditions that have the force of laws because they make agreements with the hirers who are compelled thereby to suffer penalties if they commit any breaches. The extreme punishment is death, not, of course, to any rebels personally, but to their businesses. The British United Shoe Machinery Company Limited can remove their vital machines and in most cases this could result in closing-down the business.

This powerful company had in 1936 capital of nearly £3 million, and power to borrow a like amount. It is a subsidiary of the American United Shoe Machinery Company and its chairman and some of its leading directors are, or were, American.

The terms imposed by this company upon firms using their machinery include compulsion to operate whether at a profit or a loss, and an obligation to obtain all new and subsidiary machines upon similar terms from the same source.

You may well ask how does this astonishing situation come about? The answer is quite obvious. Some astute private enterpriser, or group of such business men, managed to persuade almost every manufacturer of worth while machinery

that free competition was unnecessary. 'If we all combine,' must have been said in effect, 'we can have the boot and shoe trade eating out of our hands.' The profits made by this company in pursuance of this policy have been enormous and consistent in good times and in times of general trade depression. The sufferers are on the whole the small firms. In 1935, 709 out of a total of 808 firms employed less than 300 workpeople, mostly women. Only 14 firms employed over 1,000 workers.

Exports. Between the wars a valuable export trade had almost disappeared. Although the majority of British citizens, if you include the native populations of our overseas Colonies and Dominions, do not wear boots or shoes at all, there is a tremendous demand for these goods from countries abroad where factory production is small or non-existent. Before 1913 Britain had a large share in supplying the world, but by 1938 this trade had dwindled until it had become almost negligible. As I write I learn that France alone could purchase from Britain its entire output. Something is sadly wrong somewhere and there is little cause to wonder that our government is in the process of investigating the problems of this industry.

Distribution. One of the problems as far as the home trade is concerned is wasteful distribution. Indeed this has become almost a 'classic' argument of socialists who are in favour of public control of industry. I may as well state this argument. They count the number of shoe shops in a small town and find it excessive to the point of absurdity. In High Wycombe for example, with a population of between 30 and 40 thousand, there are some 30 or 40 shoe shops, including most of the well-known chain shops. All these shops employ assistants who are idle for most of their time when they could be performing some other useful work. All these shops have to be lit, heated, cleaned and generally maintained. They are all attended upon by a host of commercial travellers all of whom try to make sales of goods which from a utility standpoint are identical. The average requirements per year per head of

population is known and this, it is held, could be met by a small fraction of the present effort. The cost of the redundant personnel and services has of course to be added to the prices paid by the public. This argument does not of course apply only to this commodity but to all others where similar conditions prevail. The main objection to it is that we do not all want stereotyped goods, but in the case of boots and shoes this seems to me but a sketchy objection, for by their very nature such goods are bound to be more or less the same, like men's bowler hats.

HATS.

I am nothing if not conscientious. In consequence I will not spare you from learning something about hats. They are a funny business to us, but a desperately serious one to about thirty thousand people who depend upon making hats for a living, to say nothing of many more who trade in them. What is funny to us and serious to them is the never ending war between felt and straw. Why these two things when caps can be made from cloth? What about the growing tendency to dispense with headgear altogether? Or the new dodge adopted by women of wrapping their hair in scarves approaching the oriental turban?

The peculiar word 'fashion' is the answer. As you may have gathered I do not know everything and one of the things that beats me is this. I do not know what happens to change fashions but like most other men whose privilege it is to pay bills, I can guess. There are said to be certain people who are leaders of fashion. They attend national functions such as Ascot races, conspicuously attired. They are frequently rich people, who make a hobby of lending their persons, their womenfolk and their prestige to the designers of dresses and especially of hats. But do you think that this accounts for the disappearance of the straw boater or, for that matter, of caps? I doubt if any real gent ever went to Ascot in either of these plebian articles. The grey topper is his badge and is as far as I know only ever worn by such people on such occasions.

Imagine Bill Jones turning up to mend my cistern in a grey topper. But suppose he did because he happened say to take a fancy to it in a second-hand shop, and suppose he was looked upon locally by other plumbers as a leader, and suppose these other less highly placed plumbers in their simplicity mistook the grey topper for the cause of Bill Jones' supremacy in his trade, would you put it past a lesser plumber to try his luck with a grey topper of his own? I would not. I have reached a stage in life when nothing surprises me apart from the sales of my books.

To return however to the conflict between straw and felt. The battlefield is Luton, but hat making started as an industry in London with straw about 300 years ago. Felt was at first used as a substitute and became centred at Luton in the 1870's. But straw beat it even in Luton so that by 1911 there were 701 straw firms there, and only 105 felt hat survivors. By 1935 straw hats had almost disappeared. This may mean nothing to you but if you had been brought up to make straw hats and nothing else it would mean a great deal.

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CHAPTER NINE

Shelter

IT IS perhaps one of the greatest misfortunes of the colourless races that we are all practically bald.

Most living creatures designed to live in the open air are covered with heat insulating material such as hair or feathers, but man has inadequate natural protection from the weather. We have already examined some of the measures required to create, conserve and to supplement bodily heat, but we have not yet discussed the shelters wherein we sleep and obtain protection from the rain. As the species has developed these have become more and more complicated. Tents and caves are all very well in their way, but the civilising urge has driven human beings away from the places where the weather is so pleasant that such dwellings suffice, into colder regions where they can work without getting overheated while they are at it. Therefore, not only have men acquired the habit of living in elaborately constructed artificial caves called houses, but they have also shown much ingenuity in making many contrivances, such as glass, carpets, pots and pans, stoves, furniture and a vast variety of articles that have by habit come to the status of necessities of life. It is our object in this chapter to consider some of these things. Let us start with houses.

A house is probably the most expensive piece of apparatus used by humble people. If every man had to save up enough money to buy one before he could get married and start a family the population of the hard work climates would be

very much less than it is. Various devices have however been thought up to overcome this difficulty, and quite recently some important new ones have appeared. When I was a boy there was only one way to get a house without buying it: that was by the hiring of it from a private owner called a landlord. To-day you can buy a house even though you haven't the money to pay for it, or you can hire it from a social organisation of which you are a member.

Before the appearance of these new-fangled devices, the simple situation of landlord and tenant persisted for many centuries. It is still by far the commonest method by which buildings are made available to people who cannot afford to buy them—and this goes for most of us. Simple though the method is, it is not all that simple that there is nothing to say about it.

Landlord and Tenant. The relationship between the owner of a building and its tenant rent-paying occupier is probably the tap root of the system which provides incomes without work. It is a system so favourable to the non-working owner that much blood has been spilt in defending it. This spilling continues. It remains to be seen whether U.N.O. can stem the flow which the League of Nations failed to stop. The recent war was in reality a contest between two economic systems. The Fascists and Nazis of Italy, Germany, Japan and Spain were opposed to the socialists of Russia. The policy of our government, until the fall of Chamberlain, had been anti-Russia, but since our property system was not then so severely menaced by socialists as was that of the Fascist countries we had not so openly declared ourselves as had they. All the same we were on the brink of helping Finland against Russia when Hitler prevented it, first by throwing us out of Norway, and then by attacking Russia himself. Churchill by a courageous temporary reversal of property-conserving policy took the only possible line that would find approval with the fast awakening British public, by supporting Russia. We should be foolish to close our eyes, as many still do, to the fact that

is uncomfortable to those who support the income without work system, that its opponents bore by far the major share in achieving victory and that had they not done so the war would either still be raging or have ended quite differently. You may say that I am wandering from my subject but I disagree because our job is to discover the roots before we can examine the tree itself.

The system, then, for which so much human suffering has been incurred concerns the private ownership of nations. Every country bar Russia is mainly owned by private people. It is upon the private ownership of the land of these countries that the whole economic fabric is built and this, of course, includes the houses and factories that stand upon the land. Until very modern times the people who owned the land of England were the only members of the population who had any say in its government. The French Revolution failed to achieve ' the greatest good of the greatest number ' in France because its organisers and those who followed them failed to recognise that the people of a country could not effectively govern what they did not own. Ownership and power go, or went, together. As a consequence, in this country, and similarly in most others, owners have made the laws that safeguard their ownership. In our country, Great Britain, a curious system prevails. All the land technically belongs to the King who, however, derives no income from nearly all of it because his ancestors handed it over to private people who held it in what is called ' fee simple.' This fee simple means that they can do what they like with it so long as they obey the King in Parliament, or in other words, the government. The government (composed entirely of landlords) in times gone by made laws which still persist, whereby any person could acquire land for a time if he wanted to build on it, but that at the end of that time, usually 99 years, the building became the property of the landowner. By this system towns, cities and all such collections of buildings came to be owned by a comparatively small number of people who by virtue of their large incomes, taking none of their time to earn, had leisure

to attend first to their education, and then to the taking part in the government of the country. Education made them mentally superior to the majority of their fellow citizens and thus able to arrange matters to their own satisfaction. They could not, however, make laws which would prevent anyone who had sufficient money from buying land or buildings with it. Thus, with the growth of manufacture in these islands, people who owned businesses sufficiently successful to provide incomes surplus to their immediate needs saved up and bought houses. Even salary and wage earners have been able, by the exercise of economy and frugality, to say nothing of parsimony, to save enough to buy their own houses and perhaps one or two more. Thus we have now a large number of small landlords who are protected by the same laws as those sheltering the very rich.

If you wanted to hire a house you could, before the last war, do it in a variety of ways. If you could afford to pay the rent of a large house the owner of it usually required a ' lease,' if you could only afford a small one you had a ' tenant's agreement.' The chief difference in the relationship set up by these two methods concerned the maintenance of the property in good repair. The leaseholder of a large house was usually required to pay for certain specified repairs and decoration, the tenant of a smaller house did not have to pay for these things.

The rise of the political powers of the working classes has been an outstanding trend of modern times. From their ranks have emerged many dreadful people, called agitators by some and champions by others. Amongst the many social injustices to remedy which they have successfully directed their best efforts is the problem of housing. The lower orders were made acutely aware that the old system of reliance upon private enterprise to continue the process of house building, as practised from ancient days, was inadequate to meet the needs of our increasing population. Indeed it seems true enough that the rate of increase would be adversely influenced if people could not find satisfactory accommodation in which

to breed. Two new systems have arisen to supplement the declining casual efforts of private investors in bricks and mortar. They are, first the 'Building Society,' and second the municipal housing estate.

Building Societies. Bricks and mortar, when converted into houses, have long been regarded as tangible assets possessed of special merits for investors. They are less likely to suffer devaluation consequent upon trade fluctuations, caused by wars and other less violent political changes, than are industrial investments, or indeed, so some think, even are gilt-edged securities sold by the government and others via the Stock Exchange. Investors can and very largely do refrain from the speculation involved in financing the building of new houses; they prefer to lend their money to people who have already built them or who desire to buy existing buildings. Such loans are called mortgages. The lenders are mortgagees and the borrowers mortgagors. A mortgagee will not usually lend more than about two thirds of the ascertained market value of a building. When he does so he requires to be placed in a legal position which entitles him to acquire the house as his own property should the mortgagor fail to repay within a stipulated time, or to pay the agreed interest periodically when it is due. This process of obtaining possession of a house for which only two thirds of its value has been paid is called 'foreclosing' and many hard luck stories have been built by novelists upon this now threadbare theme.

In recent times the funds of private mortgagees have been immensely supplemented by insurance companies disguised as building societies. These societies issue attractive advertisements which usually contain the phrase 'Why pay rent?' If you desire to own 'your own house' you are invited to apply for particulars. If you do so you will find that the society seems to be desperately anxious to befriend you. It pours cold water on all landlords and tries to make you see how foolish it is to pay rent to one of them for the use of a house which will never become your property. The Society will lend

you nearly all the money required to buy a house for yourself. All you have to do is to pay back the money in monthly instalments including a modest rate of interest which in total amounts to little more than an ordinary rental. What could be fairer? Renting the house in the ordinary way is in my opinion much fairer, because there are some snags about which the building societies remain discreetly silent. Here they are:

In the first place a building society will not lend more than two thirds of the money required, unless you purchase a life assurance policy to secure the difference between two thirds and the 90% you probably desire to borrow. If you are as desperately anxious to get married as many young men are, and the girl of your choice is even more so, you will agree to almost anything. All you have to do is to sign on the dotted line and you can go right ahead. You are no match for the astute financiers who organise the building society, but what does that matter? This girl has lovely eyes which promise everlasting heaven on earth for you, if only you can get her into a small home. You might lose your job; you might be and probably will be the victim of war; you might even want to move to some other locality; you might even want to go abroad; there is indeed the seemingly impossible contingency that the girl and you may not for ever (or for the time it takes to complete your contract with the building society) remain in love with each other. If any or all of these things occur you will regard your loan as a curse. You will willingly sacrifice all that you have already paid to get out of your contract. You will find then that the building society is far less friendly. You will find also that you have been paying through the nose for your brief spell of happiness; that you would have been far better off if you had rented a house in the usual way had you been able to find one cheap enough. The plain fact of the matter is that these monthly instalments plus insurance premium amount to far more than ordinary rent. But there are two more snags.

You have not been buying a house for yourself, but for an insurance company. If you turn back to my remarks about hire purchase finance, you will see how the interest carried by monthly repayments is not what it seems. The same allusion applies to all instalment repayments. You will find that had you put the money every month into the post office at $2\frac{1}{2}\%$ or into war savings at 3% you would have been much better off, even though you had paid rent to a landlord as well out of it. Let us suppose however that you have kept up your repayments to the Building Society for say five years, before your domestic crisis gets you down and makes you want to clear up the mess. Two courses are open to you. You can either let the house to an ordinary tenant or you can sell it. If, as is probable, it is a time of general trade depression or other political disturbance beyond your control that has shaken your little world, it will have similarly affected many others too, including the people to whom you need to let or sell. If so, you may not be able to obtain sufficient rent to enable you to keep up your repayments by instalments or sufficient cash by selling the house to meet the total sum that the building society to your dismay still says you owe it. This last is the second snag.

Let me give you an example based upon my own experience. I borrowed £1,000 and agreed to repay £100 a year for sixteen years by monthly instalments. At the end of four years my circumstances made it possible for me to discharge my debt. Not only was I told that my payments so far had been regarded almost entirely as interest and that I still owed practically the whole £1,000, but that I would have to pay a considerable sum in addition for the trouble caused to the building society for cancelling my contract. All this was clearly stated (in small print) on my agreement and there was no escape. I was old enough not to be surprised. Mr. Justice Bennett of the Chancery Division of the High Court of Justice, once made this remark: 'As for Building Societies, although they be regarded as the props and pillars of England,

every transaction with a Building Society which I have had to investigate makes me shudder.'

Before the recent war Building Societies financed about four-fifths of the privately built houses, a proportion sufficiently large to engage our special attention in this book. It was not until after the previous war that they achieved their present importance. Between 1781, the date of the first society, and 1870, seven thousand societies had been formed of which three thousand were then still alive. By 1919 their number, but not their aggregate capital, had been reduced to one thousand, two hundred and seventy-one. The total funds of all building societies accumulated up to 1919 was £68 million. Between the two wars this fund increased twelve times although the number of societies by 1942 was reduced to nine hundred and twenty or less. Of these, twenty-two large societies with assets of over £5 million each own 65% of the total of £753 millions. The two largest societies, Halifax and Abbey, own 28% of the total. Some well known lords are amongst the directors of the large societies and include Astor, Cecil, Derby, Samuel, whilst on the boards of the smaller district societies we find the names of that leader of the 'Individualists,' Sir Ernest Benn. Others are Mr. Anthony Eden, Lord Halifax and Sir Patrick Hannen. Such people are not however by any means the owners of the Societies: in 1942 there were nearly two and three quarter million shareholders and depositors, but only one and a half million borrowers.

Homes for Heroes. After the first world war 1914/18, the democratic forces of this country became more assertive than ever before. One of the deficiencies upon which attention was concentrated was the acute shortage of decent houses. Mr. Lloyd George's 'Homes fit for Heroes' could not be slums. These slums must be swept away and replaced by a system that originated in the country we had helped to defeat. Germany started the municipal housing idea.

Parliament gave powers to local authorities to acquire land and to build houses upon it which they would let to approved tenants at reasonable rentals. There was no 'why pay rent' nonsense about all this.

Despite all opposition, despite the fall of the Labour Party in 1924 and 1931, the work went on. The area for which I myself serve as a local councillor had only three publicly owned cottages before 1914. By 1939 it owned 717 houses, most of them much superior to those built before 1914. Its present housing programme covers the building of nearly one thousand houses.

Although I do not propose to burden you with a long and detailed account of the development of socialised housing which is what this movement really is, a few facts may well be stated to make an outline sketch of it.

In 1943 the Minister of Health stated that 'about 300,000 families are living in houses which have already been, or, but for the war, would have been, condemned as slums.' At the outbreak of war there were also about a like number of families living in what were officially described as 'overcrowded' standards. Six hundred thousand families represent about two and a half million people. This situation existed despite the social effort between the wars to supplement private building enterprise; despite the actual construction of about a quarter of a million houses every year in that period. How did this dreadful situation originally come about?

The story as I see it is this: Britain was the first nation to become industrialised. Since the 'industrial revolution' about nine-tenths of its working population became employed in manufacture and commerce instead of in agriculture. The early years of this comparatively short and recent historical period saw the growth of enormous concentrations of population around our coalfields; coal being the source of the steam power required for driving the then new machinery of industry. Ex-agricultural workers had not been accustomed to stylish dwellings. Country cottages in which they formerly

lived lacked many of the amenities now deemed to be necessary. In consequence, large areas, particularly in the Northern Midlands were covered with miles and miles of primitive homes which represented the cheapest kind of dwelling into which workers could be introduced. Such places still remain and are now regarded as slums. These slums are so regarded because they are not only arranged in depressingly ugly streets but because they fall short of the air space now found necessary by medical authorities, and they lack proper sanitary conveniences. The problem was summarised by Sir Ernest Simon in the *New Statesman* (14/12/35) as follows:

> 'We talk a great deal about planning in this country; but our planning is a constant fight against vested interests. Town planning and housing would be relatively easy if we could act on the advice of our best experts. In fact the satisfactory rehousing of the people is thwarted at every turn by the dreary and unending fight against the people whose personal interests would be damaged if we did the right thing.'

He said this because the government then in office had to a large extent reversed the policy started by Lloyd George in his 'Homes fit for Heroes' mood and carried on and extended by the two so-called Labour Governments under the premiership of Ramsay MacDonald.

The influence of the government during what may be called the twenty housing years between the wars may be seen in three periods, 1919-23, 1923-33, 1933-39.

1919/23. *Addison Act of 1919.* Government paid a fixed subsidy per house to local authorities and the whole of any residuary loss. About 150,000 houses were built by local authorities, one-third of their cost falling on local rates. The snag about this act was that it made rents of working class houses too high.

1923/33. Another Housing Act of 1923 was followed by the 'Wheatley Act' of the Labour Government in 1924. These acts provided more adequate subsidies aimed at low rents. About half a million houses were built under these acts. In

1927 the Conservative government passed a new act which made great reductions in the housing subsidies.

1933/39. By 1933, despite the change in government, what had already been done under the Wheatley Act had begun to become effective in producing houses at cheap rents. The 1933 Act of the so-called National Government abolished all subsidies except for slum clearance, but in 1935 another Act had to be passed to re-introduce the subsidies because of the failure of private enterprise to meet the problem unaided. In 1938 yet another Act once again reduced the subsidies, this time particularly in relation to slum clearance. Increased compensation became payable to slum landlords under this Act.

About four million houses were built during these three periods covering 1919/39. Of these about three million were built by private enterprise and one million by local authorities. This then is a new pattern introduced into the system by which we find shelter for our bald bodies. Private enterprise, however, does the actual building and produces the materials. Let us proceed therefore to investigate its manner of so doing.

Building Costs. There are four main items of expense to be incurred when a house is built. The most important single factor is interest on capital. Then comes the acquisition of land upon which to build, then the payment of labour, and finally the cost of materials to be used. Some of the materials such as steel and fuel have already been considered separately in this book. All these things have to be paid for from capital which may be borrowed or earned; in either case it has an interest bearing value.

Interest. Since, as I have already explained, house property is a safe and popular investment we shall not be surprised to find that the *rate* of interest received very close attention from investors. During recent times the costs of labour and materials have increased so much that the rate of interest on the capital that has to be advanced to pay for them has had to be reduced. A small six-roomed house costing £300 in 1914

would cost £600 in 1938 and about £1,200 now. At 5% interest these figures represent an annual interest charge of £15 in 1914, £30 in 1938, £60 now. An owner who invests his money in such a house today would find, unless he is content with less than 5%, that, when he had made proper provision for repairs and taxation, that by the time a tenant has added the charge for local rates the total of all this is too high for the average working class income to bear. Municipal authorities who borrow money to finance their housing schemes calculate the interest cost at about 60% of what they charge for rent. This imposition has the following curious effect. If the cost of labour required to build a house were doubled the rent would be increased by 37%. But if you double the rate of interest the rent goes up by 70%.

The government has had to step in and do something about interest rates paid by local authorities for their housing loans. They have made it compulsory that all borrowings be from a central fund instead of from privately owned insurance companies and banks as hitherto. The rate of interest charged is 3% for long term loans and 2% for short periods. It is only by these means that new homes can be made available to the working classes who are of course about 90% of our population. The services of Building Societies will be confined to a smaller number of people than between the two wars; after our national building resources have completed the urgent requirements of local authorities, and can be diverted to the erection of houses for higher income groups who can afford to own (or seem to own) their own houses.

LAND.

Having obtained our capital, or a promise to lend it, we cannot proceed to building operations until we have a site upon which to erect our house. The cost of land averages about 10% of the total cost of a house.

Land varies in value according to where it is. The most valuable land is in the centre of great cities and has obviously

not become so valuable as a result of the activity of its owners but because a large number of ordinary people like you and me find it convenient to live and work there. The lucky owners achieved their good fortune as a rule by nothing more than the accident of being the first born of families whose ancestors had ' a pull ' with the government of days long bygone, when the gift of a parish or two on the banks of a river or near a subsequently discovered coal field, for example, raised such families to something like godlike supremacy,—in that they could satisfy all their desires without effort, which when performed by gods or the characters in fairy stories is called magic. Thus the land on which the City of London stands is said to be worth £9 million an acre. Although we obviously cannot afford to build our house there I see no great harm in making you acquainted, in passing, with a few more facts about our great landowners' possessions, if only to disabuse your minds of a carefully circulated notion, now prevalent, that the land-owning aristocracy of this country is dying out and need no longer be taken into account.

There has been no complete land survey of Britain since 1873. Then there were 27 landed Dukes, 35 Marquesses, 128 Earls and 295 Barons. Out of this total of 485 persons only 77 made known the extent of their properties at about 2,500 square miles.

Many such landowners have artfully concealed their ownership by forming their estates into limited liability companies, an incorporate institution which never dies and therefore pays no death duties. The owners of shares in these companies would of course have duty charged on the value of the shares they might have owned at the time of death, had they not taken care five years beforehand to give their shares away to their successors. This little device is worth knowing about even though you may have no hope of ever making use of it yourself. If you are clever enough to make yourself some day into an ordinary millionaire you are sure to find out about this without relying upon this book.

How to avoid Death Duty. I will not go so far as to describe the process as fraud but you can call it what you like. If you own £100 worth of property when you die your executors will have to pay £1 'Estate' Duty. If your fortune is larger, the more it is, the greater percentage of duty payable, until at £1 million it amounts to 52% and at £2 million 65%.

There may be some excuse for you if you are like me and resent the way Royalties, government officials and others give themselves airs based upon a standard of life which is paid for, in part, by my hard earned tax payments; but in my view a very rich man ought to pay gratefully to the country that protects his wealth. What he so often does instead is this: he gives away his shares in companies to people who conspire with him to dodge payment to the inland revenue. The conspiracy consists in the signing of 'blank transfers' and in agreeing to pay incomes derived from shares to the donor until he or she dies.

Before the law got round to it these rich people could do without the 'blank transfers' by simply giving away their shares on the understanding that the recipients would not stick to the income. When this practice became too prevalent a new law was made whereby a gift of this kind was liable to be assessed for estate duty if the donor died within five years. For continued family amity five years is a long time. A disgruntled heir could snap his fingers once he had obtained his inheritance before the proper time, so father now says 'Come on my lad, just you sign this,' before he parts with his plums.

The process of transferring the ownership of shares from one person to another requires a legal document called a 'share transfer.' This document has to be lodged with the secretary of the company who makes a record in his 'register,' showing the owner's name and address to which interest or 'dividend' must be sent. Now if I gave you some shares they would be of no value unless I signed such a document. If however I wanted to be in position to rescind the gift and to recover my shares at any time without consulting you I could demand as a condition of my gift that you sign another

document transferring the shares to me or to anyone else whose name I cared to write upon it. This second document once signed I could keep for as long as I liked without sending it to the secretary of the company or even stating on it to whom the shares are to be transferred. It is a sort of Sword of Damocles used to make you be a good boy, or girl. I can take back my gift at any time I like.

Most of the Britain for which you may have fought is owned by companies of which the largest are engaged, as we have seen earlier in this book, in the insurance business. The Prudential Assurance Company was reported in 1915 to be the largest London landowner. The churches are also great landowners. Their rentals total nearly £2 million a year from some ¼ million acres, including some of the worst slums.

Uthwatt Committee. In 1941 the Uthwatt Committee was appointed to investigate the question of land values. It was confronted with the landowners' organisations, The Land Union and The National Federation of Property Owners. Lord Brocket described the first as 'it believes in private ownership, private enterprise and personal ambition,' and the report as 'unprovoked agression.' He need not have become so hot and bothered at the time, for the Conservative government rejected the recommendations of the committee about the taxation of increased site values. This committee had been asked to report upon the amounts to be paid for land compulsorily acquired for town planning and building. It issued two reports admitting that Nationalisation was the logical solution and that it only refrained from recommending it on the grounds that it would create 'political controversy' and grave administrative difficulties. It said in effect: 'Pay the 1939 price but tax all increases in value at the rate of 75% per annum.' I have not bothered to pursue Lord Brocket's reactions resulting from the General Election of 1945.

THE BUILDING INDUSTRY.

Before we can have a new house someone has to make a plan. This planning is mainly in the hands of

a Trade Union deemed respectable by the conventionally-minded middle class, whose ranks I presume to include you and me, because to become a member you must pass an examination whereby you achieve the status of a professional architect. You must also possess parents or backers sufficiently well-off to afford to maintain you for several years during which you work for a member for nothing. The Trade Union (Royal Institute of British Architects) fixes the payment to its member by anyone desiring to employ an architect at a percentage of the value of the house when built. The architect directs the actual builders who usually claim certain extras to his original estimate. It is thus against the architect's interest to defend you against such claims. You sometimes, as in my own experience, have to employ another architect to defend you against the first one.

Builders. You may think that building is a fine occupation. So it is, but it is also more prone than any other (with the possible exception of poultry farming) to land you in the Bankruptcy Court. Why is this? The answer is that it is easier to build a house than to prepare sound estimates and to keep expenses within them. Any optimist frequenting a village pub can get to know all the floating population in the neighbourhood which includes men capable of performing all of the many functions required in housebuilding. I call them floating when they do not work regularly for one employer.

In 1935 there were 64,000 small building firms of which 23,000 employed no one but the owner. Any of these one man firms would agree to build your house. Show him the plan, tell him how much you can afford to pay, he will say 'yes' and hope for the best. Tom over there in the corner by the bar is the local bricklayer, George who has just sunk another pint is a good joiner, Bert who will be in presently is a plasterer and Jim the plumber is (or was) always hanging around. Any lout can dig, mix sand and cement and carry bricks. If all goes well the 'builder' who does nothing but co-ordinate the work of all these people and perhaps a few

others, and orders materials from builders' merchants who will charge extra for the credit they give him, will be 'flush' in the pub for a while. If things get awkward then the builder's merchant chalks up the deficit in cases where it is not considered worth while to pay the expenses of making the old toper bankrupt.

The building of all houses is not of course left to such extremely inefficient examples of private enterprise. In 1943, although there were 60,177 small building firms employing less than 20 people, there were 3,402 employing up to 100, 514 from 100 to 500, 51 from 500 to 1,000, 36 from 1,000 to 5,000 and 3 only employing over 5,000 workers. Of all the firms employing over 100 workers twelve are predominant. The large firms before the war formed themselves into a price fixing ring. Tender forms (requests for estimated costs of a building) would be received from architects by all or several firms in the ring, who would decide amongst themselves which member should put in the lowest price. A percentage was added to every tender to form a fund from which members were compensated when mistakes caused losses.

Materials. We have investigated the supplies of so many different articles of merchandise that you must have become familiar with a pattern general to them all. I do not think it expedient therefore to follow all the components of a house to their sources. Apart from, and of greater value in most houses, their steel and timber, bricks and cement are the main ingredients: those two rather than the first two are peculiar to houses, so I will ask you to be content with them, the famous investment: bricks and mortar. Before doing so we may as well get them in proportion by making an analysis of the cost of a typical small house and while we are about it see how the prices have changed between 1938 and October, 1945, when the Minister of Works gave the following figures for a present day £1,200 house.

	1938 £	1945 £	Percentage Increase
Bricks - - -	56	84	50
Timber - - -	36	100	177
Cement - - -	20	29	45
Sand and Ballast - -	17	28	65
Tiles - - - -	15	31	107
Other material - -	130	200	54
Total for House - -	274	472	
Balance - - -	226	728	
(production cost)	500	1,200	222-12

Sir Ernest Simon estimated that the cost of such a house could be reduced by £100 if fittings were standardised. The Simon Committee in their report, 'Planning and Management of Building Contracts (1944)' states:

> 'We have no evidence of the increase of trade associations among firms supplying material to the building industry since that date (report of trusts 1919), but there can be no doubt the general direction during the last twenty years has led to more and stronger forms of combination in this as in other fields.'

In the House of Commons on 15th May, 1945, Mr. Molson M.P. read a letter he had received from Sir George Burt, Chairman of the Committee bearing his name, and head of one of the largest firms of building contractors, John Mowlem Ltd.

> 'I do not know of a material used in housing of which the selling-price of manufacture is not controlled by a combine, ring or other selling arrangement and generally speaking its distribution as well. My personal view is that in too many cases the selling-price has no proper relation to production.'

The National Council of Building Material Producers comprised in 1943 a group of 44 Trade Associations which were mainly concerned with price fixing. Its president is or was Sir Malcolm Stewart, a gentleman whose activities we shall find prominent in our concluding investigation into bricks and mortar. The Vice-President of this council is Sir William Larke, a director of the Iron and Steel Federation.

BRICKS.

Sir Malcolm Stewart is or was the Chairman of Britain's largest brick producing company, the London Brick Company Ltd., which, with about a third of Britain's total capacity, dominates the markets of the South.

The annual capacity of the entire industry is about 7,000 million bricks annually, enough for 400,000 houses a year. There were 1,362 brick producing firms before the war of which some 300 were closed down by the government's concentration of industry arrangements.

The following is a report on a Birmingham brickyard:

> 'The men in the clay quarries, digging the raw material for the bricks, still work almost knee-deep in slush and water; mess-rooms are a rarity and canteens unknown. Conditions have not changed since 1892 when I first went to work in the brickyard. It's been a life of absolute slavery. One machine has been working since 1891 and the whole method of brick-making here is just as antiquated.'

MORTAR.

Sir Malcolm Stewart is a big man in the cement industry. He (and 'another,' a familiar euphemism) hold £868,482 shares in British Portland Cement Ltd. (capital £4 million) of which he was Chairman as well as of The Associated Portland Cement Co. (capital £7 million) until he retired at the age of 73.

Since these two companies exert a dominating influence upon the whole industry I will give you their story.

On July 10th, 1900, Associated Portland Cement Manufactures was registered as a limited liability company. It amalgamated about 30 competing firms controlling about 45% of Britain's total output of cement. On November 1st, 1911, British Portland Cement Manufacturers, a subsidiary of 'Associated,' was similarly registered and brought in an amalgamation of another 33 firms. This combine put an end to the operation of free competition affecting about 75% of

the industry. But the profits it made under this arrangement attracted outsiders. In 1918 the Cement Makers' Federation was formed and by 1921 it controlled 90% of the industry. A new group of 76 firms, however, flying the banner of a 'Red Triangle' persisted in operating under the nose of the cement lion. It continued to do this until 1928 when it too joined the ring, but by 1930 it was ruined, went into bankruptcy and its assets were left to the lion. Three years later Sir Malcolm Stewart reported what had been done with the Red Triangle assets: 'Their efficient units were extended, the inefficient closed and our own production correspondingly increased.' *Stock Exchange Gazette,* 5/4/35.

In 1934 a nation-wide quota system was introduced. Each producing firm (and new ones were frequently started, because the process is simple and the raw materials required are found nearly everywhere) was given a fixed share in the estimated total trade. This quota scheme resulted in a rise in prices of about 20%. The *Economist* in its issue of February 11th, 1939, printed:

> 'The decision to risk the heavy capital expenditure necessary to secure a slice of the cake was prompted by the profitable level of prices. In contrast to those of most other materials, the price of cement was raised at the end of 1937 when business activity began to decline, on the ground of the rise in coal prices. . . . It is now reported that the plan to erect two new factories has been abandoned. Have the leaders of the established industry threatened to drive the newcomers out of business by price-cutting?'

Again on June 10th, 1940 it printed:

> 'On every occasion when competition has threatened permanently to depress the level of profits the leading group has succeeded in bringing other groups by one means or another under its covering umbrella.'

When war came in 1939 the government made no attempt for some time to control cement, so vital to the construction of air raid shelters and to the war effort generally, but later it made Lord Walmer, who continued to receive £5,000 a

year salary from the ring, controller of cement. Herbert Morrison in *Picture Post,* (3/2/40) said:

> 'It is an axiom of good public administration that men in public authority should not be judges in matters which their private interests are or may be concerned. This sound principle has been broken wholesale by the Government, who have appointed as controllers and to other official positions men who have private interests in the matters with which they deal on behalf of the State.'

Profits from Cement. In 1933 the Conservative government imposed a duty of 10% on imported cement. For the few preceding years the cement lion had not been unduly underfed with profits. Associated averaged about 8%. British about 15%. Between 1936 and 1939 things improved to 23% and 27% average respectively.

The latest news at the time of writing is that a new committee is to be set up by the government to 'review the financial structure of this industry.'

ELECTRICAL EQUIPMENT.

I do not propose to examine this industry in detail. The net profit of General Electric Company from 1935 to 1939 varies from 64% to 88% of the total costs. In 1939 one of its officials wrote a letter to the Tung Sol Lamp works of Japan:

> 'The design life of the 2330 lamp has been changed from 300 back to 200 hours, the change to take effect as soon as manufacturing facilities will permit. It is understood that no publicity or other announcement will be made of the change.'

Labour. Despite the constant and unsatisfied demand for new houses between the wars unemployment was high, wages and general conditions were unsatisfactory, and compared unfavourably with the average of all industry.

The total number of people employable in 1939 was about fifty thousand over the million. In the best year, 1937, about 15% were unemployed. In 1934 it reached 27% (over one in four).

The average increase in wages for all industry between

1939 and 1943 was 76%. In the building industry it was only 64%.

Building is a peculiar trade in so far as, like farming, it is affected by weather conditions. In many ways it is worse than farming because while many agricultural, dairy and stock raising operations can be conducted in wet or frosty weather, building comes to a standstill under such conditions. Cement and plaster will not set. Paint will not dry.

You might have thought that with the advance of civilisation measures would have been discovered and adopted to remove the burden of climatic misfortune from the backs of those who are least able to support it. Even with assistance from the National Unemployment Insurance Fund three days' pay is lost, and an unworkable spell of bad weather may not last longer, or be repeated after one fine day. Skilled building workers, therefore, suffer the status of casual labourers and until the whole industry can be efficiently co-ordinated and centrally organised there seems to be no remedy. The weather truly is not the fault of business men striving to make the best of the strange pranks of our climate, but it seems clear that so long as this industry is left to private enterprise much hardship will prevail for the million or so who do the physical work.

So we are back where we started this chapter. The weather drives our baldness into shelter. The weather likewise makes havoc of our work to provide it.

TIMBER.

Many articles of everyday life are made of wood. For the construction and furnishing of a house, timber has always been used in great quantities. As a building material it is of much importance. Nearly all the timber used in Great Britain is imported from abroad. The business side of this is somewhat intricate, because nature imposes certain complications that are not present in other industries.

There are two principal varieties of timber; hard and soft. Coniferous trees (bearing seeds in cones such as pine, fir,

spruce, larch), grow in cold countries where whole forests of similar trees exist. All these trees produce wood called soft because nails may be driven easily into it, so making it particularly useful for building purposes in cold and temperate climates where timber destroying insects, and damp rot are not serious dangers. Hard wood, more useful for furniture, does not grow in quite the same way. Trees of different variety are scattered about singly or in groups. Their selection, felling and extraction from their forests, often in tropical countries, where transport facilities are poor, is costly in labour, even though the workers may be natives who receive far lower wages than are demanded by Europeans. Although there is much difference in business procedure consequential upon these natural and geographical causes, both hard and soft imported woods entail some similar commercial practices.

The owner of a growing tree is either a government or a private person. Before a tree may be felled permission must be obtained. This is usually by straightforward purchase. The purchaser may be either a person or firm who is concerned only with the felling and extraction of the tree or log (so called when the branches are taken off) from the forest; or the owner of a saw mill where logs are converted into planks. The price paid will depend mainly upon the size, accessibility and proximity of other similar trees. There are thus scattered all over the world of forests, businesses whose function is to convert trees into planks. It is with such businesses that our investigation begins.

Trees vary in quality and dimension. Even one tree may contain wood of different commercial value. Every tree makes narrower planks at one end. Each timber-consuming trade prefers planks of sizes to which it is accustomed. No indication of quality can be seen until after a tree has been felled and converted into planks. Mill owners producing a variety of materials suitable for divers purposes, many thousands of miles away, are rarely, if ever, in touch with such numerous and remote markets. They often need the services of a merchant or export shipper, usually located at a sea or river port, possessed

of capital, foreign trade connections, and knowledge of the complicated procedure of his business. In some instances these services are rendered by a broker or agent who is paid commission on sales and who, holding no stock, takes no financial risk. His job is to find buyers in the distant importing countries.

Import. Another set of merchants, agents and brokers exists in the importing countries, usually, for obvious reasons, at seaports. These people cannot estimate accurately the value of imported timber until they have had an opportunity to see it, although they have often to pay beforehand. There is also the problem of storage and seasoning to be faced and solved. These are functions for experts. Such experts themselves are not usually owners of businesses wherein timber is the raw material of manufacture. They are familiar rather with foreign exchanges and market fluctuations. They rarely, if ever, sell timber to the actual consumers who purchase rather from local merchants either by wholesale or retail according to the size of their businesses.

There are thus many classes of traders involved in this trade, intervening between the growing tree and the table leg, floorboard or rafter, brush handle or child's toy train.

Soft Woods. The supply of soft wood vital to the solution of the world's housing problems, is a matter of grave concern to Great Britain. Before Hitler's war, out of about 2 millions standards (a standard is 165 cubic feet; an average small house requires about $1\frac{1}{2}$ standards) imported annually, about 25% came from Finland, 25% from U.S.S.R., 15% from Canada, 10% from Sweden. Finland, after the war, has dropped to a quarter of 1938 supplies, Sweden to half, Russia to one fortieth.

Hard Woods. The British furniture industry before the war employed about 120,000 people. It relied almost entirely upon hardwood imported from U.S.A., Russia, Poland, Yugoslavia and Japan. American imports, after the war, have fallen to

10%, none of the other countries had by early 1947 supplied any at all. Of these it has been said:

> 'It is impossible to resist the conclusion that political reasons are largely responsible for our failure to recover our sources of supply in Central and Eastern Europe.'

Timber Control. The British Government set up a department to control the importation, supply and use of timber during the war. No timber could be purchased excepting under its licence. Its procedure has been to allocate supplies to various trades proportionate to their arbitrarily determined national importance. One of the alleged defects of this system lies in the charge that the experts in authority are all, of necessity, persons formerly, and still, engaged in private timber trading businesses, and that consumers are not represented.

Mr. John Haire, M.P., speaking in the House of Commons on 5/2/47, said:

> 'The situation is so serious that, generally speaking, it endangers our housing programme for the next year, and more particularly it threatens widespread unemployment and under employment in my own constituency and elsewhere in the furniture industry.'

Monopoly. This industry as yet shows no serious tendency towards the elimination of free competition, probably because sources of supply are scattered widely in units small by comparison with other industries wherein they are much more closely concentrated. There are nevertheless a number of large and prosperous firms whose shares are dealt in on the Stock Exchange, and for which the prices of £1 shares in January, 1947, were as quoted as follows: Anglo Thai 75/-; Denny, Mott & Dickson, 31/3; Gabriel, Wade & English, 49/-; Hollis Brothers, 45/7; Price & Pierce, 75/-; Venesta, 52/6.

Home Grown. During the recent war, Britain, being cut off from overseas supplies, was forced to rely upon home resources. A Home Timber Production Department was set up by the government, with sawmills operated as a public service. Supplies of timber for coal mines were essential to the prosecution of the war.

Although trees grown and felled at home have always formed a small part of our total consumption of timber, and laws exist imposing obligations upon the owners of woodlands, it must be remembered that trees take many years to reach maturity. War emergency depredations of our countryside cannot be quickly replaced, nor can trade in home grown timber be looked upon as permanent.

Plywood. An important new technical development in the production of plywood is of much consequence. The 'Mosquito' aircraft, which contributed much to our military victory, relied upon a new method of rendering plywood impervious to water. This has been done by the replacement of animal glue, soluble in water, by resins, which by chemical and mechanical means may be employed as insoluble adhesives. The government set up enormous 'shadow' factories for the production of this new plywood. A decision to sell these factories at 'give away' prices to private enterprise seems to me to be a policy of questionable wisdom.

Conclusion. The importance of timber in our national economy does not seem to be fully appreciated by the public. Return to the pre-war system of uncontrolled private enterprise is unlikely to satisfy a national plan.

SOURCES OF INFORMATION:

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Land and Land Owners	
The Cement Industry and its Owners	
The Trusts versus the People	W. L. Taylor
Why not Trust the Tories?	Aneurin Bevan
Britain Without Capitalists	
Britain in Recovery	
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CHAPTER TEN

Transformations

FAIRY TALES are part of our lives. Few of us ever lose the fascination of the magic wand that can transform anything into something else. In real life chemists can do it, and do it they do, on a very large scale at the behest of a fairy godmother or genie whose name rhymes, or near enough, with wand; it is Mond.

The story of Sir Alfred Mond, coroneted later as Lord Melchett, and I.C.I. (Imperial Chemical Industries Ltd.) is as good as any fairy tale. It can be pieced together from the very realistic *Stock Exchange Year Book* and it is my job to do it.

SALT.

Salt seems to have been the magic substance of Mond's alchemy. There is plenty of it in the world; the sea is full of it; but it is easier to obtain from enormous underground deposits in the neighbourhood of Northwich in Cheshire, where two men, Brunner and Mond set up in business. I am not myself a chemist and maybe I have got the story all wrong, but as my simple mind works it has gathered the elementary notion that acids and alkalis can be manufactured in large quantities from our old friend sodium-chloride, or salt. Be this as it may, it is a fact that the Kaiser's war focussed the attention of our rulers and financial magnates upon chemicals. It was understood by most of us who lived in those gory days that somehow Germany had outstripped us in the application of science to industry and that since you cannot conduct a modern war without explosives, or a modern peace without

dyes and many other substances embraced by that mystic omnibus term 'chemicals,' it was up to us as a nation to do something about it. Fortunately one of our leading chemical manufacturers was an M.P. and moved freely in 'government circles.' In 1926 he, Sir Alfred Mond, possessed no doubt not only of his own chemical business and political influence, but great personal acumen and energy, including persuasiveness, formed I.C.I. out of his own company plus three other big ones, United Alkali, Nobels, British Dyestuffs, with the modest capital of £58 millions. About forty subsidiary businesses were linked in this affair.

I.C.I.

Imperial Chemical Industries Ltd. has prospered exceedingly until, to cut a long story shorter, it now has some eighty subsidiaries with a total capital of over £100 millions. upon which in 1943 the published profits were in the region of £22 millions.

It is a fine business controlling 50% of all 'chemicals,' 90% of all explosives, 90% salt and 100% alkalis. It also has a virtual monopoly of many raw materials used in the manufacture of drugs. It does not, however, confine its activities to chemicals, unless you are a purist who argues that all matter is chemical. Most of us, however, would exclude from the term, bicycles, bayonets, motor accessories, radiators, gas mantles and zip fasteners; to say nothing of imitation leather cloth, cellulose paints and now these new-fangled 'plastics.' I.C.I. has its fingers in all these pies. But its best pieshop is war. When asked if I.C.I. had tried to create peace in the Far East its Chairman said 'Surely not. It is not our job to create peace.' This Chairman's name was McGowan, not Mond, who died Lord Melchett and left more chemical coronets in his train, including Lord McGowan and Lord Colwyn. Lord Weir of Eastwood is also on the Board. Lord McGowan is an active and versatile gentleman said to enjoy an income most big-business men would envy derived from I.C.I. and from some fifteen other directorates including

British Overseas Bank (largely financed by Prudential), International Nickel of Canada, General Motors and The Midland Bank. He was also a member of the Anglo-German Fellowship and attended the Nazi Nuremberg Conference in 1938. He admitted before the Royal Commission on the Private Manufacture of and Trading in Arms that I.C.I. had sold certain specialities of war to Japan and also to China.

Through its galaxy of directors, lordly and otherwise, its connections, ramifications and political influence is so immense as to encourage my use of the symbols of fairyland and realms unknown to ordinary folk like us. But we do know some of it, if only from this book. Here are some names: four of the big five banks (excluding Westminster), Martins Bank, National Bank of Scotland, Dunlop Rubber Co., Manchester Liners. The Sugar Beet industry and the Vice-Presidency of F.B.I. are also connections of one of the coroneted I.C.I. magnates, but more important perhaps than any of these are the international connections.

International. The foreign and overseas links of I.C.I. can perhaps best be arranged in continents. Let us start with America. Canadian Industries Ltd. (shared by Du Pont, the greatest United States chemical, explosives and armament firm) has twelve subsidiaries which girdle the Dominions. International Nickle Co. of Canada with mines owned jointly by British and United States private citizens. The Finance Company of Great Britain and America Ltd. (linked with the famous American banking house of Morgan) whose object is stated to be:

> 'To direct British and American capital available for investment into the most profitable channels for the development in both countries of industries either already established or of new ideas and processes in industry and manufacture.'

I.C.I. is also a heavy shareholder in the Du Pont de Nemour chemical combine itself, which firm in turn is a dominating shareholder of General Motors, said to be the most profitable concern in the world.

Passing to Africa we find a link with the De Beer diamond millions in African Explosives and Industries Ltd. and its subsidiary, Cape Explosive Works Ltd. There is also a directorate linkage with an Egyptian Bank.

In Europe the connections and agreements of I.C.I. with German firms caused some anxiety to simple folk before the war. Then a 'cartel' was formed with I.G. Farben Trust which, amongst its less sinister effects, caused an increase in the price of dyestuffs, so that in 1934 the Lancashire Cotton industry had to pay 52½% more for its colours than before the cartel 'regularised' markets by the elimination of the much lauded free competition. I.C.I. had large investments in I.G. Farben. Kuhlmann's of France were also members of the cartel. There are banks in Basle, Amsterdam and Sofia linked by directorships.

Poison Gas. In view of the international industrial power of the chemical industry it is not surprising that they wield great power. The draft convention of the League of Nations undertaking 'to abstain from the use in war of asphyxiating and poisonous or similar gases' was rejected by the U.S.A. Senate.

The *New York Times* reported on 24th March, 1931:

> 'The anti-gas convention was defeated in the Senate after the American Legion, the Chemical Warfare Society and the chemical companies in the country had presented arguments that the use of gas in warfare was not as inhuman as had been generally supposed.'

War. Chemicals, of course, are immediately important in war.

In 1936, before the Royal Commission on the Private Manufacture of Armaments, the Union of Democratic Control instanced thirty-eight agreements between I.C.I. and foreign armament firms regarding the sales, the use and the exchange of patents, products and information about processes.

In January, 1944, I.C.I. was charged in the U.S. District Court that, along with Lords McGowan and Melchett, the

Du Pont Co. and the Remington Arms Co. were 'continuously engaged in a conspiracy and combination in restraint of trade and commerce in chemical products and arms, including war material and ammunition in the United States and with foreign nations.'

SOAP AND MARGARINE.

The transformation of fruit and flowers into soap and margarine is a happy idea. The kinship between God and cleanliness is another. There are great riches in both of them.

The manufacture of soap used to be a horrid business because of its awful boiling of great quantities of animal fats with a solution of caustic soda.

There is nothing surprising in the divine associations of putrid fat, for the cycle of life itself revolves around unceasing decay. Our vegetable foods demand it in the soil itself.

That Arthur Lever was at heart a poet, or, to state his case more moderately, inflicted with a streak of romanticism, is evidenced by his later life. As like is often attracted to like, so is it occasionally repulsed, and extremes sometimes meet. Anyway, however you look at it, this Arthur Lever, rich soap boiler, had the fruit and flowers idea and offered a prize of £50,000 to anyone who could show him how to make it practical.

People have often laughed at me when I have propounded my pet theory of an ideal business, but, by the light of the story I am about to tell, it is not so absurd as at first it may sound. It is only the logical next step.

Lever, or to acknowledge his customary reward, Lord Leverhulme, having poetically linked sunlight to soap and having explained in every package of it why a woman grows old sooner than a man, had the bright idea that if he could advertise a toilet soap made from a combination of fruit and flowers it would be a 'good thing.' I do not think he at first envisaged that such a product would also be good to eat, for I do not think the word margarine had then been coined. Soap and margarine differ somewhat in their composition.

My own bright idea is to overcome this difference and although, unlike Lever, I lack the £50,000 to offer as a reward to the discoverer of a formula, I cannot help feeling that some day someone will hit upon what I call my Universal Paste.

This dream substance could be put up in jars and tubes from which it could be used to spread on bread or to make into soup; or to clean your teeth, shoes and floors; you could shave yourself with it or remove spots from clothes; it should be a good sauce for fish, game or poultry; it would cure coughs, act as a face cream, remove corns and superfluous hair; and would stick photographs into albums. There is no end to what you could do if only you had the right formula and the same amount of faith as you have now in many of the pastes you buy. Leverhulme with his coronet only touched the fringe of the possibilities. Since, however, this fringe is our serious concern, I will quit fooling.

Soap. We must start with soap as Lever did. Lever Bros. Ltd. (capital over £60 millions in 1938) controls soap factories in every part of the world. It is even one of the largest producers in U.S.A. and that is saying something. It is said to control 80% of the soap production of the British Empire, including such well known brands as Pears, Vinolia, Gibbs and John Knight's Primrose; to say nothing of Sunlight and Lifebuoy and Vim. It also controlled the German Schicht A.G. In addition to all this its ramifications extend, before we come to food, to cosmetics (including Icilma), candles and glycerine.

Glycerine. Glycerine is an important substance to a soap manufacturer and indeed to everyone else. It made us get up out of our warm beds, night after night, during the war, at the sound of the syrens, while it tragically destroyed millions of lives and property representing all the centuries of human labour. Glycerine mixed with nitric acid is the highest of high explosives. Without the nitric acid it is a pleasant, docile, slimy soother of chapped hands and therefore the foundation of many valuable cosmetics. Mixed with water

it will reduce the freezing point and is thus sold to motorists and others. This peculiar substance separates from fat boiled with caustic soda. You can make it yourself in a saucepan without much trouble when you can get hold of some old bits of fat—any kind of fat will do. But don't play about with nitric acid at the same time or your mother, if she survives the result, will wish you had never read this book.

It is said that our poetic Leverhulme became very tough when engaged in glycerine transactions; and I don't wonder for there is lots of money in explosives—and war.

Margarine. When margarine was first discovered it was too good. People preferred it to butter; it tasted much nicer. The government of Canada, heeding an outcry from dairy farmers, called a halt. This, they said in effect, is too much of a good thing. Vitamins had not then been discovered but even without their addition doctors said the stuff was better than butter. A crisis arose. Something had to be done. Laws were made prohibiting the manufacture of anything better than butter; margarine was cried down and cheapened; its sale was thus confined to the working classes or 'lower orders,' and there, until the exigencies of war drove us all to it, it remained.

It is a remarkable story, deserving more space than I can afford to give it and we need not be surprised that we owe much of it to our original Lord of Sunlight Soap. The two chemists who received the £50,000 prize for nine months research work which implemented the fruit and flowers idea, did not set back his lordship for very long, because he applied the process to margarine and leased it to manufacturers for £50,000 *a year*. This inaugurated a new industry which became the International Dutch Margarine Combine.

Unilever. The third great Lever combine concerned itself with the sale or marketing of food products and by-products resulting from the lucky £50,000 prize. Lever Bros. and Unilevers Ltd. in 1938 had an authorised capital of £141 millions. Apart from controlling some 65% of the

margarine production of the British Empire and owning sources of raw material, from coconut plantations to whale fisheries, it acquired an interest in many retail shops. These include Maypole Dairy, over 1,000 shops (capital £3 million), Meadow Dairy; Home and Colonial; Lipton's; Peark's; Broughs; Sherry's; Allied Suppliers. It also controls Macfisheries Ltd. (with nineteen fishing companies and eight hundred shops) and Wall's Sausages and Ice Cream. It controls 31 subsidiary companies and has interests in over three hundred others in Australasia, South and West Africa and Canada. It is a mighty empire. The Labour Party will have a tough job to upset it.

EXPLOSIVES.

Of the transformations performed by chemists none can be measured in terms of energy released which compare quantitatively with what Nature can do for herself when given a little assistance. Some early chemists in China discovered that a mixture of saltpetre, sulphur and charcoal releases much energy when you apply a spark to it. For many centuries research went no further than this. Gunpowder filled the bill.

Authors are accustomed to have their readers call attention to inaccuracies. I let fall a beauty in my remarks about glycerine. It is true that nitro-glycerine is, or was, the highest of high explosives, but I have no evidence for stating that the bombs showered on London were filled with it. The fact is that Nature has been assisted rather more than is convenient by the placing together of these two substances. She, Nature, is apt to release the energy before it is required. Nitro-glycerine is an unstable explosive. It may go off before you are ready for it. A Swedish gentleman mixed it with clay to delay matters. His name was Nobel and the stuff he invented was called Dynamite.

The scientific principle involved in all explosives is fairly simple. Nature, for some inscrutable reason, that not even I can explain, seems to be bent upon the production of as much

water as possible. This it does, of course, by mixing Oxygen with Hydrogen. Usually it works quite slowly or at a reasonable speed, by using the oxygen of the air in the process of burning substances that contain carbon and hydrogen. No sudden burning or explosion takes place. If, however, instead of burning carbo-hydrates in air, you put them in a box together with some substance, other than air, containing oxygen in such a way that it will easily be released when heated, you get the almost instantaneous production of water. When this occurs great heat is generated. The water produced is not liquid but, because of the great heat, is steam at very high pressure; strong enough to burst the box. The speed at which it does this can be measured and compared for various mixtures. Gunpowder is slow compared with nitro-glycerine or dynamite. Speed, however, is not everything. The quantity of steam produced from a given volume of explosive is of consequence too. The more the steam the more the power or force exerted by its sudden production and expansion. Gun-cotton is ordinary cotton which, treated with nitric acid, is called ' cellulose,' and this dissolved in alcohol leads the lot for power but not for speed. It is not therefore classed as a high explosive. The term ' high ' applies to speed, not to the force exerted by an explosive. Discovered early in the last century it was the first advance on gunpowder, than which it is about twenty times as powerful—far too strong to use as a ' propellant ' of bullets or shells in guns, which it would burst. Stowmarket, a small town in Suffolk, England, where this stuff was at first manufactured, was almost completely destroyed when the whole factory blew up soon after large scale production started. In consequence no further attempts were made for some twenty years, during which gun-cotton was discovered to be quite safe if mixed with water. Wet gun-cotton can be detonated with the dry material.

The most suitable explosive for cartridges as a propellant is ' Cordite,' a form of celluloid. It is a glycerine compound and burns without much smoke and is thus an improvement on gunpowder which produces a good deal and thus, when

it was used in firearms, disclosed the positions of soldiers or troops.

Gun-cotton is used in torpedoes and mines but T.N.T. is the high-explosive for shells and bombs. Tri-nitro-toluol, to give it its full title, is a liquid produced from coal as a by-product of any gas works. There are certain other explosives, apart from Atomic Bombs, that do not depend upon the water forming principle but I have no space for an exhaustive description of them all.

Explosives serve many valuable purposes apart from the wholesale slaughter of war. The mining of minerals and civil engineering would be conducted very slowly and by the use of immeasurably more human labour without them. All the same you would think that the manufacture of such dangerous substances would be subjected to rigorous public control, but it is not. The owners of private profit-making businesses have until now been strong enough to resist many attempts to do this.

The private manufacture of explosives and of the essential ingredients is another fine business, in which the owners are loftily aloof from 'Causes.' Both sides in wars are freely supplied until a war becomes so large that impartiality becomes impracticable. Little wars are profitable to explosive millionaires who all operate in 'highly civilised' countries. Such nations can and do exert political pressure upon small and less civilised nations who have no explosive factories and millionaires of their own. In contradiction to this we have the apparent anomaly that Nobel, the King explosive man, was a Swede.

Nobels Explosives Ltd. is, however, an international affair practising not only magnificent impartiality but what may be regarded as a mocking magnificence in the encouragement of peace. Nobel himself was a great philanthropist who after he died left a large fund to provide prizes to people whose humanitarian work is judged by arbitarily composed committees to be of such outstanding distinction as to deserve them. There are prizes not only for those who have contribu-

ted to world peace but for scientists and men of letters. Madame Curie, for discovering Radium, Bernard Shaw for writing plays, are examples of prize awards. (Shaw passed his on to more deserving though less distinguished people, with characteristic good humour).

Du Pont in America; I.C.I. and Distillers Ltd. in Britain; Farben in Germany; Le Creusot in France; Skoda in Czecho-Slovakia; Mitsui in Japan; to say nothing of the international Zarahoff, are all concerned, in varying extent, in contributing to the manufacture of the means of slaughter. There is surely no need to reinforce the obvious with tiresome detail.

PLASTICS.

One of the most important industrial developments of modern times is the introduction of what are called ' plastics.' This term covers a variety of compositions which can be fashioned into many useful articles serving purposes for which more difficult and costly processes were formerly necessary. Apart from this aspect of substitution for such materials as steel, leather, glass, fabric and so on, articles made of the new material often possess qualities of durability, colour or light weight which leads to the development of articles that are not mere replacements of something else, but have a separate life, as it were, of their own. Thus we have Nylon, a fibre stronger than any natural bristle for brushes, but also stronger than any other fibre used in the textile industry. Another example is a wrapping material called ' Cellophane ' which, being less porous than any other suitable material, can be employed where no wrapping at all was hitherto used. In this sense plastic material enjoys a new life by creating a new demand rather than by replacing or improving an old one.

Now all this is primarily the business of the arch-transformers, the chemists. What they have done is to find and to combine the raw materials of nature in new ways. Our old friend Xylonite, now called Celluloid, is probably the most widely used and useful of the earlier plastics. Research in it was encouraged by the enormous demand for cinema films.

Similarly gramophone records are moulded from dust of special composition under comparatively moderate pressure and temperature. This led to a wider use of such powders for moulding into articles of ' Bakelite,' chemically quite different from celluloid but nevertheless called also ' plastic.'

Articles of intricate shape can be produced rapidly in enormous quantities by unskilled labour once the moulds are cut.

It all amounts to a minor industrial revolution. Behind the new movement the organised chemical industry is supreme, because upon it depend for raw material the host of small manufacturers who see a great future in the plastic industry.

I.C.I. It is not surprising therefore, that we should find our friends I.C.I. in the forward line of this new game. I.C.I. (Plastics) Ltd. is the centre forward. I have not yet heard of a plastic football but this firm concentrates upon Nylon and Perspex (unbreakable glass). Together with Courtaulds it controls British Nylon Spinners Ltd., exploiting Du Pont's Nylon patents.

Courtaulds and British Celanese. Courtaulds, whose affairs we have previously considered in connection with artificial silk together with those of British Celanese, ' rayon ' being closely related to plastics, are also well in on the new business, especially the nylon end of it.

Distillers Ltd. Intermediate chemicals amongst which is the important solvent, alcohol, are vital to the new industry. The gigantic Distillers Co. Ltd. (see section on ' Drink ') is of much importance and apart from its alcoholic consequences owns 50% shares of B.X. Plastics Ltd.

There are several well known independent concerns who have been tempted into the team, of which the largest are De La Rue Plastics, British Industrial Plastics, British Bakelite.

I.C.I. have incomparably the greatest resources, but Courtaulds have a cool £27 millions begging for investment. This nice little sum came from the sale by the government during

the war of the firm's American interests. The general effect of the monopoly position has led to high prices of raw materials and of plastics in Britain.

Some of the smaller firms exclusively interested in plastics have not done so badly during the war. British Industrial Plastics Ltd. with capital £443,811, had a record year in 1942, with profit £327,852.

B.X. Plastics Ltd. is jointly controlled by Distillers Co. Ltd. and by British Xylonite (which also owns Halex Ltd. producing tooth brushes, etc.), each group holding 50% of the shares. This group was well represented on the war-time controls at the Ministry of Supply. Mr. L. P. B. Merriam, director of British Xylonite, was Plastics Controller at the Ministry of Supply. Sir A. Vyvyan Board, director of Distillers Co. Ltd. was first Controller of Molasses and Industrial Alcohol, then of Plastics and later became Director of Economy at the Ministry. British Xylonite has a capital of £700,000, but one year's gross profit exceeds that figure.

The situation in this new industry at present is, to coin a synonym for ' anarchic,' extremely plastic. It is largely a sideline for other big industries and development is unplanned and therefore wasteful. It will be interesting to see whether in our changed political atmosphere the Bankruptcy Court or some other instrument is used to restore order from chaos.

RUBBER.

I have been in some doubt as to the proper place in my book for this resilient substance. Since its main use is for motor tyres, my chapter on transport might have it; but since the best story concerns ' synthetic ' rubber I have decided to put it here amongst the transformations.

My first and only personal introduction to the Stock Exchange was during the boom in rubber shares in 1911. Then I learned that rubber had been commercially insignificant, since, soon after the discovery of America, Indians had been seen playing ball games with it. It was not until about

the middle of the 18th century that French observers identified its source; having discovered it to possess the remarkable property of erasing pencil marks by rubbing. Thus it was called 'Indian rubber' in English and was used for little else until the advent of rubber tyred wheels. These were solid until a gentleman of Belfast, a Mr. Dunlop, had the idea of filling rubber tubes with air to make his bicycle more comfortable.

Many different sorts of trees and vines possess a juice, called latex, which has nothing to do with the sap of these plants. This milky juice behaves much as animal milk, in that the cream will coagulate. The curd, butter or cheese of latex is rubber. My stock exchange boom was caused by the extension of Dunlop's pneumatic tyres to another new industry, motor cars.

Qualitatively, but not quantitatively, rubber has had an important influence upon social development. It is used for hygienic purposes connected with birth control and for this reason has presented the world with population problems it might otherwise have escaped.

In 1935 the proportionate uses of rubber were as follows: Tyres, £18.3 millions; other uses, £9 millions.

The year 1937 holds the record rubber production at 1,139,000 tons. Of this, 1,100,000 tons, or 96½%, came from British Malaya and the Dutch East Indies. When Japan captured these places synthetic rubber became important. In some ways it is superior to natural rubber, particularly as it is less damaged by oil. It had doubtless, therefore, come to stay. In 1945 the quantity of synthetic produced was about double that of natural. It is estimated that the world productive capacity for the two sorts of rubber added together exceeds the demand.

Natural Rubber. The early rubber boom had disastrous results. It was like its famous prototype of the South Seas but not so large. Two attempts were made by the government to relieve distress caused by abundance.

The 'Stevenson Scheme' operated from 1922 to 1928 to restrict supplies in Malaya and Ceylon. It had the effect of forcing prices to fantastic heights. This caused the stimulation of production elsewhere and was therefore abandoned in 1928.

The second scheme of 1934 was an international affair. It compelled rubber producers everywhere to refrain from exporting more than fixed quotas quarterly of their capacity. The permissable percentages fluctuated violently; for example in the second half of 1937 it was 90%, but a year later it was reduced to 45%. At the outbreak of war it was 50%.

Mr. J. S. Haskell, Chairman of the Eastern Bank, said this:—

> 'If throughout the world the acreage of wheat, cotton, sugar and rubber (British and Dutch) were decreased, if there were less drilling for oil, if subsidies for shipping were ruthlessly cut down and steps to curtail production in other directions were taken, there would be every prospect of an advance in prices and a consequent trade revival.'

Synthetic Rubber. Pearl Harbour abruptly cut off practically all rubber supplies. Synthetic rubber secrets were controlled by Germany (I.G. Farben) with whom Standard Oil of America had a one-sided argreement. Here is the story:

Germany knew that war would deprive her completely of natural rubber supplies. The Allies thought Singapore impregnable. In 1930 I.G. Farben and Standard Oil in partnership established Jasco Incorporated, to become the centre of a synthetic rubber monopoly in America. Standard Oil submitted to the dominance of I.G. in this concern because it feared the loss of opportunity to participate. Although Standard paid largely for research, I.G. obtained sole control of the results, to support a policy of delay until Hitler had succeeded in world mastery. Standard agreed that I.G. should be paid 25% over-riding royalty before profits were shared. It was not until 1938 that Standard complained to I.G. of unfair treatment by failure to disclose vital key information.

The process used was, and still is, called 'Buna.' After the outbreak of war Standard was still asking in vain for information, much of which had been discovered in America at it's expense, only to be locked up in Germany. It received this reply:

'Referring to your question with respect to technical information about Buna, we have to inform you that under present conditions we will not be able to give you such information.'

Standard then started independent research; so did Du Pont and Goodrich. Standard sued Goodrich for infringement of patents. This law suit went on for two years after the outbreak of war when in October 1941 Standard cabled I.G. asking the Nazi Trust for assistance against Goodrich. Even after Pearl Harbour legal action was still pending but then the United States Department of Justice interferred. Standard agreed to renounce its monopoly claim until six months after the war.

Shortly before the outbreak of war another and cheaper process called 'Butyl,' was discovered by Jasco Inc., which was reluctant to tell I.G. about it. One of the 'Big Three' Standard Oil men, then in Europe, demanded that it should be done without delay. This, and what follows, was discovered by the Truman Committee of Inquiry. A witness stated that Standard had refused to disclose full information to the American Navy. Standard's voluntary surrender of secrets to I.G. was understandable only in view of post-war collaboration with Germany. Meantime the older and the more costly Buna was pushed on to rubber producers. Practical tests with Butyl had not been made even when war was declared. On June 3rd, 1940, an agreement was made with the Firestone Tyre Company to experiment with a few Butyl tyres. The cost of Butyl is about half the cost of Buna.

Tyres. The largest British tyre manufacturing company is Dunlop. Its capital is £12,500,000 and it runs rubber plantations and cotton businesses. There is the usual 'trade associa-

tion' to control or eliminate competition. Profits of its members are as follows:

	1938	1945
Avon	14.2%	22%
British	16.2%	23.9%
John Bull	35.4%	22%
Dunlop	13.9%	31.3%
Henleys	31%	29.6%
North British	1.9%	13.8%

Dunlop. This company was first registered in 1896 as Byrne Bros. India Rubber Co. Ltd. with a capital of twenty thousand pounds. By 1935 the *authorised* capital was twenty million pounds. In 1924 the *paid up* capital was reduced by more than half, which meant that the owners had lost about half their money. From 1920 to 1924 it paid no dividend on its ordinary shares; in 1925 it paid 15%; in 1926 it paid 20%; and in 1927 it paid 25%. It is prosperous again now and has immense and widespread subsidiary interests. It was a Corporate member of the Anglo-German Fellowship before the recent war.

A certain Mr. Hooley took a prominent part in the early finances of this company (also of Bovril Limited). He subsequently went to jail for fraud, unconnected with either of these two companies. I mention him because he was one of the best known pioneers of what has since become a commonplace technique in company promoting.

When the public is invited to subscribe for shares in a new company with prospects, as in the case of Dunlops in the early days, that are pretty good, it often comes forward so eagerly that the issue is over-subscribed. This means that 'good money' has to be turned away. To such people as Mr. Hooley such a situation is distressing. It seems to them unnatural to decline to accept large sums of money.

People like honest Mr. Dunlop put a fair price upon the business they desire to sell to and develop with the help of the public. Such a price may be too modest for the likes

of Mr. Hooley. 'We can get three million as easily as one million,' they say. In this way good businesses are frequently forced to carry too much capital and are then said to be 'over-capitalised.' This is one of the legal crimes explained in my concluding chapter.

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CHAPTER ELEVEN

Mobility

IT IS a fashion amongst certain well-known publicists to disparage men's restlessness. They say that mobility is extravagant and excessive; that people should stay at home and be content to remain where they are, and that localities should be more self-supporting. Although what they have to say about this they usually say very well, I think they are wrong, for several reasons, all of which may be taken as pleas for even more transport.

My first reason concerns personal freedom. It is instinctive, and I think laudably so, to be curious. There are few of us who are indifferent, especially as children, to what it is like round the next corner. The desire to explore and to discover the peculiarities, if any, of people and places that are remote, is a human characteristic associated with an urge to acquire knowledge and to strive, however vaguely, for improvement. The experience of travel also provides pleasure of a kind which, if speedy carelessness is not practised, will harm no-one.

Secondly, most of us prefer variety to monotony. In our social activity (my synonym for work) many of us are compelled by circumstance and by the present degree of industrial development, to congregate by day in factories, office buildings, warehouses, shops and so on. When we are free from our toil many of us like to get as far as we can afford from the place where we perform it.

Thirdly, we live in a world which refuses to remain satisfied

to consume only what can be produced locally, when we know that better and cheaper goods are available elsewhere.

So I might go on to find more and more reasons to justify the modern tendency to increase rather than to diminish the instruments of transport. I have given my reasons, obvious though they are, because here, in this book, we must get down to fundamentals when we embark upon each new inquiry. Elaborate transport is not strictly necessary, as is food, to the maintainance of human life, but it is a self-multiplying convenience necessary if existing standards are to be maintained and increased. It is self-multiplying in that once you supply it to an isolated community it creates more and more demands for itself automatically. It is the key to evolution and revolution. New territories and new satisfactions depend entirely upon it. It can be multiplied in two ways: capacity and speed, until these two merge into each other.

On May 5th 1944 Mr. Noel Baker, speaking in the House of Commons said:

> 'Transport is the very foundation of successful war' and 'the very bloodstream of civilian production and of the nation's social life.' *Hansard,* House of Commons, 5/5/44.

The railways have now passed out of private ownership and, although they have done so, the only drawback to a description that is now obsolete is that it has become history instead of present fact. The value of knowledge remains. It will be many decades, generations or even centuries before such factual information loses all its usefulness.

RAILWAYS.

The capital invested in British Railways exceeds £1,100 millions. The total annual income earned by them is about £200 millions. By the Railway Act of 1921, to eliminate free competition, one hundred separate companies were merged into four groups: London, Midland and Scottish, London and North Eastern, Great Western and Southern. This forms by far the largest privately owned enterprise in

Britain and, be it noted, the shibboleth of *free competition does not apply to it.*

Much as we may prefer travel to the contemplation of lists of figures I cannot bear to waste the few I have collected for your information and future reference to assist you to refute non-readers who ought to but do not know them.

The L.M.S. employed at the outbreak of war more people than the entire British Army, Navy and Air Force added together. Length of track (all railways): over 50,000 miles for about 19,000 miles of journeys requiring over 10,000 signal boxes. There are nearly 7,000 passenger stations and more than the same number of goods stations. The total number of steam engines is nearly 20,000 and there are 130 steamships operating from 76 docks owned by railway companies, who also own 996 miles of canals (35% of the total, bought and mainly left derelict to defeat competition).

British Railway Companies are the largest hotel proprietors in the world, with 53 establishments. They also own 50 thousand houses, 10 thousand motor lorries, 25 thousand horse drawn lorries and 11 thousand horses. They also own nearly all the omnibus companies and many of the parcel delivery service companies, including Carter Paterson and Pickfords.

Railway Directors. There were 73 directors all told: 4 were directors of the Bank of England and 29 directors of other banks, 28 were directors of insurance companies and 21 were directors of coal owning and steel concerns, 9 were M.P.s in the 1935 Parliament. (18 M.P.s held 31 directorships in transport companies).

Railway Workers. Shortly before the war these directors spent a good deal of their shareholder's money upon publicity aimed to gain support for resistance to the establishment of a 50/- minimum weekly wage for a married worker who lived in London or 47/- for country dwellers. Although this money was wasted the average pay of a railway worker still falls well below the average of all British workers. No figures exist upon which a comparison of railway directors remuneration may

be calculated. Railway workers get no sick pay or pensions. The Factory Acts only apply to railway workshops. About 1½ million people are employed in Transport of whom about half work on the railways.

The railway companies are the largest employers in Britain. About 2 million of our population depends upon the wages policy of the railway directors, happily coerced by a well-organised Trade Union, the National Union of Railwaymen.

Railway Technical Efficiency. The technical efficiency of our railways compares unfavourably with that of other countries. Costs here were 20% higher than they were in Germany, double those of Sweden and five times those of the U.S.A. The Royal Commission on Transport pointed out that the railways 'lost passenger traffic by failing to make full use of their capacity for speed.' (Average speed in 1938 for passengers, under 15 miles per hour: goods under 10 miles per hour). Less than one twentieth of our lines are electric.

The Financial News, 10/3/44, published:

> 'There can be no health in our home or export industries after the war if transport costs are high. There can be neither social security nor full employment nor a decent standard of living if the distribution of raw materials and finished goods is made too heavy a charge on industrial costs.'

An analysis of the technical troubles of the railways arranges itself as follows:

1. Passenger fares are calculated on distances, and goods rates on distance and weight with average on 'what the value of the goods would bear.' This system has been shot to pieces by road competition which has broken the monopoly of the railways. One of the results of this new situation is the shifting of industry to the South (particularly to the West of London).

Of this the Barlow Report says:

> 'The exceptional rates are not the cause of this attraction; the cause is to be found rather in the development of road transport, which largely reduced the monopoly of railways as carriers of goods and thereby rendered exceptional rates

inevitable if the railways were to continue to provide the service.'

2. Railways have concentrated their attention too much upon their most profitable routes instead of upon the needs of the community, leaving road transport undertakings free to step into the breach.

3. Despite the 1921 Act the four groups themselves compete on certain important routes, *e.g.,* L.M.S. and G.W.R. for London-Birmingham traffic.

4. The enormous capital burden of railways for land purchased from its private owners a century ago, a burden borne by the public in the case of road transport.

5. Poor inter-traffic organisation between groups. (Why not have reduced to one group? Why stop at four?)

6. Uneconomic competition between road, rail, canal and coastwise shipping.

7. Neglect of canals.

8. Inadequate electrification.

When railways were first built their advantages over the public highways were enormous. At that time only horses could be used for haulage purposes and the roads themselves were very different from what they are now. A railway is really two things, first a specially constructed road, second a system of appliances adapted to the use of such a road. The special road itself is a most important part of the development and is worth a moment's consideration. Even a horse can move far greater loads along parallel rails than it can over an ordinary road. The first rail-roads were so used and continued from the days of Queen Elizabeth, when wooden rails were laid over fairly level land until, when I was a boy, London trams were drawn over steel rails by horses. All that is necessary is to keep the wheels upon the hard level rails, and this is accomplished by the simple device of fitting flanges to the inner rims of their outer circumference.

The major cost of a railway is that of constructing a level road. Long strips of land were purchased from countless lucky owners who were often, or who pretended to be, reluctant to sell. Railways were however so great an advantage to the welfare of a nation that governments had to make laws to compel landlords to part with their land. In those days of early railway construction the landowners themselves were almost exclusively in charge of the government so that when these laws were made they could see that they did not inflict too great hardship upon the people whose land was purchased. Apart from the cost of land, the cost of levelling is very high; embankments, cuttings, to say nothing of tunnels and bridges, are expensive. Take a look at these works next time you go a long journey by rail and try to imagine what it must all have cost. This is the burden the railway owners have to bear. The actual cost of running an express or any other train is comparatively small. It is stated to be about a shilling a mile for fuel, maintenance and wages. This includes stations, signals and everything bar interest on the capital borrowed to pay for the road itself.

The steam engine can and does of course haul far heavier loads at greater speeds than can horses. Electric motors later could do it with even greater economy because electricity is easier and cheaper to transport than is solid fuel such as coal or wood.

ROAD TRANSPORT.

Two comparatively recent inventions have however changed the whole picture. These inventions were not called forth by special roads, as were railway locomotives, but new roads were called forth by the two inventions which were, first, the pneumatic tyre, and second, the internal combustion engine, using liquid fuel, petrol, and later crude or less refined oil. These new engines are very much lighter in weight than steam engines. No heavy boilers are required and a simple tank which can be replenished almost anywhere is far handier than a tender containing coal or wood fuel. Thus we had

first the motor car, then the motor lorry for goods and motor buses for passengers. For these new vehicles running on wheels with compressed air inside rubber tyres, special roads were not necessary, although good, smooth dust and puncture free roads are an advantage.

The new roads came gradually, their development and construction keeping pace, more or less, with improvements in the reliability of the new engines and in the design of the vehicles into which they were fitted. Such roads were paid for in part by local ratepayers and in part by the owners of motor vehicles who were specially taxed for the purpose.

While all this was going on the owners of railways wore longer and longer faces, until finally a climax was reached when the government (no longer dominated so completely by landowners) had to step in to help. This is the situation today. We are still in the crisis but it started to boil to the surface quite a few years ago.

In 1918 there were about half a million motor vehicles in Great Britain; by 1934 there were about five times that number. Motor taxation rose from £3 million to £68 million, an increase not of five times but of 23 times. This increase was mainly due to the use of road transport in competition with railways. This tax of £68 million in 1934 was a trifle compared with the total interest charges borne by the railways which lost about 50 million tons of goods traffic a year to the roads.

Road transport has several advantages over rail traffic. First everyone lives or has his business on or near a road; only few have direct access to goods yards or sidings. In consequence goods sent by road can be collected and delivered from door to door with less risk of damage from sorting, handling and transferring perhaps between many vehicles with corresponding delay. A second advantage is in economy. A motor lorry can get a return load much more easily than can a goods truck. For this reason amongst others, its owners can undercut the railway rate which is known to them because it is fixed by

law and published in a book. A third advantage is speed. There are few points in our island that a motor lorry cannot travel between in 24 hours. If they are in remote country places it makes little difference.

In 1933 The Road and Rail Traffic Act was passed. Its main purpose was to issue A, B and C licences for road haulage. These licences would not be granted where alternative railway facilities existed. A licences were for public carriers; B for traders mainly carrying their own goods but desiring to ply for hire to get return loads; C licences were for subordinate or auxiliary services. This Act, whilst it helped the railways to some extent by preventing road transport from skimming the cream off the business in confining itself to the most profitable journeys, left many loopholes which led to a further intensified campaign on the part of the railways for a 'Square Deal.' I do not propose to trace all this through its many official ramifications. There was the usual pattern with which you are now familiar. A Royal Commission on Transport, an Act in 1928, another, the Road Traffic Act of 1930, a Transport Advisory Committee in 1938, an Act in 1938 fixing wages boards for A and B licence holders, were all steps aimed at making order out of the muddle of free competition, the thing which its advocates for others hate so bitterly for themselves. The war clapped down on it all. The government took over the railways and put controls via petrol supplies upon the use and abuse of road haulage. What remains now is to decide upon a policy aimed at the benefit of the public rather than at the profits of private owners. It is as well to bear in mind the absorption of road transport ownership by the railways already achieved when considering the pros and cons of public versus private monopoly. Monopoly in one of these forms seems to be the only way out of the mess. Free competition clearly does not function to the best advantages of the community. Co-ordination of transport services is clearly desirable in the public interest.

Before leaving this subject it should be stated that on December 31st, 1947, the passenger traffic was already as to

74% outside private enterprise, but there were nearly 35 thousand buses and coaches privately owned while about fifteen thousand were public property.

Labour. The law fixes the hours during which a man may safely drive. This law is difficult to administer. Twelve illegal hours night driving are common. Conditions along the roads are a disgrace to our civilisation. Mr. McLaren, speaking in the House of Commons 5/5/44 said:

> '. . . the beds are so filthy that the men refuse to take the coverings off and they lie on the beds with their overalls on.'

CANALS.

Canals came before railways and of course long before roads could be used for the transport of goods in bulk over great distances. Many people say that they, rather than the steam engine, were the chief cause of the 'Industrial Revolution.' It is not difficult to understand the vast changes that would occur as a result of making it possible to distribute goods produced cheaply at central sources. Inland Navigation, as it was called, was the first step in this direction and the men who dug the canals introduced a new word, 'Navvy,' into our language.

The use of rivers, dammed and furnished with locks to maintain a constant depth of water for barges, and the construction of artificial rivers or canals to connect them is still in many countries of much greater consequence than it is in ours. Even in our country, where the railway owners have bought up some 35% of our canals, many of which they have closed to stifle competition, the canals carry some twelve million tons of goods annually.

A Royal Commission on canals as far back as 1909 recommended measures of co-ordination. Their administraton under public ownership was put forward by a departmental committee in 1921 but no action was taken.

A densely populated island such as ours, depending as it does so much upon the conveyance to and from its coasts of

goods in ships, should obviously make the fullest use of the economy resulting from the buoyancy of water. Goods afloat have no weight so that very small power is required to push away from the bows of a barge the water that obstructs its passage. This phenomenon is of great value in dealing with many classes of goods, especially very large features such as long girders for bridges and the propellors of liners cast in one piece, or for goods whose bulk is great in proportion to its value such as timber, coal, bricks, road mending materials, hay and straw.

It is clear however that where much private capital is invested in more speedy services the owners of it, owing more regard to its shareholders than to the public, will tend as they have done, to destroy all that conflicts with its profit earning aims. If the advantages of inland water transport are to be maintained it seems pretty clear that this can only be done if and when our whole transport services come to be co-ordinated for public rather than private benefit.

CIVIL AVIATION.

Although this subject could more rightly be included in a book dealing with public enterprise there remains something to be said about its position under private enterprise. Until the war and during it, right up to the end, and even now, the private profit motive is not entirely excluded. Civil aviation has been far more developed in the United States where it remains entirely in private hands. This development has an important bearing upon British air policy for reasons that are fairly obvious. In our small island internal air transport is of far less consequence than is Imperial, South American and European communication, whereas the wide home territory of U.S.A. gives that great country a demand for services for which we have no corresponding counterpart.

You may well ask me why it is that people will risk their necks in the air merely for the sake of greater speed. The

answer is that not many people will in fact willingly do so. Air travel is mainly used by business people whose expenses are paid for them by firms who fear their rivals. Lives are lost in frequent crashes because time is money; if a profitable bargain is at stake the man who gets there first has an advantage. So great are the attractions of money that two or more people eager to acquire a chance to get it will both or all get there first, by air, and will even force their reluctant wives and trusting children to die in the attempt. The risks in fact may not be great, and there is no person sensitive enough to value human life to whom this thought is not a refuge of consolation when he steps into an aeroplane and when his mind wanders during the long, weary hours of utter boredom produced by the monotonous aspect of the globe or cloud as seen from an economical height.

But our job is to see the picture man has made of this newfangled burden, air transport, in his endeavour to make an honest, or dishonest penny, by it. It is, or was, as usual, a dreadful muddle and the best that can be said of it is that it functions, notwithstanding that as far as this country is concerned, it does so at the taxpayers' expense. Before we do this it is as well to make a comparison between British, foreign, and particularly American development.

In 1938 there were less than two thousand aircraft in the whole world operated for public transport. Of these 694 were British, 704 European, 379 American and in the Far East, 79, mainly Japanese. There were also some twenty thousand private aeroplanes of which eleven thousand were American and only about 1,600 British.

During the war British aircraft production increased sixty times and about two million people were employed in it. We concentrated upon military requirements; America did not. We have no post war figures of comparison between the two countries as yet to guide us, but in 1941 we flew 12 million ton miles against America's 110 million ton miles of public air transport.

History. One of the reasons for Britain's lag behind the U.S.A. in civil aviation was the muddled and inefficient administration of the services before the war. Ours were developed by subsidised private enterprise. These subsidies began as far back as 1921, and in 1924 a number of competing companies were amalgamated into Imperial Airways Ltd. This concern received £5 million from the taxpayer between 1924 and 1938 and lost £4,193,392 of it. The British public did however obtain the benefits of a cheap overseas air mail service for its money. In 1935 however Imperial Airways Ltd. received a kick in the pants from a rival concern British Airways Ltd. which also managed to wangle a slice of money from the inarticulate taxpayer. This British cat began to feed on the Imperial pigeons. Then the British railways joined in the feast by forming a 'ring.' On Nov. 17th, 1937, Mr. Perkins said in the House of Commons:

> 'That the policy of the Railway companies is to treat civil aviation in the same way as they treated the canals in the early days. Either they want to break them or buy them out and if they buy them out the idea is to wring their necks.'

Aircraft Production. The manufacturers of aeroplanes also contributed to the muddle. After the Kaiser's war the Air Ministry made an 'approved list' of 19 firms who shared the business profitably. Among those who made over 40% profit on their capital in 1937 was one whose methods were sufficiently inefficient that the government took over production entirely. In March, 1938, the Cadman Committee set up to investigate the mess, reported and accused the industry of 'being ill-organised, lacking in initiative and inefficient.' The British service was so unenterprising that between 1934 and 1937 the government paid German and French lines to carry British airmails to South America.

B.O.A.C. Out of this report emerged British Overseas Airways Corporation. All its directors are appointed by the government.

SHIPPING.

Roads and railways are expensive to construct. The sea costs nothing. It is free for all; and Britannia rules, or ruled, its waves. She did it to greater effect before the Kaiser's war than now. At its outbreak she had built more than half the ships afloat on all the oceans of the world. In 1905 she owned over half herself, but in 1915, 44%; 1925, 32%; 1935, 28%; and by 1945 only 18%. This is the story we have to investigate.

The special importance to Great Britain of our overseas trade is hardly worth insisting upon. Everyone knows that 45 millions, or so, are too many people to live as we do or did upon the produce of our home islands. We know it, not because many of us possess sufficient knowledge of agriculture and numerical potentialities of capacity, to calculate upon them, but because we have all been told it so often by people who presumably have these advantages at their finger tips, that we believe it. I have not these advantages myself, nevertheless I think it is true. I would not labour this point but for a matter that strikes me as somewhat singular. Many persons, including politicians, shipowners and shipbuilders who have shared this knowledge with us from birth have acted as though they had never heard of it. They have advocated a policy aimed at curtailing our import and therefore our export trade. To what extent the shrinkage of our shipping industry reflects the result of their policy we may be able to judge from what follows.

Although shipowners do not have to build expensive tracks to carry their ships, the ships themselves are expensive things. Before any reasonable person would risk his fortune upon the venture of buying one he must have a fair idea of what he expects to gain if he does it. That his idea is usually correct may be gathered from the fact that shipowners are rich people and remain so in spite of the downward tendency of the British share of the business. The shipowner is indeed so close or secretive about what it is that makes him want to own a

ship, or ships, that I have had considerable difficulty in finding out about it for your benefit.

There are, of course, a great many different kinds of ships. When I was a boy, which after all was not such a terribly long time ago, employed at my first job in a shipowner's office, there were more sailing ships than steamers in the shipping business. To-day sail has almost entirely disappeared from commerce. Even steamers are now giving place to motor driven vessels, but before we begin to investigate the essential inducement that leads men to put their money into ships we must remove the difficulty they have always used as an excuse for not providing me with the information I sought. They, like the farmer I once asked to tell me the probable yield from £5 worth of seed corn, say 'it all depends.' They both mean that the results vary according to circumstances, a matter hardly reaching the level of a revelation. All the same I must fix on a particular kind of ship, and assume that the method of calculation used for her will apply to her more complicated sisters.

The 'Baltic.' Ocean going steamers fall into three main groups: liners, tramps and tankers. Liners and tankers are special purpose ships. The tramp steamer is a general purposes cargo-carrying vessel which is generally let out on hire, or 'charter' as it is called in shipping circles, at the centre of which is an institution in London known as the 'Baltic.' This Baltic is a building in St. Mary Axe, London, where it resembles, externally at any rate, the other trading centres or markets such as the Stock Exchange, Corn Exchange and similar places that we have had occasion to visit throughout these pages. This Baltic Exchange is where owners of tramp steamers or their agents meet merchants and others or their agents for the purpose of the letting and hiring of tramp steamers.

The building cost of a tramp steamer of say 7,500 tons dead weight in 1914 was about £7 5s. 0d. per ton or £54,375 for the whole ship. In December, 1945, the cost of a corres-

ponding ship was about £24 a ton or £280,000 for the whole vessel. In 1914 money was reckoned to be worth 5%; now it is only 2½%. Thus we may say that in 1914 the capital cost of such a ship was £2,718 15s. 0d. per year or £226 per month. To-day the corresponding figure similarly calculated is £583 per month.

Such a ship burning 500 tons of coal a month at 12s. 6d. a ton in 1914, or 47s. 6d. in 1945, would consume £312 or £1,187 worth respectively.

In 1914 the crew were paid below £5 a month; now they get about £20 a month. This gives us for 30 seamen and stokers £150 and £600 respectively. Captains in tramp steamers in 1914 were paid about £25 a month and now about £60. A chief engineer would get slightly less. Each has three subordinate officers. We can put the wages bill for all six at £72 and £210 for each period. This gives us a rough total wages bill per month of £122 and £330. The cost of feeding the crew at 5s. a week in 1914 and 15s. in 1945 comes to about £40 and £120 for a month respectively. Maintenance costs (paint, oil, spare parts) in 1914 at £100 a month and £300 a month in 1945 would be fairly generous allowances. Thus we can summarise our estimated costs in the same manner as did and do shipowners or would-be investors in ships:

	1914	1945
	£	£
Capital per month	226	583
Fuel per month	312	1187
Wages	122	330
Maintenance per month ...	100	300
Food	40	120
	£800	£2520

Earnings. Such a slow ship as the one we are considering can reach, say, Buenos Aires in a month, get a return cargo and be back again at the end of the third month. I have ascer-

tained comparative freight rates for such voyages; we must be content to use them as the rough guide we need. A ton of cargo is calculated at 40 cubic feet. This ship can safely carry 6,000 tons. In 1914 the rate of freight for grain was 16s. 3d. per ton or £4,875 for a full ship in one month. In 1946 the corresponding rate fixed by our government was 81s. per ton or £24,300 per month.

These figures show enormous gross profits and indeed they, or something like them, are in the minds of the people who buy ships. There are of course some snags. Apart from the heavy charge of insurance against shipwreck, there is the question of depreciation. A ship wears out, say, in 25 years and must be scrapped, although during her working life she has been well cared for and may have changed ownership many times. But there is an even more serious difficulty. Ships are dependent upon the stability of international affairs and, as in our own country, upon internal political changes encouraging or discouraging to overseas trade. All the same, the business is a good one while it lasts, which probably accounts for my difficulty in getting together these figures. The following are taken from actual experience during years of acute depression.

Profits. In 1936 forty-one tramp steamer companies with 309 ships made a profit on voyages of £1,082,889, or about £3,500 per ship. In 1937 forty such companies with 294 ships made £2,237,009, or about £7,600 per ship. In 1933/4 the Pool Shipping Company of West Hartlepool lost £60,000. In the following year it lost £2,500, but in the year after that it received £67,000 subsidy (explained in following section under Shipbuilding) and a like sum in the subsequent year. Its annual accounts then showed a profit of nearly £60,000 and a dividend of 4% was paid.

You will notice that although £7,600 a year average net profit in a year from one of 294 ships may be a fair income it is far less than the amounts arrived at in my comparative monthly earnings. I discussed this with a certain knowledgable shipping personality who, with a twinkle in his eye, opened

mine. He said: 'Suppose you and I decided to form a company to buy three tramp steamers. We might call it "The Author's Shipping Company" and so long as we paid a regular dividend say of 5% our shareholders would be satisfied. We could form a separate private company to manage our three ships. We might call it Reynolds & Buggins Ltd. You and I could draw salaries and expenses (don't forget the expenses) from both companies. Then we might notice that Reynolds & Buggins Ltd. spent quite a tidy sum on coal and stores, so we start two more nice little companies. The "Call It What You Like Coal Co." and the "Call It Something Else Mercantile Marine Supply Co." We thus have a couple more sets of pickings. We can if we like open businesses in all the ports we serve as freight brokers, marine insurance brokers and so on; there is no end of it. If our three ships do not make much profit we can always explain to our shareholders the high costs of everything.' He then added after a pause and after we had exchanged a few comments: 'Few ships make only one profit. However put this in your book.'

This sort of thing is not especially peculiar to shipping. It is a mere facet of private enterprise common to many industries wherein promoters of companies, retaining for themselves control by manipulating the voting rights of shares for which they may have paid nothing, begrudge to shareholders, who actually paid hard cash, any larger income than the minimum sufficient to keep them quiet and the promoters outside of prison for perpetrating so barefaced a swindle that even the law will notice it. Business alas is business.

Organisation. How is the shipping business organised? Are there monopolies as in other industries or does perfectly free competition operate? To what extent, if any, are revenues dependent upon prices fixed by agreement amongst large firms supplying similar services?

There are two great Societies of Shipowners, one in London, the other in Liverpool. They are 'The Chamber of Shipping of the United Kingdom' and 'The Liverpool Steam Ship

Owners' Association.' Much of what follows is taken from the annual reports of these two. They are however merged into The British Council of Shipping.

The London Chamber of Shipping is a co-ordinating body whose membership is made up of shipowners' associations concerned with the individual ports of the kingdom, ' protection and indemnity clubs ' whose function is mainly insurance, and three ' special ' associations concerned with coastal and short sea passages, motor and sailing vessels.

Amongst the owners of liners there exist ' conferences,' both national and international, relative to the quarters of the globe to which more than one firm maintains a regular service or line. The function of these conferences is to fix prices that rule out the element of free competition, or as they would call it the ' cutting ' of freight rates and passenger fares. They construct price lists, or ' tariffs,' of the charges per ton for every different class of goods and base them, as did the railways before road competition became acute, upon what the traffic will bear. Thus, say, to send a ton of patent medicine to South Africa will cost more than a ton of agricultural fertiliser, and each firm whose ships travel regularly to the various ports of the Union will make the same charge for the same port. They secure a continuance of patronage by a system of rebates or discounts payable to merchants who can prove that they have not sent goods away by steamers not owned by members of the ' conference.'

Apart from what may be regarded as this artificial form of monopoly, there exists what may be called the geographical monopoly of established lines. All liner-owning firms concentrate upon the maintenance of services to particular places. There does not exist one company whose ships sail regularly from any one country to every other. Ship owners have gained experience of the special geographical features, laws and trade customs of the ports in the countries they serve. They have personal connections with traders at either end of their routes and indeed cause their ships to be built to cater for the

peculiarities they understand. Thus if ships have to pass through the Suez, Panama or Kiel canals, they must be limited as to the draught, or depth of water known to exist in comparatively shallow channels. Or, if they regularly carry frozen meat, they must be equipped with refrigerating apparatus. Similarly passengers travelling to certain British colonies are the 'British Raj' type and never working class emigrants who, at times of home trade depression, desire to try their luck in Canada, Australia and the U.S.A. Ships are built with corresponding passenger accommodation. Religious pilgrims to Mecca are satisfied with less luxury than are American millionaires travelling across the Atlantic.

In addition to liners and tramp steamers there are special types such as oil tankers, whaling factories, coasting vessels for coal and general cargo, cross-channel and pleasure steamers and many others. There are special conditions appertaining to all these groups, and they each have their own trade associations. In many cases such ships are owned and run as adjuncts to some other business rather than as independent units to earn profits from the transport they represent, e.g., Standard Oil, Elder and Fyffes' banana ships.

Owners. Whilst we are free to buy steamers to start up in competition with the established liners, it is clear that few of us possess the courage or capital required to do so or the experience that money lenders would require us to possess before consenting to make loans for such a purpose. For these reasons we find that ship-owning runs in families. Glancing through the list of chairmen and vice-chairmen of the Liverpool Steam Ship Owners' Association, for example, and noting that it dates back to 1859, we see a recurrence of the same surnames but different christian names through the intervening generations to the present day. Such are Bibby (Bibby Line), 1860, 1907, 1927; Allan (Allan Line) 1861, 1877; Inman (Inman Line) 1862, 1881; Wilson (Wilson Line) 1865; Leyland (Leyland Line) 1870; Lamport (Lamport and Holt Line) 1874, 1923 (Holt) 1935; Ismay (White Star Line), 1879, 1899;

Glynn (Glen Line) 1892; Elder (Elder-Dempster Line) 1883; Booth (Booth Line) 1909, 1915, 1941; Bates (Cunard Line) 1910, 1936.

Safety Precautions. The dangers of the sea tend to be overrated because they are more spectacular than those of the land. When high winds blow upon great masses of water an up and down motion occurs upon its surface. This motion when transferred to vessels floating upon it makes unaccustomed landsmen sea-sick or otherwise feel uncomfortable; there is also a good deal of noise that can be terrifying. But provided a vessel is properly constructed there is no great danger in this. It is only when the top of a wave falls down that any shock, due to the weight of water, is felt. The chief danger of the sea is the land, or to be exact, where they join. Elaborate precautions are taken to reduce this danger. They are divided into two groups: those on the land and those on the ships. Both groups are paid for by ship-owners. Appertaining to the land are lighthouses, light ships, buoys and pilots. Lifeboat rescue services are an anomaly paid for by a sentimental appeal to landsmen. Appertaining to the ships are charts, compass, wireless apparatus, lights and nautical instruments (for finding your way when you can't see it). There are also Ministry of Transport regulations, which it is illegal to ignore. These include not only provisions of life boats, life saving apparatus, lines painted on the outside of ships to show the limit of weight a ship may carry (Plimsoll line), but, more important perhaps than any of these things, the government, through this department, insists that no person shall be in charge of a deep sea vessel used for commerce unless he has passed an examination set by the Ministry. It is odd that many dangerous jobs on land are not so safeguarded.

Merchant Navy Personnel. Most of us have read sea stories wherein descriptions of the hard lives of sailors made our flesh creep or at any rate made us glad to be safe on shore.

Mr. Forester's Hornblower may have been a romantic figure,

but the 'press gang' which provided part of his crews was as horrible in its injustice as were the conditions of life below decks in the Royal Navy in the glorious days of Nelson. Merchant sailing vessels, lovely to look at, were vile in the suffering they imposed upon the dregs of humanity who worked in them; and it was not until an American, Charles Dana, wrote his book, *Two Years Before the Mast*, that self-respecting people forced shipowners to recognise and remedy the evil. Yet somehow, like the glamour attached to ships, the hard conditions of seamen's lives continue. They are still a disgrace to civilisation and there is no wonder that the 'labour turnover' is the worst of all occupations. It is high time that men, and particularly shipowners, set aside the ideas gained in childhood when as schoolboys they revelled in stories of adventure at sea, and faced the fact that this 'labour turnover' means that seamen, on an average, will not put up with the life, even during periods of acute unemployment, for more than seven years.

It was not until 1887 that Havelock Wilson in this country laid the foundations of a seamens' trade union, now the National Union of Seamen (affiliated to the T.U.C.). This pioneer was a friend of Samuel Plimsoll who had, as an M.P., and from a deep sympathy for the hardships and dangers suffered by sailors, secured the passing, in 1876, of the Merchant Shipping Act (followed later by two more; that of 1894 being regarded as the main Act. The other was in 1906). He knew that many unscrupulous shipowners deliberately sent inadequate crews to sea in ill-found, rotten ships which were overloaded and intended to founder for the sake of the insurance money. A safe loading line was, and is now, marked on the sides of all merchant ships (the Plimsoll line). To-day there is a 'Whitley Council' called the National Maritime Board, set up to regulate wages and conditions of employment. It is composed of the Shipping Federation and the Port of Liverpool Employers' Association on the one hand and on the other the officers' organisations and the N.S.U. for those who work the ships. The officers are mainly represented by three

unions: The Mercantile Marine Service Association (representing Shipmasters, i.e., Captains), The Navigators' and Engineer Officers' Union, and The Radio Officers' Union. These three organisations together with seven British Officers' Organisations overseas are all affiliated into the Officers' (Merchant Navy) Federation, which in turn is affiliated to the International Mercantile Marine Officers' Association. The industrial organisation of Merchant Navy Ship masters and Officers is particularly interesting as it comprises people of high professional qualifications, whose economic interests are in most respects akin to those of the seamen under their command.

Thus we have a somewhat curious situation wherein the officers instead of leaning towards their employers claim to be in fact more emphatic in their views and demands than are the seamen. This in my opinion carries a more interesting lesson than may appear at first glance, for here you have a 'management class' capable of performing the functions usually attributed to employers, completely isolated from contact with those owners, often by many thousands of miles of ocean, completely entrusted with their valuable property, and yet as it were in league with the 'labouring class.' It is an apt demonstration that executive power and ability is entirely in the hands of employed persons—the officers.

I have laboured this subject somewhat because I think it is worth some thought: it has a bearing upon those arguments which insist upon regarding management as inseparable from ownership, or that owners are entitled to disproportionate incomes as rewards for the function of management that only owners can perform.

During the war some 4,000 officers lost their lives. After its termination a further 4,000 left the sea services largely as a protest against what they regarded as an unwarranted and ill-deserved attempt to reduce their incomes. They had resented the use of the words 'war-risk' as an excuse for increasing their pay, and were naturally even more highly

indignant that the same words should be used as an excuse to reduce it. Ships' officers are 90% organised as a trade union, and in the United States, at the moment of writing (Nov., 1946) a strike of American Merchant Navy Officers is in progress to restore 15% to their wages. The loss of 8,000 officers is a serious thing for Britain.

Shipbuilding. To the poet James Thomson, who died in 1748, we owe the vision of a ruling maritime Britannia. It was not until at least a century after his death that she began to do it in earnest with her merchant fleet. It was then that the technical revolution, by applying the steam engine to ocean transport, placed Britain so far ahead of every other nation that she may truly be said to have ruled the waves. In the years 1892, 3 and 4, she built four times as many ships as every other country in the world added together. During the period 1910 to 1914 she built 61% of the world's tonnage. During the Kaiser's war the shipbuilding capacity of other nations doubled. American shipbuilding increased enormously. In 1920 we built 2 million tons of shipping and acquired about the same amount from defeated Germany. By 1923 we had 35% unemployment in our ship yards. In 1931 we launched less than a half a million tons and in 1933 only 131,000 tons. About one-fifth of all the ships in the world were idle at that time. We then altered our 'Fiscal Policy,' abandoning our historic system of 'Free Trade,' taxing imports that had hitherto not been taxed, 'protecting' our home industries and disregarding our need to export our manufactures to pay for imports of food and raw materials. To what extent this change of policy caused further disaster to our shipping and shipbuilding industries is a matter for controversy still conducted with heat. We will therefore concern ourselves with effects rather than causes. The ship-building industry was reorganised.

A certain ship-building and steel magnate named James Lithgow, director of fourteen companies at the time, formed a company called National Shipbuilders Security, Ltd. This

company bought and scrapped about a third of our shipyards. Its shareholders were 44 shipbuilding companies (later 47) who each subscribed £100, making a total capital of £4,400. This was not enough money to buy all these poor shipyards but an arrangement was made with the Bank of England, to supply the cash. Another company, Bankers Industrial Development, was formed. The 47 firms in N.S.S. agreed to pay 1% levy to it on all contracts for ships over 300 feet long. The scrapped shipyards were restrained from entering again into free competition for 40 years. In 1938 both the above public companies were made into private companies which are under no legal obligation to publish their accounts. By 1939 it was estimated that a hundred shipyards capable of building about $1\frac{1}{3}$ million tons a year had been closed and some of the best sites in the world were sterilised. In the North Eastern area of England about 72% of the shipyard workers were unemployed.

The remaining live shipbuilders then formed a price fixing ring to destroy free competition amongst themselves.

Mr. Baldwin's Conservative government passed the British Shipping (Assistance) Act of 1935. This offered £10 million of taxpayers' money to be distributed amongst shipbuilders (on a loan for 12 years at 3%), who would destroy two ships for every new one they built of the same size. This was fine. 97 ships totalling 400,000 tons of which 91 had been specially bought for the purpose were promptly scrapped; 48 of these vessels were purchased from foreign owners. This same Act of Parliament also gave a direct subsidy of £2 million a year for three years to be distributed amongst owners of tramp steamers as a gift, on condition that they made a better job of organising themselves. How they must have laughed. In April, 1939, they were granted a further subsidy of £$2\frac{3}{4}$ million a year for five years. This benevolent government also made a gift of £$\frac{1}{2}$ million a year to shipbuilders and offered a further £10 million on loan to shipowners placing orders. Between 1934 and 1944 the total amount of public money paid to shipowners was nearly £20 million. Ships were kept at sea voyag-

ing at a loss in order to qualify for the subsidy. One of the arguments supporting the subsidy was the need for ships in case of war. In April, 1939 some 210 ships with a tonnage of 539,000 were sold abroad—many to Germany.

Between 1913 and 1939 the total of world shipping increased by about 50%. British shipping, as we have seen (in previous shipping section) declined from 50% to 28% of the world total in 1935. By 1945 it had still further declined to 18%. Foreign ships were sunk during the war as well as ours. We lost 11⅓ million tons out of the world total of 21 million tons, slightly more than the losses of foreigners.

In 1942 we sat up and took notice of our closed shipyards; 23 were re-opened including 11 that had agreed with N.S.S. to stay closed for forty years. By 1944 we could build two million tons a year compared with three millions in the 1920's. In 1939 Britain owned nearly 18 million tons of ships. The U.S.A. owned about 11½ million tons. By 1944 we had about 10 million against U.S.A.'s 37 million.

Some of our largest shipbuilding firms, such as John Brown of Clydeside and Cammel Laird of Belfast, are interested in more things than ships, including: coal mining, iron and steel production, heavy engineering (including the manufacture of railway locomotives and rolling stock), banking and even insurance. Nevertheless no shipyards are independent of the products of other industries wherein price fixing monopolies exist. Bolts, rivets and steel plates are so controlled by private enterprise. In 1927, for example, British shipbuilders had to pay £8 2s. 6d. against £6 15s. 0d. per ton for foreign steel plates. Many orders were therefore lost to Great Britain. The tariff on steel imports in 1932 made matters worse.

MOTOR VEHICLE INDUSTRY.

Self-propelled road vehicles have largely displaced horse drawn carts and carriages during the present century. The motor car preceded the motor lorry, but many of the early manufacturers have already gone out of business. Those who

have remained have been influenced by political and other forces into two main groups. The political force has been taxation in two directions: another force has been the application of American mass-production methods to those engineering processes which can be supported by sufficient sales.

A liberal chancellor of the exchequer, Mr. Reginald McKenna, forsook the free trade tradition when he imposed an import duty of $33\frac{1}{3}\%$, long before members of Parliament elected in 1931 broke their promises by a wholesale change to a similar policy. The second tax is paid more directly by motor vehicle users in the form of an annual levy, originally called a 'Road Fund Licence,' for the construction and upkeep of better roads. Until recently this tax was calculated in so peculiar a fashion that it influenced the design of British cars adversely for export purposes. The tax was on horse power. Horse power depends upon the internal cubic capacity of cylinders. The cubic capacity of a cylinder is calculated, as most children know, by multiplying the factors of diameter and height by 'pi.' The government for some unknown reason neglected the second of these factors by considering diameter or bore only. This foible forced engine manufacturers to gain power without incurring corresponding taxation by unduly extending the stroke (height of cylinder), since internal combustion engines depend for efficiency upon pre-determinable ideal speed.

In Britain 90% of our cars are consequently under 13 horse power, whereas other countries, and particularly the U.S.A., find such small cars of unsatisfactory durability. The British motor trade, despite this disability, employs nearly a million people and hopes to produce half a million cars in 1947. In U.S.A. this industry is second only in importance to agriculture, while in Britain, the pioneer engineering country, it is well down the list, yet the British motorist pays nearly £100 millions annually in taxation.

Shortly before the Kaiser's war a certain small engineer named Morris, trading in so unlikely a place as Oxford, pro-

duced a particularly reliable and therefore popular small car. With the financial support of the Prudential Insurance Company he succeeded in proving the comparative inefficiency of many, but by no means all, other motor manufacturers. His success, which has since carried him to the House of Lords as Lord Nuffield, was quickly followed by a Mr. Austin and later by no less a person than the famous American mass-producer, Henry Ford himself. To-day the British cheap car market is dominated by Morris, Austin and Ford, with the Rootes group tending to concentrate upon a range of rather higher quality and more expensive cars. Morris has also organised or acquired M.G. Car Company Ltd., Wolseley Motors Ltd., and the Riley Car, all of which fall into a higher range than the standard Morris. General Motors of America, the largest of all, own Vauxhall Motor Co. Ltd., which car they have cheapened and popularised in Britain with much success.

Rolls Royce. It is generally acknowledged that the finest car in all the world is the famous Rolls-Royce. The company of that name is perhaps one of the most romantic in industry because it has pursued a policy unique—at any rate in these pages. This policy seems to be in contradiction of those 'economic laws' by which most business men regulate their affairs. It does not and never has apparently made cost of production a major consideration. It seems to have said, 'We will make the best possible irrespective of cost,' and to the amazement of the business world has got away with it. (It also helped to get away with the Battle of Britain, for the Spitfire and Hurricane aeroplanes were all equipped with Rolls-Royce engines.) A certain reputable manufacturer of electrical equipment in Manchester named Royce befriended a young adventurous pioneer motorist named the Hon. C. S. Rolls, who was killed in an aeroplane accident in 1910. They formed their company with a modest £20,000 capital, which in 1906 was increased to £60,000 and in 1918 to £1 million, of which by 1935 only £850,000 had been issued, including some £61,000 of 'workers' stock' and 1,859 of workers' shares.

Prudent finance has allowed large reserves to be accumulated for development purposes. In 1931 Rolls-Royce bought Bentley Motors Ltd. and the two cars are to-day in many respects identical.

Daimler and Lagonda are two other luxury cars of which Britain has reason to be proud. The former company manufactures sleeve-valve engines and is linked by name with one of the earliest internal combustion engine inventors. It has also adopted the ' fluid flywheel,' a unique device commoner in America than in Britain, where it has now been applied to mass produced cars. Lagonda is managed by some of the leading survivors of the original Bentley Company, whose cars in many ways they resemble. These cars are noted for speed, whereas Rolls' and Daimlers are usually acquired by those who put a prior value upon sedate, smooth-running comfort.

Heavy Vehicles. The names of many famous builders of transport vehicles carrying goods and passengers are familiar to all observant users of the roads. Some of them are driven by steam, e.g., Sentinel and Foden, but the application of the Diesel and Semi-Diesel principle to engines consuming crude oil has progressed in recent years and is now used by these manufacturers as well as many others. Morris and Vauxhall have separate companies producing vans and light lorries, i.e., Morris Commercial and Bedford.

Accessories. All motor manufacturers are dependent upon specialist firms for materials. The engines themselves are frequently so supplied. Indeed it is said that about half of the cost of a car is so spent. Some firms, including Rolls-Royce, do not themselves produce bodywork. The industry uses about one-sixth of the steel produced in this country. It is in this direction of outside supplies that monopolies exert an influence upon the industry, which in itself is highly competitive.

Apart from steel, where free competition, as we have seen, is largely excluded, many essential items are firmly price con-

trolled. Electrical equipment, for example, has been closely organised until the name of Lucas predominates. Joseph Lucas Ltd. (capital £2½ million) is closely associated with C.A.V., Bosch, Rotax, S. Smith & Sons. In 1932-3 this company paid dividends of 15%, plus bonus of 10%, plus capitalised bonus of 100%. Its ordinary £1 shares in 1935 were worth about £3 10s. 0d. each. Apart from Ford (British Capital £9 million), Morris (capital 1938 nearly £6 million) and Austin (capital 1938 £5 million), motor car manufacturers are smaller concerns.

American Cars. Despite heavy import duty many well-known makes of American cars are seen on our roads, because even when the duty is paid, as of course it always is by the ultimate purchaser, the degree of luxury obtained at a given price usually compares favourably with the value offered by British car manufacturers. Small utility cars, corresponding to our mass-produced vehicle, have practically disappeared in America. The old T-Model Ford (or ' Tin Lizzie ') is no more. Instead the names formerly associated with cheap American cars are now seen to have blossomed into magnificence. America pays little, if any, attention to the small horse-power market. It is true that the American home market supports a huge demand, but there seems little doubt that British cars would have had a bigger share in the development of world car trade had their manufacture not been handicapped by conditions imposed by the government upon home trade.

Motor Traders' Association. The Motor Traders' Association exerts a powerful influence upon all aspects of the British Motor trade. It not only secures retail traders against price cutting of cars by fixing standard rates of agents' discounts which are well supported by car manufacturers, but it regulates, as far as possible, that important section of the trade concerned with second-hand cars. It does this by issuing price lists to all its members which form a guide to the buying and selling values of such cars, and to which traders in these goods,

in normal times, closely adhere. The condition of a second-hand car is thus of less importance than the year of its birth and indentification detail.

Car Cemeteries. It is not until a car achieves a senile age by passing out of the M.T.A. second-hand price guides that it is due for interment in one of the car cemeteries which depress the outskirts of our towns. Even then, as it rots, its bones are raked over and over for cheap spare parts which, sold slowly and piecemeal, yield a lucrative profit.

Here, with bared heads as we pass, we may leave this important, though in some ways tragic, industry.

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CHAPTER TWELVE

Medicine

THE THING called life that is contained in the human body sometimes threatens to come adrift, or else to cause the proprietor of both some discomfort. Then, and also when a new life starts, or when it ends, external help can be useful, if it is available either geographically or economically. To cope with these demands we have public and private interests in conflict. Public health services are outside the scope of this book. We have to investigate the private enterprise aspect of the business.

Doctors' Dilemma. Mr. Bernard Shaw in his *Political What's What* has a great many amusing and scornful things to say about the medical profession, but he does not support his antipathies with the concrete information I deem it my duty to provide. The master, had he taken the trouble, could have made a much better job of it. He would have seen, as I do, that doctors are on the whole, if not wholly, admirable people and as fallible therefore as he and I. From his great age this vegetarian nonagenarian has the laugh of an honourable profession because he laughs longest; but what he fails to do and what I am going to try to do for him and you is to show a conflict between two irreconcilables. Many doctors are doubtless as socially conscious as Shaw himself but many are not, and in my view both Shaw and his doctors are in the same dilemma: they are originals in a world of conformers; and until we understand the nature of medical conformity we

cannot recognise, far less resolve, the doctors' dilemma itself.

Doctors, and to a lesser degree laymen, are as yet only on the threshold of a new medical era: the era of greater understanding of the link between mind and matter; between the nervous and physical systems with which we are each endowed. When they enter this new realm new scientific conceptions will be generally accepted by a profession wherein new material values will be current. So far there is no money in faith healing except when it is linked to a new cult; religious, semi-religious; or is even reliant for funds upon the sale of printed paper. Doctors as yet dispel human fears for hard cash, fearing themselves, as we all do quite rightly, to meddle with what they do not understand. Yet there is not even now a doctor in the land worthy of his name and trust, who will dispute the intervention of unknown factors in effecting cures. It is this I think that lies at the root of the muddle I am about to describe.

Private Medical Practitioners. A private medical practitioner who has gone through the mill has certain privileges conferred upon him by law. The mill consists of five years training, the passing of certain prescribed examinations and registration by the General Medical Council. All this is said to cost about £1,500. The newly-fledged doctor if he desires to set up in business as a private enterpriser can buy a brass plate, exhibit it on his door and wait for customers. In that event he will probably have to wait for quite a long time during which he will have to support himself as best he can. He may easily consume £2,000 worth of goods and services while he is waiting; for one of the things denied to him by his acceptance of membership of his profession is the right to advertise like an ordinary trader, or solicit customers as does a commercial traveller. It will be better therefore for him to buy a practice or a share in one. This will cost at least £2,000. Someone therefore has provided at least £3,500 (*i.e.* by adding the £1,500 cost of his training) which, to most of us, is quite a lot of money.

We now come to the legal privileges to be enjoyed in return for all this hard cash, and don't forget that the underlying point I am trying to make is the effect upon the mind of the new doctor. He will then join the ranks of people empowered to sign death certificates. It is a monopoly of the registered doctor. No others may do it. At first glance this looks a paltry affair and hardly worth the price, but there is far more in it than at first meets the eye. It is no use saying that when someone dies he is dead and that is the end of him, certificates or no certificate. Although there is no particular difficulty in deciding whether a person is dead or not, proper records must be made of the fact because certain arrangements have to be made without undue delay for the disposal of the corpse, and when that is done certain formalities are required for the liquidation of property or debts by people who are still alive and who may indeed have sentimental interests as well in the matter. The cause of death must be stated on the certificate, and if this is not known before the event it must be discovered afterwards by post-mortem examination, sometimes followed by a coroner's inquest. A proper doctor is therefore an asset to have around when someone looks like passing on. In 1938 there were over sixty thousand doctors in Britain.

To hold such a position amongst conventionally-minded people a doctor will tend to conform to commonplace ideas. Otherwise he will not get or retain the confidence of his patients. The average income of a 'general practitioner,' as the family doctor is called, is about £1,500 a year.

Panel Doctors. Under the National Health Insurance scheme a doctor is paid 9/- per head per year for every panel patient, whether such patient gets ill enough to call in the doctor or not. In 1937 the average number of patients per panel was 964 and the income the doctor derived from them was therefore £434.

Physicians and Surgeons. An ordinary local doctor is sometimes confronted with a puzzling case; or an ordinary patient is confronted with a puzzled doctor. Sometimes a rich person

who is ill does not care whether a local doctor would be puzzled or not; he does not give him a chance anyway. The solvers of doctors' puzzles are called ' Specialists ' who may be either physicians or surgeons. The price charged by such people is regulated by two things; first the eminence of the specialist; second what the traffic will bear. Specialists therefore, when fashionable, are frequently very rich. Furthermore they run the G.M.C., set the examinations and are the big bosses of the business.

It would be unfortunate to convey a false impression that doctors entirely resemble the usual run of money grubbers whose divers affairs we have been investigating. No person whose motives were as purely mercenary as those of most ordinary business people would choose to spend a lifetime in conjunction with human misery and suffering. No tribute is too high in my opinion to pay to the men and women who do it and whose readiness to accept any degree of self-sacrifice at a moment's notice, and to be on demand for every sudden emergency, is taken for granted.

Patients' Dilemma. Conformity however, to hark back for a moment, is a serious matter. To save life or to ameliorate suffering often demands the taking of inevitable risks. A spirit of adventure is called for at its highest level. Ordinary old-fashioned, out-of-date standards and methods must be applied to patients, who are nearly always mystified conformers. Men with new ideas, different standards of values from the orthodox, can be terrifying to a person whose life is at stake. This is the patient's dilemma.

PATENT MEDICINES.

A simple person in this dilemma reads an advertisement. ' This,' he says ' is exactly what is the matter with me. These people know precisely how I feel. I will buy some of this stuff.'

There are no ' patent ' medicines. There were at one time but now the term is obsolete. August 4th, 1914, is a date easy to remember. Not only did a great war start then but on that

very day a 'Select Committee' set up by the government in 1912 published its report. This committee followed the publication by the British Medical Association (the largest of the medical trade unions) of two famous books called *Secret Remedies* (1909) and *More Secret Remedies* (1912). This committee examined 42 witnesses and asked fourteen thousand questions. The books exposed many frauds and gave the costs of the ingredients of nearly all the well-known proprietary medicines advertised for sale in chemists' shops. Very few of the recommendations of this committee have even now become law, for reasons that I will explain or suggest.

It would be hard to think of any meaner occupation than the exploitation of human suffering, weakness and fear for the sake of money gain. It is equally hard to understand the indifference of the public and its elected legislators to the existence of an evil of which we are reminded by every sheet of newspaper and by advertisements displayed almost everywhere. Yet the explanation is clear enough. Politicians are afraid of the press: the profits of the press are about equal to the revenues they derive from their largest single class of advertisers, vendors of proprietary medicines; thus the press is afraid of these socially dangerous people and this fear is transferred in turn to our democratically elected representatives in Parliament. About a sixth of our national daily newspaper advertising space and nearly a third in Sunday papers is occupied by advertisements of medicines. In 1937 the percentages were: *Daily Mail* 13%, *Daily Express* 18%, *Daily Herald* 26%, *News Chronicle* 19%. In 1938, Lord Horder referred to this form of advertising as a 'cruel ramp' and said:

> 'It not only demanded money with menaces; it coined money out of the fears of the people. For every £100 which the Government spent on making the public health conscious, the quack medicine mongers paid £1,000 in making them disease conscious. If the State protected the citizens' property from financial sharks in the matter of 'share pushing' was it not still more important to take steps to protect their health from wanton damage.'

Any person so devoid of the sense of honour common to doctors that he is prepared to undermine public confidence in the medical schools of the world that have done so much to improve human health, may proceed as follows: select a common ailment such as constipation, indigestion, influenza, headache or corns: concoct a word having perhaps a medical sound; register this word as a 'trade mark'; form a company; design a label; place an order with a manufacturing chemist for a supply of an ordinary remedy for the ailment selected; state the ingredients in Latin on the label; employ an advertising agency to produce suitable 'literature' and to arrange a 'campaign'; open an office where you can attend to book-keeping, correspondence and the handling of cheques. Unless you start with too little capital, have extravagant personal tastes which you proceed to indulge too soon or are otherwise foolish, the public will supply you with so much money that it will not matter after a while how foolish you are. What you will really be doing is to be taking advantage of the credulity of poorly educated people who are in ill-health and are afraid to have their fears confirmed by a doctor.

Until the general standard of education is sufficiently improved the strong cannot hope to do more than protect the weak. The degree of effort is determined by a system of priority. Priorities are not always based on established facts. Before we can determine the relative importance of the proprietary medicine racket we need information. Here is some.

In 1936 the capital invested in this industry was estimated to exceed £100 million. In 1937 a committee of investigation was set up which estimated the annual expenditure by the public in proprietary medicines to be about equal to the total cost of voluntary plus public hospitals. Press advertising costs which, of course, must be ultimately borne by consumers was stated to be about £2,500,000 a year, but no estimate was made of the costs of other forms of advertising. Lord Horder speaking in the House of Lords on 26/7/38 said:

> 'I would like at the outset to state that when I suggested dealing with this subject the first objection raised by my

friends was that I should have vested interests heavily against me—the vested interest, that is, of newspapers and their proprietors, the large Press agencies and those who own hoardings and posters—for it is becoming more and more obvious that the head and front of the offence in the matter of quack medicines is not the medicine but the advertisements, so often grossly misleading if not actually fraudulent.'

Profits. Although a comparison between the bare cost of the ingredients of many well-known proprietary medicines (published in the B.M.A. books *Secret Remedies* previously mentioned) and their selling prices, gives no true indication of the ratio of net profits to be earned by their manufacturers or purveyors, they are not without interest when compared also with the published financial results of the companies concerned. I select Beecham's Pills as one of the best known.

Quoting from *Secret Remedies,* page 175:

Beecham's Pills: A box of these pills advertised to be worth a guinea is sold for 1/1½d. and the prime cost of the ingredients of the 56 pills it contains is about half a farthing.

In a circular wrapped round the box it is stated that 'these renowned pills are composed entirely of Medicinal Herbs' and cure constipation, headache, dizziness or swimming in the head, wind, pain and spasms at the stomach, pains in the back, restlessness, insomnia, indigestion, want of appetite, fullness after meals, vomitings, sickness of the stomach, bilious or liver complaints, sick headaches, cold chills, flushings of heat, lowness of spirits, and all nervous afflictions, scurvy and scorbutic affections, pimples and blotches on the skin, bad legs, ulcers, wounds, maladies of indiscretion, kidney and urinary disorders and menstrual derangements.

The pills had an average weight of 1¼ grains, and analysis showed them to consist of aloes, ginger and soap; no other medicinal ingredient was found. The quantities were approximately as follows:

Aloes	0.5 grains
Powdered ginger ...	0.55 „
Powdered soap	0.18 „

Beecham's Pills Ltd. has capital of £2½ millions, of which £2 millions are preference shares bearing 8% cumulative dividend plus a further 2% after paying 8% on £500,000

deferred shares. All these shareholders were well paid, for in 1931 deferred received 15%; 1932—17½%; 1933—20% plus bonus 2½%; 1934—25% + 2½%; 1935—50% + 5%; 1936—60% + 12½%; 1937—85%. In 1938 this company bought Maclean's Ltd. another well-known proprietary medicine concern with capital of nearly £1½ millions. Several subsidiary companies of the combine approach or exceed the £1,000,000 capital mark. Of these, The Veno Drug Co. paid for the six years 1931/6—40%; 60%; 73%; 74%; 196%; 300% on its deferred shares.

To avoid conveying the misleading impression that Beecham's are singularly fortunate in being able to sell cheap pills at a comparatively high price I give a short list of other well known medicines culled from the same source:

Medicine	*Selling Price*	*B.M.A's. Estimate Bare Cost of Ingredients*
Clarke's Blood Mixture	2/9d.	1⅓ penny
Zox	1/–d.	$\frac{1}{10}$ penny
Doane's Backache and Kidney Pills	2/9d.	½ penny
Warner's Safe Cure	2/9d.	5¼d.
Antipon	2/6d.	1⅓d.
Cuticura Ointment	2/6d.	¾ penny
Zam-Buk	1/1½d.	¼ penny
Mother Seigal's Syrup	2/6d.	⅓ penny
Phosferine	2/9d.	$\frac{1}{20}$ penny

Any reasonably intelligent reader of the two B.M.A. books will not only learn much about the methods of imposing upon the public, be astonished at its credulity, but will also understand that the government was stimulated into long overdue activity. Many frauds were exposed even by the Press which, although benefiting by advertisement revenue, refused to be party to them. The exposure of 'Yadil' by the *Daily Mail* in 1924 is an example. Yadil was advertised widely as a cure for any harmful organism that had invaded the body. It was said to contain 'tri-methenal allylic carbide.' Sir William

Pope, Professor of Chemistry at Cambridge University, who wrote the article in the *Daily Mail* said that the name of this drug was meaningless gibberish. Yadil was 95% water, 4% glycerine, 1% formaldehyde. A gallon sold for £4 10s. 0d. would cost about $\frac{1}{6}$ penny.

Reforms. As a result of the findings of the 1912 Select Committee arising from the publication of the two *Secret Remedy* books by the B.M.A. a few of its recommendations have become law, despite difficulties and disappointments. In 1920 a Bill introduced into the House of Lords was dropped from 'pressure of parliamentary time'! It was revived unsuccessfully in 1924 and 1925 and again in 1936. A Medical and Surgical Appliances (Advertisement) Bill was counted out during the second reading debate which occurred on the day of the Grand National. Finally in 1941 the Pharmacy and Medicine Act was actually passed. This Act compelled proprietors of medicines to print the formula on the bottles or containers and abolished the tax on proprietary medicines.

Much more has been done by voluntary organisations; associations of genuine medicine traders to protect their members against harmful competition from unscrupulous quacks. Thus the Advertising Investigation Department (A.I.D.) provides a service to newspaper members not only against fraudulent medicine advertisements but against all others. But 75% of the advertisement it vets are medical.

The Proprietary Association of Great Britain is an organisation of reputable manufacturers of medicines which recognises the need for public protection against imposture. Its members may not use the word 'cure' in an advertisement. Similarly the Chemists' Friends Association sets standards for sales through qualified pharmacists. *The Pharmaceutical Journal* and most important of all, The Pharmaceutical Society, represents the medical profession and has a Disciplinary Committee recognised by the government under The Pharmacy and Poisons Act of 1933.

The Dangerous Drugs Act of 1920 controlled the distribu-

tion of drugs of addiction : cocaine, morphine, heroin, opium, hashish, etc.

The Venereal Diseases Act, 1917, the Cancer Act, 1939, and the Pharmacy and Medicines Act of 1941 make it illegal to advertise cures for specific diseases. But Rheumatism and Asthma although incurable in the ordinary sense are still free fields for unscrupulous exploitation. Despite all these precautions huge profits are made from the fears of simple people, of tuberculosis, rheumatoid arthritis, heart disease, cancer, etc., by indirect appeals which attribute these ailments to neglect of digestion, bowel function, colds, etc.

On the other side of the picture we have two sets of institutions rendering admirable service to the public in the safe production and sale of genuine medicine. One is the manufacturer of the drugs supplied to the medical profession who maintains research laboratories from which the famous sulphanamide group (including M & B) and hospitals from which penicilin has recently emerged. Second we have such concerns as Boots whose shops sell not only proprietary brands but also cheap copies of these, made in the firm's highly-efficient factories. It is safe to say that if Boots copies, it is all right.

This copying by Boots, and the like, is a peculiar facet of private enterprise we have not met elsewhere. It is obviously tough on the proprietors of established brands who have spent their good or bad money on advertising their products, and you would expect them to refuse to supply Boots and such imitators (if there are any). The fact, however, is that Boots are so powerful that they can say ' All right. Boycott us if you like. It will be a greater loss to you than to us.' The disgruntled proprietors know that Boots have so many shops and that the public contains so many simpletons that the ' genuine ' branded article will find many customers in these shops.

Boots Pure Drug Company Ltd. is a £3 million concern, with many subsidiaries. Its dividends indicate excellent prosperity, and no wonder. We have seen the cost of drugs and the enormous gross profits they carry. There is ample margin

for price cutting, especially to a firm possessing not only its own shops but its own factories.

Government Control. With the recent increase of the State Health Services the need for control of a spurious industry has become acute. The object of the new health service is to improve public health. Any attempt to undermine the prestige of the profession charged with the administration of these services is a public evil and in my view should be punishable as a crime. To detract people from their newly won benefits is intolerable. Legislation at present in Great Britain compares unfavourably with that of other western countries. How long this, perhaps the least acceptable of private enterprises, shall flourish is for you to decide. The task of separating the true from the false will not be easy and the strength of a powerful opposition must not be under-estimated.

The great biologist Metchnikoff has stated that the human body contains 123 useless parts. No one, so far as I know, has attempted a similar analysis of the human brain.

Thomas Parran, Surgeon-General, United States Public Health Services, writing in *The Atlanta Journal* (Nov. 17th, 1946) states that over half the hospital cases in U.S.A. are mental, and that one in ten of the citizens of that country require mental treatment at some period of their lives.

NATIONAL HEALTH SERVICE BILL.

Quoting from an official statement issued by the Labour Party concerning the National Health Service Bill:

> 'Its central principle is that every man, woman and child in the country, irrespective of financial means, shall have access to the best medical treatment that science and the nation can provide.'

The provisions of this Bill lie outside private enterprise, but a few words remain to be said about its effect upon the private medical profession.

As was to be expected much opposition from the organised society of doctors, the B.M.A., has been encountered. The first

objections were to the principle, whereby all doctors would become state employees: to their surrender of liberty. That they had already dedicated their lives voluntarily to the service of needy humanity was a logical answer, but 'may' and 'must' are words to be applied gingerly to conventionally minded people.

The objections to principle have subsided to criticism of detail. A blunt refusal to negotiate has been modified. The voice of the people expressed by its democratically elected representatives will prevail.

SOURCES OF INFORMATION:

Secret Remedies *More Secret Remedies*	British Medical Association
Everybody's Political What's What *Doctors Dilemma*	George Bernard Shaw
Patent Medicines (An Indictment)	Hugh Linstead, M.P.
Britain's Health	P.E.P. Report
Facts for Socialists	Fabian Society Pamphlet
Report on Patent Medicines	'Fact'
Articles in The Economist *and* The New Statesman	
National Health Service Bill	H.M. Stationery Office

CHAPTER THIRTEEN

Entertainment

WE ARE looking at most of our subjects from the consumer's angle. Although something like nine-tenths of the goods produced and services rendered are not for things we desire to buy in shops or otherwise to spend our money on, being called 'producer' work, they are all merely steps leading towards these things. All the people who do not directly produce consumer goods and service are themselves consumers. They are not only users of many of the things we have already investigated, but they possess a vast variety of tastes which they do their best to satisfy during their periods of leisure. It might well be said that leisure, or the occupation of time it represents, is what many of us live for. Personal taste varies very much. It depends greatly, for example, upon the level at which we live, where we live, how old we are, which sex and so on. Some people possess reserves within themselves, with which they can be satisfied, providing they can obtain a few simple and inexpensive articles, such for example as writing materials or pencils, paper and paints. Poets and artists can entertain themselves with such things. Others need packs of cards or even musical instruments. Nature lovers can go walking when the weather permits. Photography amuses some and fretwork others. Lovers find pleasure in each other. All such matters are outside the province of this book. What we are concerned with is the *business* of entertainment and I propose to show you a few of the more important industries that are devoted entirely to it.

DRINK.

Alcohol is a chemical substance like any drug. Its formula is (C_2H_6OH) and it is made by fermenting sugar with yeast. It possesses the remarkable property of changing the mood (usually temporarily for the better) of those who consume it. Small wonder therefore that its production and distribution forms by far the largest of pleasure producing industries, and thus comes first in my chapter. Lord Stamp said it absorbs between 7% and 8% of our national income. In 1930 the national drink bill was £277½ million, of which about two-thirds was spent on beer, about 26% on spirits, 7½% on wines.

Although some readers may find it a hard thought that so many people are dissatisfied with their own natural moods, it is a fact that a very great number desire an improvement and know they can get it from a cask or bottle. This process, as we all know, is frowned upon, not without good reason, by certain people who have formed themselves into temperance societies, not because they always begrudge to others their opportunities to enjoy conviviality, but because, as they rightly say, certain unsatisfactory habits are apt to be formed by alcohol. Mood changing can go too far. This alcohol furthermore is a substance whose effect diminishes as its habit is acquired. It is necessary to consume more and more of it to achieve the desired result; and, since the material is somewhat costly and heavily taxed, the expense of it may become a serious burden upon a modest family income. But this is not all. The artificial mood of cheerfulness produced by alcohol sometimes includes an optimistic frame of mind. An alcholic optimist, seeing all things rosy, looks hopefully towards still greater pleasure beyond a few mere glasses or bottles. If the downcast mood with which he entered the pub can be so easily changed into his present happy state, why not go ahead, drink some more and become happier still. He passes a point in the subsequent process where changes occur of which he is only indistinctly aware. They are changes that affect adversely not only the control of his thoughts but also that of his limbs.

In fact he develops a condition for which our language is singularly rich in words. He is said to be intoxicated, inebriated, tipsy, tight, boozed, in his cups, three sheets in the wind, one over the eight, half seas over, screwed, corned, and so on, or more simply—gloriously or dead drunk.

So powerful a liquid then not only provides one of mankind's most widely used methods of entertainment, but also one of his most lucrative enterprises. The production side of the business may be sharply divided into two sections. One section adds water in considerable proportions to its produce, the other does not. The first section is confined entirely to beer, the second section to wines and spirits.

It would appear at first glance that the production and sale of a liquid composed mainly of water would be a fine trade; and so it is, but there are certain snags. The main snag is the government, which, although in our country it has long sailed under the banner of freedom, does in fact seize two opportunities to interfere. If you find any pleasure in getting drunk you cannot do so as cheaply as you could if the government did not impose a heavy tax upon your liquor. In the case of beer costing 11d. a pint retail in 1946 the tax is nearly 5½d. or 50%. (Before the war the price was 4d., tax 1d., or 25%). This again is not all. If you cannot be persuaded to remain sober, the government does what it can to make you go home. If you want to buy alcoholic liquor and drink it there and then you can only do so on licensed premises. The owner of such premises may be deprived of his licence and thus of his livelihood if he sells to a person who has already had more than he can carry away steadily upon his own legs. You can buy as much liquor as you like to drink in your own home, but you must not sell it to other people. There is no law to prevent you from giving it to them free of charge.

Control. There is probably more state interference in the alcohol business than in any other; and I think quite rightly so, for several reasons. It is a dangerous business, ranked second only to coal mining by life assurance companies for

those employed in it. Their danger, however, is merely an intensification of that to which all heavy consumers are prone. Alcohol is a slow poison, effective perhaps as such only when consumed to excess. The State interposes in the two ways stated, but so potent is the problem that these two ways are constantly changed by every new government. Indeed the liquor trade plays a most influential rôle in party politics. In the past century there have been some seventy Acts of Parliament mainly concerned with licensing and about an equal number imposing taxes on wines, spirits and beer.

The sale of intoxicating liquor by wholesale and retail is illegal except on premises designated by licence. The list of fees charged for all the variety of licences obtainable is too long for inclusion here, but it is as well perhaps to explain that two distinct forms are available for retail purposes. Public houses need a licence for consumption on the premises. The ' Off Licence ' is granted to other retail traders. These licences have to be applied for annually to the local magistrates' court and will not be granted if the police object.

Customs Duties on imported wine in 1939 was 4/- a gallon. Excise Duty on spirits was 72/6 per gallon, beer 8d. a gallon. The Excise duty on beer in 1942 was £6 18s. 6½d. per 36 gallons (a barrel) ' where the worts thereof were before fermentation of a specific gravity of 1.027 degrees or less.' Extra degrees were taxed at 4/4½d. each per 36 gallons. Cider and Perry, no duty (duty of 4d. a gallon repealed in 1926). British wine, if still, 1/6d. a gallon, if gassy 7/6d. a gallon.

These duties are fixed upon liquids containing a known proportion of pure alcohol. The term ' proof ' issued and means 57.1% by volume of pure alcohol. You may notice the term ' under proof ' stated in the description of some alcoholic beverages, and when the percentage is given you can calculate how much pure alcohol is contained. Thus spirits (about the usual strength at which spirits are sold in the U.K.) 30% under proof will contain 40% alcohol, but beer containing 4.3% of proof spirit will have only 2.4% alcohol.

Pubs and Clubs. Our language is not so rich that it can describe in a single word the premises where alcohol can be bought and consumed. The two words that it uses, ' public house,' have a much wider meaning, so that if we want one word only we must use a slang one, ' pub,' unless we live in the country and are content with an ' Inn.'

The entertainment to be enjoyed in a pub does not depend entirely upon changes of mood derived from alcohol. It depends also upon social intercourse or the ' club ' atmosphere of the place. Pubs are far more plentifully distributed than are clubs (especially those where alcohol can be obtained). The pub is the poor man's club and many people who are not poor find its use as a club agreeably convenient. I think our's is the only country in the world where the classes are sharply differentiated in their consumption of alcohol. Most pubs have different ' bars,' graded like railway carriages or theatre seats, wherein the prices charged vary. Few amongst our ' working classes ' are willing to pay more for their beer for the sake of the privilege of rubbing shoulders with their betters. Conversation in the socially élite bars does not usually attain a high intellectual order although there can be no doubt that, such as it is, it influences the political opinions of those who enjoy it, particularly as it affects local government. Any candidate willing to authorise his friends to spend a few hundred pounds standing treat in pubs appropriately situated can get himself elected to a local council.

Samuel Johnson in his *Variety of Human Wishes* said :

> Our subtle tribes repress their patriot throats
> And ask no questions but the price of votes.

The public houses themselves are nearly all (90% to 95%) owned by brewers who have bought them, often at fancy prices, to secure the monopoly of the sale of alcohol diluted water (suitably coloured and flavoured and called beer) of their own production. Such pubs are called ' tied houses ' and the name of the brewer to whom they are tied is prominently

displayed both inside and outside each pub. There are about 80 thousand pubs and 20 thousand 'off licences' in England and Wales.

Beer. As I have said, brewing is a lucrative business. The truth of this may be seen in figures of total profit taken from Income Tax returns for a few specimen years: 1913/14, nearly £10 million; 1919/20, over £32 million; 1937/8, £31½ million. There was a decline in 1932/3 to £16 million, attributed to the world trade slump.

In correspondence with most of the other great industries we have investigated, this one also shows a tendency towards the elimination of free competition. In 1839 there were 47,920 brewers in England and Wales. By 1914 when the figures ceased to be published, the total had diminished to 3,593, and by 1935/6 the estimate was 1,103. It is estimated also that in 1940, 60 breweries brewed 70% of all the beer produced. The total capital investment at that date was over £222 million. Four companies have capital of over £5 million and 43 between £1 million and £5 million. The Government Report of the Departmental Committee on State Purchase in 1917 provides reading interesting to those who require more detailed information than I have space to give. In London in 1927 twelve breweries with a total capital of over £51 million were controlled by only 300 persons.

Beer Profits. The financial situations of a few well known breweries are worth noting: Bass, Ratcliff and Gretton (capital over £3½ million) paid dividend of 20% plus 5% bonus in 1936/7; Ind, Coope and Allsopp (capital over £3½ million) controlling 3,283 pubs, dividend 1936/7 was 27½%; Guinness (capital £9½ million) dividend 1934/5, 24% plus 5% bonus, ordinary £1 shares were worth about £7 each, making the real capital value of this business nearly £70 million.

The total annual consumption of beer averaged from 1925-35 was 849 million gallons.

Spirits. Four commonly consumed liquids containing far more pure alcohol than does beer, are called spirits. Such liquids if consumed in quantity without dilution, are apt to prove too entertaining for most people. By some curious freak of custom they are not sold ready diluted like beer, but you put the water in yourself. I suppose the idea is to leave you free to get quick results if you want them.

Two of these fiery liquids, whisky and gin, are home products, the other two, brandy and rum, are imported.

Whisky. According to the Report of the Royal Commission on Whisky (1909, p. 23) 'Whisky is a spirit obtained by distillation from a mash of cereal grains saccharified by a diastase of malt.'

Malt, as you probably know, is made by allowing damp barley grains to start sprouting and then to kill them by baking. This gives the grains a sweet taste indicating nature's method of converting starch into sugar. Whisky and beer thus have malt in common and I cannot see much chemical difference between whisky and beer, if the beer were subsequently distilled. In America and Canada, rye is often used as an alternative to barley, while other countries make their own national spirits from which ever kind of cereal they prefer.

Whisky has become a fashionable mood changer in our country in comparatively recent times. Nearly 50 million proof gallons were distilled in 1935. It has been said, I do not know with what accuracy, that a person named Dewar, subsequently elevated to the House of Lords for his pains, ousted brandy as our principal spirituous beverage and substituted Scotch Whisky. After this gentleman, Lord Dewar, had achieved millionairedom and its almost automatic sequel, aristocracy, it is said that he was instrumental in initiating a 'get together' movement amongst the whisky distillers. But whether it was really he or someone else, or a group of people, does not really matter; the fact is that to-day all or nearly all the Scotch whisky boys have made a nice monopoly for themselves. This

is the Distillers' Company Limited, formed in 1925 (capital and borrowings about £18 million), which now controls about 80% of the trade, having assimilated the proprietors of most of the well known brands of Scotch whisky, as: White Horse, Black and White, Johnny Walker, Haig and many others, including, of course, Dewar. This concern, whose chairman is or was another aristocrat, Lord Forteviot (formerly Dewar, thus drawing a second seat in the noble house from the whisky still), does a nice business and makes good profits. In 1942/3 it made nearly £2 million net despite the wartime stoppage of whisky production and the almost prohibitively high retail price of old stocks. This mighty monopoly made wartime profits from its side-lines. Alcohol is an important ingredient of certain explosives and of many materials, including 'plastics,' used in industry. I have been unable to obtain comparative figures for Irish whisky later than 1920. Then the comparison was Irish 9 to Scotch 37. This was before the Scotch Distillers became dictators.

Gin. Gin, when I was a boy, was cheaper than whisky. Coarse jokes were made about it: it was, and still is, given the nick-name 'Mother's Ruin,' and one was led to suppose that this fluid was a favourite beverage of old and middle-aged women. Perhaps the music hall jokers of those naughty nineties were subsidised by the then enthusiastic whisky interests, but I have no evidence of this. To-day the price is the same as for whisky and the humorous stigma has been removed by the fashion for 'cocktails,' of which gin is the chief alcoholic ingredient. In 1833 the sixth report of the Excise Commissioners said: 'The prevailing taste of principal consumers of spirits in England was *still* in favour of gin.' Whisky was then almost unknown: rum and brandy were its chief rivals. Gin is a 'compounded' or 'rectified' spirit made by two processes of distillation from maize, malt or rye. It may be sweetened or unsweetened and is usually flavoured with juniper or other herbs. The consumption of gin in 1936 was computed at 768,000 proof gallons (against whisky 50

million). About a hundred years earlier the figure was more than ten times as great when the population was only about 16 million.

Brandy. Brandy is made from the distillation of fermented grape juice, and from no other materials. It comes exclusively from the Cognac region of France. Consumption in 1935 was 395,000 proof gallons. Its production and sale is mainly controlled by a French private monopoly similar in its structure to our Distillers Ltd.

Rum. Rum and gin used to be considered working class spirits, but now that there is no difference in price the class distinction has diminished. I will not go so far as to suggest that the modern trend towards social equality is due to the price of rum and gin.

Rum is a spirit distilled from sugar cane direct, mainly in the West Indies. It is supposed to possess special qualities useful to the maintenance of bodily temperature, and no doubt it does provide a comfortable method of consuming sugar, the fuel which the body manufactures for itself from the starch of food. It is the traditional stimulant of sailors which, during the Kaiser's war, received official approbation as a ' medicine ' for soldiers. Doctors also praised it at that time. Consumption of rum rose from 779,000 gallons in 1901 to 4,512,000 gallons in 1915; but by 1935 it had declined to 491,000 gallons.

Other Spirits. The above are the four main spirituous liquids. There are a few others, including ' Geneva ' or ' Hollands,' a species of Dutch gin, but there is a numerous variety of highly concentrated, strongly flavoured and very expensive liquids called ' liqueurs ' made to be sipped by those who can afford them. The flavours principally found in them are tangerine oranges (Benedictine, Chartreuse, Grand Marnier), aniseed (Curaçoa), cherries (Cherry Brandy and Whisky), peppermint (Crème de Menthe), paregoric cough mixture (Absinthe). In Holland the flavours of flowers are fashionable; the mixtures sipped there resemble sweet sticky

perfume. The total consumption of all these fancy liqueurs is comparatively small. The three tangerine flavours are the branded properties of Roman Catholic religious orders. The fluids are manufactured in monasteries by appropriate monks, or so the story goes.

Wine. All wine is, or is supposed to be, manufactured from grapes and nothing but grapes. There is said to be more sugar in a grape than in any other member of the vegetable kingdom. The quality of wine varies in accordance with the nature of the soil and climate from which the grapes derive. All the same there are two very distinct sorts of grapes which differ in appearance and produce wines of correspondingly different colour. Thus we get the classification of 'red' and 'white' from red or green grapes. White wine is in reality yellow, or to be more romantic, golden. Some wines are caused to dissolve carbon-dioxide gas, like soda water; they are then designated 'sparkling,' because of the bubbles in them.

The chief wine-producing country is France, but Spain and Portugal are also important. All 'Mediterranean' climates and most central European countries produce wine. The Mediterranean climates include California, South Africa and Australia, but most connoisseurs look down their noses at wines from these three upstart places. They are not 'classical' wine countries.

Port wine from Portugal used to be the chief wine consumed in Britain's good or bad old days until it was challenged by Sherry from Spain at about the middle of last century. The conflict between the wines of France, Spain and Portugal reflects about five centuries of European history. Sherry from Spain, formerly called 'Sack,' was challenged during Tudor days by French wine, called 'Claret,' and later in the rollicking days of 'Forever Amber' and Charles II, by 'Champagne.' It was not until in 1667 when the French hit upon 'Tariff Reform' as a means of raising revenue or of 'protecting' home industries (which is never quite clear) that we

retaliated with prohibitive duties on the importation of French wine. In 1703 we made a treaty with Portugal which led to a century and a half of supremacy for Port Wine. In 1860 Richard Cobden, aided by Chancellor of the Exchequer Gladstone, reduced the duty on French wine and so changed the picture.

The average alcoholic content of natural wines is from 25% to 27% of proof spirit (or about 15% pure alcohol). Port and sherry sometimes have extra alcohol added, and are not therefore 'natural,' but French wines are usually much weaker in alcohol. The most highly alcoholic wines imported into Britain in recent years are 'Empire' wines from South Africa and Australia.

The average yearly consumption of wine in Britain from 1925-35 was about 14 million gallons, to which in 1935 France contributed 1,784 thousands, Portugal 4,103, Spain 2,839, Empire, etc., 4,932.

Drunkenness. The peak of drunkenness in England occurred over the end of last century when proceedings by the police are recorded at over 65 per ten thousand of our population. By 1935 this figure had fallen to 11.37. The number of people who died from alcoholic diseases follows the same trend: the highest figure per million of population being recorded in 1900 at 257, whilst in 1935 it was only 41. (1933 was the best year at 38; the lowest figure since 1860, when records were first kept.)

This, I must admit, is not a very lively way to conclude my remarks about the largest or most costly of our national means of entertainment. It is however part of the cost, and cannot therefore be omitted even in the interests of entertainment itself.

TOBACCO.

It may stretch the imagination somewhat to regard smoking as entertainment but it would stretch it even more to pass off tobacco as food. Our purpose here is not to

split straws but dead leaves. Dead leaves of the tobacco plant, which as far as I know grows as readily as a cabbage, when suitably dried, 'cured' and split, are far more valuable than most other dead leaves because the smoke given off when they burn has an aroma usually considered superior to that of an ordinary autumn bonfire. All the same it is as well to remember that tobacco is only dead leaves. One acre yields about threequarters of a ton per annum. Cotton yields less than a quarter of a ton, but the price of cotton is about 7d. a pound, whereas to buy tobacco retail in 1944 in the United Kingdom you pay well over 3s. an ounce. Most cereals average about one ton to the acre and are worth less than 2d. a pound. Some explanation is clearly needed and it is my job to give it.

British consumption of tobacco hovers round 100 million pounds per annum. The largest tobacco growing country is China, the second U.S.A., third India and fourth U.S.S.R. The value of our annual imports of tobacco in 1939 was nearly £14 million. The cost is about 3% of our national income; and this, when added to drink, makes a total about equal to what we spend on either clothing or rent. But £14 million is far less than 3% of our national income. There is a gap. My explanation will fill it.

Taxation. It has been found by successive governments that tobacco will bear an enormous amount of taxation. Tobacco tax in 1942 yielded £221¼ millions against £67½ millions in 1934. Player's Navy Cut and similar brands cost 3s. 6d. for twenty now: then they cost 1s.; when I was so foolish as to start smoking they cost 5d. A person earning about £4 a week pays about 5% of his income in tax on drink and tobacco. But as he grows more prosperous the proportion of tax to income gets less so that the very rich who smoke the same amount, but who could better afford to pay more, pay less in proportion to their incomes.

Organisation. This fine business wherein addicts will go on buying, irrespective of price, is not only good for the Govern-

ment but is pretty well looked after by a few astute business men. As usual they have pretty well eliminated free competition by making a private monopoly of it.

There are two great outstanding companies—Imperial Tobacco Co. Ltd., capital £55 millions; British-American Tobacco Co. Ltd., capital £38 millions. The first of these owns Players, Wills, Lambert & Butler, Churchman and many other well-known brands. The second company started as an export concern, buying certain export businesses from Imperial and also Ogdens Ltd., American Tobacco Co., and various others. In 1920 shares in this company were transferred to a finance or 'holding' company called Tobacco Securities Trust Co. Ltd., in which Imperial is also interested. There are common directors in both companies. Sir Hugo Cunliffe-Owen, chairman (also chairman of British and Foreign Aviation Ltd., Cunliffe-Owen Aircraft Ltd., director of Midland Bank and Eagle Star Insurance Co. Ltd.), is perhaps the best known.

Imperial was formed in 1902 when seventeen firms continued to resist the American threat to capture the British market. According to Mr. Gilbert Frankau a marvellous cigarette-making machine was invented at about that time. It is reported by Mr. P. Belcher, General Secretary of the Tobacco Workers' Union, that such a machine could, in 1943, make twelve thousand cigarettes a minute. Imperial is interested also in the retail side of the business in that it guarantees payment of dividends by Salmon & Gluckstein, A. I. Jones & Co. Ltd., and R. Sinclair Tobacco Co. Ltd. A Government report on the tobacco industry in 1920 said of Imperial:

> 'A business of such magnitude commanding so extensive an influence on the retailers and possessing such large reserves has it in its power, by foregoing its ordinary profit for a short time, to cut prices to such an extent as to place all its rivals out of business and secure the entire, or very nearly entire, monopoly of the tobacco trade.'

Ardath was independent for a time but is now controlled by British-American. The only large and apparently inde-

pendent firm in the trade is Carreras Ltd., capital about £3¾ millions.

British-American profit for 1941 was £5,087,565, from which it paid dividend of 14.6% tax free. Imperial dividends for many years to 1935 never fell below 15% and often included a substantial additional bonus.

It is wonderful to think how much money goes up in smoke and how much comes down again as profits.

GAMBLING.

Authority frowns upon gambling; but it does not frown very hard. It is illegal to do it in a pub or for anyone to keep a gambling-house for the purpose of making profits for his private use. Nevertheless you can gamble as much as you like in a club of one kind but not in another. No one knows where to draw the line, but judges are allowed to draw it according to their fancy in determining what is essentially a 'gaming' house and what is not. You can do it on a racecourse, but if the man who takes your bet refuses to pay the law will not help you to make him do so. On the other hand you can open an office as a 'turf accountant' (called a 'bookie') and if you cheat your customers the law will punish you for fraud. You may not organise a lottery but you can make a fortune from 'football pools' or use any pretence however absurd it may be that an element of skill has been introduced into what is in reality a lottery and to make it appear to be other than a 'game of chance.'

It is in my view not worth the expensive research that would be necessary to discover the national financial burden of all the various forms of entertainment associated with gambling. There are three main 'sports' or competitions the results of which owe their wide interest mainly to the changing ownership of money dependent upon them. They are horse-racing, greyhound-racing and association football. The last two are comparatively recent innovations. The first two operate as straightforward betting, the third employs a different principle.

Bookmaking. If you want to get a kick, thrill or change of mood from betting on horses or dogs you can either employ a bookmaker or a machine called a 'totalisator'; unless you are content to take your earnings from or pay your losses to a friend.

A bookmaker, sometimes politely called a turf accountant or commission agent, does not manufacture books. He uses a book to keep records of the bets he has made and to calculate the odds he can afford to 'lay.' He does his best to arrange matters for every race in such a way that whatever happens he is bound to win, and he usually does so. I will simplify for your benefit the principle by which he works: let us imagine that a race has been organised in which there are only three competitors, Red, Blue, and White, and that they all have equal chances. If there are three betters, Tom, Dick, and Harry, each willing to wager £1, which they pay to a bookmaker, each choosing a different colour, the bookie can make £1 profit for himself if he 'lays evens the field,' the phrase he would use to proclaim the price at which he is prepared to provide entertainment for his customers. The phrase means that although only one of the three colours can win, and the mathematical chances are therefore two to one, the bookie, in order to secure a profit for himself will only accept a bet which would be mathematically fair if only two colours had been competing. If Red, backed by Tom, wins, Tom gets his £1 stake money returned to him plus the £1 he has won by his bet. The bookie has received £3 and pays out only two.

Now had Tom, Dick, and Harry been acquainted with each other and had each known that they fancied the chances of a different colour they could have organised a 'sweepstake' with greater advantage to themselves, for by this method, providing they employed no other person to play the rôle of stake holder, the whole £3 would be available to Tom. He would thus have gained £2 instead of only £1.

Few, if any, races are so simple as the above example. There may be thirty or more horses or dogs competing and a very large number of persons willing and anxious to bet who

know nothing of each other, but who know, or think they know, a great deal about the speediness of the competitors. Let us suppose that 60% of these are so strongly of the opinion that one colour, say Red, is sure to win, that they will wager £1 for the sake of winning only 5s. This is called an ' odds on ' price, ' four to one on,' and Red is proclaimed ' the favourite.' The ' bookie ' arrives at this price by counting up the total money that has been bet on all the other colours and by comparing it with the total money bet on Red. If £100 has been bet on Red, the bookie will not offer to pay 5s. for each £1 until he can see by adding up his ' book ' that £25 plus what he considers a fair profit has been collected from people who think one of the other colours will win.

Most people who go betting are aware that bookies cannot afford to work for nothing or to take undue risks. But these betting folk are not usually highly competent mathematicians, and even if they were they have no means of obtaining the information upon which they could make accurate calculations. If they could do this they could organise a sweepstake wherein all the money could be distributed to the winners; none of it need be retained by bookies and the arrangement would be absolutely fair. To meet this need a machine called a ' totalisator ' has been invented.

Totalisator. The owners of some large racecourses instal, or sell the right to instal, a calculating machine capable of recording, in large figures for everyone to see, the total amount of money, as it accumulates, wagered upon the chances of each competitor. These figures denote the trend of opinion. Each customer gets a ticket, as from a cash register, automatically printed by the machine, to show how much money he has paid to participate in a sharing out of all the money betted, less 10% retained by the owners of the machine. When the race starts the machine is closed, its electric motors are switched on, and another set of large numbers appears proclaiming the amounts payable in respect of each runner if successful.

The owners of such a machine cannot decamp, or 'welsh,' during the progress of the race, nor have they any need to do so, for their profit is automatically assured. The human element of defective calculation does not enter into their business; nor are they tempted to take risks on their own account, as is a bookie, under the pressure of time, anxious to make his book come right by the acceptance of unsound bets that he is unable to balance. A racegoer, however, pays for excitement and is not usually meticulously careful to avoid being overcharged for it.

Totalisators Ltd., whose capital is less than one hundred thousand pounds, made profits of nearly half a million pounds in 1945 and declared a dividend of 109% on its 'deferred' shares; but some of this came from the race tracks it also owns.

Greyhound Racing. Although I decided to forgo the expense of research (fearing the risk of losing my money) into the national cost of horse-racing, I am able by the courtesy of *Reynolds News* (10/11/46) to give you some information from an article by Mr. Henry Owen. He states that three million people a week attend greyhound race meetings and that £240 millions changed hands in bets therein last year. He gives some further particulars as to the interests vested in this form of entertainment, dominated by The Greyhound Racing Association and Trust Ltd., which with capital of £1.4 million made a profit in 1945 of £1,616,034 and paid 35% dividend. The genius behind this remarkably successful undertaking seems to be Air Commodore or Brigadier-General Critchley, its largest shareholder, due for £8,242 out of last year's dividend. That he is more capable than most of us in dividing his activities is shown by his additional former interest in British Overseas Airways Company, of which he was the head, and now as a director of Associated Portland Cement (q.v.). It is not to be too readily assumed that this gentleman's exceptional abilities are alone

responsible for the phenomenal financial success achieved. A galaxy of aristocrats and other high-born have also gone to the dogs. Lords Brabazon, Borthwick, Mattestone, Esme Gordon-Lennox, Lock, the Hon. A. C. Murray, Sir Ormonde Winter, Lieut.-Colonel D. E. Prideaux-Brune are amongst the names of those who may prefer horse-racing, the sport of kings, for their entertainment, but are not above paying for their participation in it with profits taken from its working-class substitute, dog-racing, in such concerns as the following: Wembley Stadium Ltd. (capital £280,000) profit 1945 £286,913; Clapton Stadium Ltd. (capital £220,984) profit 1945 £266,593. Critchley does not seem to have a monopoly of the ability to cause a company to make more profit in a year than its total capital.

Football Pools. Ours is a sport-loving nation. If you observe people reading newspapers in trains, restaurants and public places you will find that the sports pages engage most of their interest. They are aloof from more serious matters that may concern the lives and deaths of millions of people. Of all the sports, football is by far the most popular. As a nation we have passed beyond the stage of actually playing the game; we leave it to schoolboys and young men; we are concerned with results.

The reason for this concern is fundamentally a system of mathematics that goes on over our heads. This system might have been applied to the calculations of a limitless variety of chances, but since football has a sporting flavour, and so many of us claim to be sportsmen, it happens to have been applied to that. Our interest in football has been superseded by a passion for another game arising out of it, namely, football pools. This new game provides a way of dodging laws that prohibit lotteries. No ostrich with his head well in the sand could delude himself that football pools are not lotteries, but I am sure that many of my readers will stoutly deny it. The administrators of law in most countries do a lot of winking; ours probably wink less than most, but here, over football

pools, we have one great wink. The law pretends that there is some skill in it. A game of skill is legal and is not a lottery.

The mathematics of the business is fairly simple. A number of events occur simultaneously. Each of them can have only one of three results: win, lose or draw. The events themselves can be classified into two groups according to where they occur either here or there. An arbitary system of allocating points to the results may be devised in a variety of ways. With so many varieties the chances of an accurate guess at the total results of many events occurring during a week is very remote. It does not cost much to hazard such a guess and if you happen to be correct you may be rewarded with a large sum of money. This sum is the total of all the money paid by unsuccessful guessers after expenses and commission has been deducted by those people who have taken the trouble to organise the affair. These people take only one risk. It is that of the free competition of private enterprise. They know by now that some ten million people participate in the game every week. Their risk is that too many organisers will set up in the business so that ten million will be too few to pay the expenses of them all. At present this is not much of a risk, and, as in other more productive enterprises, measures of agreement can be constructed between established organisations to secure monopoly amongst themselves and to make things so awkward for newcomers that they will be discouraged. Apart from this small risk (sixty-five firms shared the organisation of 450 pools every week) the thing is, from the organisers' viewpoint, 'money for jam.'

This money, in the season immediately preceding the last war, amounted to some £50 millions. Of this 'expenses' were estimated to be £$6\frac{3}{4}$ millions and commission (or profit) £$2\frac{1}{4}$ millions. In other words the people subscribing were content to pay £9 millions for such pleasure as they could obtain by imagining themselves to be lucky enough to be paid back 82% of their money.

The jam, costing £9 millions, was spread occasionally with mathematical exactness very thickly. On several occasions the

owner of a lucky penny amongst some 25 millions received £30,000 for it. Twenty-five million to one is a somewhat remote hazard, yet a penny is only a penny, and 24 millions of them is a hundred thousand pounds.

In the year before the war about ten million people spent an average of about half a crown a week on these football pools. In June 1945 a Rev. J. Bretherton secured a judgment on appeal in the King's Bench making it illegal to conduct pools through newspapers. Printed coupons were using a heavy proportion of severely restricted newsprint. The effect of this legal decision was to transfer the burden, probably with more waste of resources vital to the war, to the postal services. Last winter (1945-6) the business had regained about half its pre-war volume with about four million people staking 3s. 6d. a week. When the 1946 football season started eight leading pool promoters who during the war had promoted themselves into ' Unity Pool,' disbanded and free competition was resumed. The Postmaster-General complained in Parliament that during the first few weeks of the flood caused by this manœuvre twenty million postal packets were handled by his department, and this despite the illegality of sending out coupons which are not previously ordered. These orders are frequently obtained by thousands of house-to-house canvassers, engaged through obliging Labour Exchanges, and who are paid as much as £10 a week by the promoters.

The Football Association which controls all professional ' league ' matches in this country felt somewhat agrieved at the magnitude of the side interest which their entertainments provided. The Football Pool Promoters' Association offered to subscribe £5,000 a year, but the Football Association declined to accept their offers.

The pool industry employs about thirty thousand people. For every million pounds it receives it uses about 888 workpeople. In most industries a million pounds' worth of trade employs about 6,000 people. Expenditure on advertising by pool promoters in 1937-8 was about £600,000. Ordinary

traders would need about £3 million increased sales to cover this outlay.

Mail Order. The mail order business is not so highly developed in Britain as it is in America and elsewhere, where large towns with good shops are farther apart. The football-pool promoters possess valuable lists of names and addresses of their subscribers. Littlewood's and Vernon's, two of the largest promoters, decided to use some of their profits in having a shot at this business. The Littlewood catalogue of goods for sale is said to be as large as the London Telephone Directory.

Clubs. The 'club' mail order system is also allied to this business. A group of people living fairly near to each other are induced by a paid agent to form a so-called club which he organises. Each member subscribes a shilling or two every week and a lottery is arranged which fixes the order of rotation in which members may receive parcels of goods by mail order to an agreed value. The lucky member who draws first place gets perhaps £5 worth of goods at once when he may only have paid one subscription, but of course he must go on paying until all the other members are similarly provided. The price charged for the goods obviously carries sufficient profit to the promoters to justify the cost of so complicated a method of selling them.

Finally Littlewood's have entered into competition with Woolworth's and other similar chain-store businesses. Other traders complain of unfair competition and instance the use made by pool promoters of free postage, since trading circulars are enclosed with pool coupons without extra cost, but in a world where the scramble for money is free to all who can reasonably grumble if another fellow gets ahead?

Some facts and figures contained in a speech delivered in the House of Commons on February 12th, 1947, are reported in the *News Chronicle* as follows:

> 'Mr. Osborne, who suggested a Cripp's working party to inquire into the industry, believed the large pools were

honestly run, but the country should know that about 20% of the gross takings were deducted for expenses and profits.

'He would ask women, "Do you want clothes or pools? You cannot have both." If 50,000 or 70,000 women in football pools were put back into the clothing industry, clothes rationing could be ended in 12 months.

'Papers like *The Spectator, The New Statesman* and *The Economist* could not be printed, yet we could waste £13,000,000 weekly in pools.

'If this growth goes on, within a year the whole country will be turned into a gambling casino.

'Including horse racing, greyhound racing and football pools the "best authority" estimate of Britain's total betting pool was £700,000,000 per annum. Yet it did not contribute to the Exchequer.

'The country could not afford the loss of man-power involved in the staffs of the pools.

'He believed that altogether some 75,000 people were employed full time by the pools, and another 50,000 part-time workers. These people were parasites.

'He knew of a textile firm in Liverpool which recently lost 250 girls who took employment with the pools—this at a time when the textile industry was gravely short of labour and when hospitals were understaffed for nursing.

'According to an actuary of one of the leading insurance companies the chance of winning a prize in a pool of 20 matches was 3,468,478,401 to 1 against.

'The brave new world was not going to be built up on pools, into which there should be an investigation.'

CINEMAS.

The Motion Picture business, to call it by its properly descriptive American name, provides more entertainment per head of population in Great Britain than in any other country, including America itself. We have taken to it; and I happen to have been born early enough to have been in almost at the start. The 'movies,' I am given to understand, owe their development more to a flexible, transparent material now called celluloid, formerly called Xylonite, than

to the failure of the human eye to keep pace with the speed of rapidly changed 'still,' magic-lantern pictures. This stuff celluloid is made of camphor mixed with a non-explosive form of gun-cutton. It is important because it is tougher than the gelatine films formerly used in country fairs. They soon become scratched, so that all the early pre-celluloid incidents portrayed on the 'bioscope' seemed to occur during a rain-storm—even indoors. There was no great future for this.

Celluloid has unquestionably beaten the 'Band of Hope' as a temperance movement. The gratifying improvement in the statistics of drunkenness is in my opinion an unexpected consequence of the alternative entertainment made available by the chemists responsible for the discovery of a flexible transparent material that does not permit the black and grey oxydised silver images photographed upon it to be easily mutilated.

The upshot of all this is a mighty industry, which, as you all know, is centred in Hollywood, a suburb of Los Angeles, California, U.S.A. Before I take you there I prefer to keep you in Britain for a page or so, despite your itch for glamour.

In Britain there is a cinema seat for every $9\frac{1}{2}$ persons compared with 12 in the United States, but the Americans use their seats about twice as often as we do. All the same we pay the tidy sum of £112 millions a year to the people who own these British seats. They are called 'exhibitors,' and pay as a rule about half their takings to 'renters' who hire out the films which they in their turn have purchased from 'producers' who are the originators, organisers and manufacturers of them. We thus have three sets of people whose affairs are to be investigated, and I must warn you that there is much complication in this because not only do their functions tend to overlap, but their finances are a maze blocked by dead ends of secrecy, or by entanglements that are apt to tear your nylons. However, if your patience has carried you so far in this book, even the ladies amongst you with only celluloid (art silk) stockings will be tough enough to proceed.

Of the £112 millions paid by you and me for our cinema

seats, about £100 millions of it is paid for the privilege of seeing American films. They represent about 80% of what we see or 65% of what the whole world sees. The British share of the remaining 35% is very small indeed.

The substitution of celluloid for alcohol, looked at from a social angle, is not an entirely unqualified success even from the point of view of staunch temperance advocates. Mood can be changed by satisfying thirst for liquid or for excitement. Celluloid not only possesses the unique, reliable, sunny climate of California so satisfactory to photographers and to those who invest their money in them, but it also has a public possessed of a peculiar taste for pistols. Authors are crack shots. They are the only people who can be absolutely certain of killing their man every time their stories require them to do so. This situation gives to celluloid an influence which anyone whose temperance business is on the decline might welcome as a new evil to set him up again. It is not for me to come down on the side of those who propagand against drunkenness or against murder, but I think it is as well to register that celluloid seems to emphasise sudden death by violence perhaps unduly.

I should like to be able to tell you that it was this high moral aspect as celluloid that led our Government to pass the 'Cinematograph Films Act of 1927,' but I regret that such a statement would not be true. What is true is that this Act puts exhibitors under a statutory obligation to show 15% of British films. Doubtless the percentage would have been greater had Britain possessed more productive capacity, or were the climate attractive to 'glamour.' As things are we have or had a struggle to produce our 15%.

British 'Shorts.' Britain's steady film production business was before the war in 'shorts.' The Association of Short Film Producers was somewhat pathetic. They saw the hundreds of millions paid to exhibitors every year while they stood outside like dogs licking their chops in anticipation of a few crumbs from their master's table. They received perhaps only

2s. for the three days' hire of a film that cost £150 to produce, while the big money went to their American rivals who may have spent hundreds of thousands of pounds in producing the main attraction of an evening's entertainment. Under such conditions the quality of British film shorts had deteriorated, and unless something could be done to improve matters their production would be threatened with total extinction. The 'system' is the obstacle and it is this system that it is our business to investigate.

Producers. We will start with production and therefore, at last, Hollywood. Before the recent war Hollywood received about £7 millions a year from British cinemas for the use of its films. In 1943 it received £26.5 millions, in 1944 it received £15.6 millions. During the previous big war (the Kaiser's) the British film-producing industry came almost to an end. By 1935 the situation had become about as clear as I can make it. There were three groups of private enterprises which did not correspond with the three functions (production, renting, exhibiting), but were grouped nationally and internationally and were concerned in some but not all cases with all three functions. The groups are (1) American; (2) Anglo-American (or international); (3) British.

Hollywood. Members of the American group are all located at Hollywood. They are:

Metro-Goldwyn-Mayer
R.K.O.
Twentieth-Century Fox
Warner Bros. and First National
Paramount
Columbia and Universal.

These are the real big boys who are at the top of an industry which has rapidly become one of the largest and most important in America. Had they confined their activities to their own country the task of a British investigator would have been far more simple. What they do do at Hollywood is

to produce films. When they first went there to do it they were not regarded with much favour by the local inhabitants. The actors used to run about the streets throwing custard pies at each other and since only authors are dead shots these actors frequently missed their aim—to the annoyance of bystanders who, not noticing the camera, doubtless mistook them for lunatics. However, things have progressed from the early days of the silent film until now Hollywood has acquired a peculiar aristocracy which rivals any other of place or history. This aristocracy, like all others, is a mixture of vulgarity and real beauty; of wealth and culture; of keen competence and empty inanity. It has contaminated exquisite artists by excesses of sensual indulgence, but at the same time it has elevated the mediocre to great heights. All that money can buy is for sale at Hollywood, and occasionally, very occasionally, a small voice is heard, and receives attention. It is then that Hollywood justifies itself for the benefit of mankind. The film, sometimes, not very often, has something to say.

Authors, already occupying positions impregnable in the hearts and minds of every man, having long since passed beyond the realms of material temptation, cannot legitimately resist the opportunity offered by this unique place to pass their creations into a medium of light that transcends mere words. Information about the incomes derived by authors from their work is sometimes published. Trollope made no secret of his. Arnold Bennet dropped a hint or two. The biographers of Dickens have had something to say, and *The Times* publishes its ' Latest Wills.' But all these giants were too soon for Hollywood, the Tom Tiddler's ground of story tellers. If you want a letter to reach your favourite novelist, address it Hollywood, U.S.A. It will be delivered. Few successful industrialists amass in a lifetime a fortune equal to that received by an author who sells his film rights to one of the firms whose names appear in my list. Beverley Hills and Pasadena are studded with palaces of these princes.

The kings and queens in the empires I have listed are of course the actors and actresses whose erotic charms you can

enjoy for ninepence. There is no need for me to tell you their names or to make more real for you the intimacy of their gigantic (from the ninepennies) embraces. The loveliest women show almost all their real business to their sisters throughout the globe. Their wide eyed innocence is safe behind the bulwark of sincere virtue displayed for thousands of feet. You are sure that beauty will triumph in the end and self sacrifice, like yours and mine, is used to make us hope that ours will be similarly rewarded. Silken bedrooms, robes and tresses, ivory telephones, slick and sumptuous motor cars, swimming pools, cocktail cabinets and night clubs are combined in infinite variety to transport us to this golden atmosphere where the sun can be relied upon to show us what life would be like if only we could afford to live in it. The handsomest men strut about this magic stage; old and young, comic and tragic, lucky and unlucky, all of them have an eye on their footage, and while the going is good it can be very good indeed. But it is not the life we know: it is false. It is still in its crescendo of progressive hysteria, and it costs the world a great deal of effort and the money that effort represents.

United Artists. Charlie Chaplin, Mary Pickford, her husband, Douglas Fairbanks, and certain other rebels of British birth, sympathies or associations formed a break-away film-producing concern called United Artists. They had become rich and successful enough as artists during the early custard pie days to be able to afford to snap their fingers at the emperors.

British Films. There are or were two major British groups: A.B.C. (Associated British Picture Corporation) and Gaumont British. So far the structure of my three groups seems simple. The main complication arises from the device similar to that practised by the brewers who bought the pubs to secure control of the market for beer. These three groups, American, Anglo-American and British have formed a large number of subordinate businesses. Some of these concerns are renters,

others are actual owners of large circuits of tied cinemas. The American and Anglo-American groups have large fingers in the British pie. In 1928, Twentieth Century Fox acquired a major financial interest in Gaumont British. Later, Warner Bros. bought 37½% of A.B.C. These two concerns controlled some 600 British cinemas between them. United Artists bought half of Oscar Deutch's Odeon Circuit. The above was the situation until a remarkable man, J. Arthur Rank, millionaire, Methodist, monopolist, miller, arose to change it.

In 1935 a Mr. C. M. Woolf resigned his directorship of Gaumont British and founded an important company called General Film Distributors. Five of his co-directors in his new company were directors of the American Universal. Lord Portal, a paper monopolist and member of the Glyn banking family; Lord Luke, of Macmillan & Co., publishers, Chairman of Bovril and a city magnate; Lord Dulverton of Imperial Tobacco; Lord Monck; Baroness Somers of Virol Ltd., represented our aristocracy, but three financially powerful commoners, Paul Lindenburg, Leslie William Farrow and J. Arthur Rank were in General Cinema Finance Ltd., which within a year took over Woolf's company. Rank was the moving spirit of all this. He had a rival, a certain Mr. John Maxwell.

In 1936 Twentieth Century Fox tried and failed to get control of Gaumont British from the Ostrer brothers, but they sold £209,375 worth of non-voting shares for £618,125 to Maxwell and gave him an option to buy 51% further voting shares, by the owning of which he would get the control he sought, for £800,000. Twentieth Century Fox were the owners of the other 49% and having the right to veto the sale to Maxwell, did so. Thus Maxwell had paid £408,750 for nothing. In 1941 Rank, who in 1939 had bought a large proportion of Odeon, bought the vital 51% in Gaumont for £100,000 less than the price offered by Maxwell. In 1942 Oscar Deutch, chairman of Odeon, died and Rank took his place. In 1941 Maxwell died and Rank bought shares costing £618,125 for £450,000. Thus Rank has become indeed a

very powerful film personality. He is said to be a director of some 200 companies and a millionaire fifty times over.

Rank Studios. Ten out of seventeen British film producing companies, including all the largest, are under the control of Rank. The studios include Denham, Pinewood, Shepherds Bush, Islington, Highbury and Elstree. This in 1945 was estimated to comprise about 70% of British film studio space.

Rank Distribution. Rank dominates the field of British film renting with his two companies, General and Eagle Lion.

Cinema Theatres. There are about 4,750 cinema theatres in Great Britain. Apart from the small independent locally or privately owned theatres which of course make up most of the number, Rank controls about 615 picture palaces against his only big rival A.B.C. which owns 450. This total of 1065 big cinemas absorbs more than a third of the nation's seating capacity.

Monopoly. Rank's policy is to concentrate on the export of British films and the showing of American films here. To cut deeply into American screen space in Britain would be at the cost of the handsome dividends paid to the shareholders of Gaumont British and Odeon. Exhibition is a much less risky business than production. Rank runs no financial risk in exhibiting American films, but if their number were reduced and the gap had to be filled by the products of British studios he would have to commit himself more deeply in the chancy sphere of production. This is said to be the reason why he has not opposed the recent decision of American companies to set up for themselves over here. In return he has secured a small share of the American market, but British films have earned only about £1,500,000 in U.S.A. through the years. Objections to this policy are as follows: the national idiom of British films is being sacrificed to the production of extravagant imitations of Hollywood. (Caesar and Cleopatra cost £1,300,000). Rank's policy also creates a serious situation in the industry; if his ambitions are frustrated it will be easy

for him to withdraw from production altogether and fall back on the lucrative circuits, showing the mass of the American films which would stream into the vacuum left by the collapse of serious British production.

Another result of the development of vertically integrated combines is the introduction of practices in restraint of trade. A practice known as ' block booking ' has developed whereby a distributor requires an exhibitor to book particular films as a necessary condition for securing the right to exhibit the film he desires to rent.

A further practice is the restraints imposed in competitive areas, at the instance of an exhibitor booking a picture, on simultaneous exhibition in other cinemas in the vicinity and on subsequent exhibition within a specified period. This practice deprives the public of many opportunities to see pictures until their interest has been lost. These ' bars ' unnecessarily reduce the number of cinema goers who are willing to pay to see films.

In 1943 Mr. F. Dey Giudice of Two City Films Ltd. put forward a proposal that his company and the other concerns controlled by Rank should come to an agreement with the major American renters to supply them with all their British quota requirements and to form ' Scenario Institute Ltd.' to buy up film rights, screen plays and scenarios. This proposal brought matters to a head in the industry. It was regarded by many as an attempt to monopolise film production on the one hand and creative talent on the other without offering any safeguards as regards trade-union conditions and rights.

Under pressure of public opinion Mr. Dalton, then President of the Board of Trade, was forced to intervene and in July, 1943, it was announced that Mr. Dalton had informed Mr. Rank that the Government would not acquiesce in the creation ' of anything like a monopoly at any stage in the film industry.' Rank gave an undertaking not to acquire any further film interests without the prior consent of the President of the Board of Trade, but the latter raised no objection to the acceptance of bids already made. Rank was able to

proceed with the purchase of four Paramount 'super-halls' in London, Liverpool, Glasgow and Birmingham, and nine other London halls.

Palache Report. Following representations by the Cinematograph Films Council, the President of the Board of Trade invited the Council to give him their advice on the development of monopoly in the industry and measures to check it. The report they drew up was published as a White Paper in July, 1944; it is known as the Palache Report. Some of its recommendations are as follows:

'The introduction of legislation prescribing that no further expansion of the circuits will be allowed by the combines without the consent of the President of the Board of Trade.

'The introduction of a trustee arrangement to prevent control of the industry passing into foreign hands or those of undesirable groups of persons.

'The Board of Trade should guarantee a fair allocation of studio space as between independent and integrated production.

'Medium cost feature films should be made rather than a smaller number of speculative luxury products.

'Legislation should be introduced preventing conditional bookings.

'The renter's quota of British films should be increased.

'The booking of a feature film to a circuit for the London release area should be divorced from obligations on the producer or renter to book the picture to the same circuit in other regions of the country. This has been a great abuse. If the independent producer is to stand any chance of making a profit he must have his film shown in the London area; but the circuits will only give him a London booking on condition that the film is at the same time booked for their other cinemas throughout the country. Left to himself he could probably arrange better playing dates and better terms with the non-combine provincial exhibitors but rather than lose the

important London booking he is forced to accept inferior bookings in the provincial cinemas.

'To prevent the building up of additional circuits the Board of Trade should introduce legislation instituting a strict control over changes in ownership of cinemas.'

So far this report has had no effect on the Board of Trade policy. Meagre safeguards were announced by the Government in March, 1946. A small proportion of the big circuits' screen space is to be provided for independent British productions. A selection committee is to choose the films which in its view are entitled to the dispensations of Rank and the American dominated A.B.P.C. No steps are being taken to facilitate the production as distinct from the distribution of independent films.

Profits. Gaumont British (capital and borrowings about £13 millions) profit for 1945 £2,785,073. Odeon (5s. shares quoted at 40s. Dividend for 1945 was 25%) profit for 1945 £2,457,080. A.B.C. (capital £9 millions; 5s. shares rose from 4/4½ in 1940 to 20/6 in 1945 when dividend was 20%) profit for 1945, £2,135,890.

Conclusion. I know nothing about the personality of Rank that is not common property. I do not know if he is a good or bad employer. He is evidently a deeply religious man, is said to have given over £1 million to the Methodists, and has certainly shaken Hollywood. In the *Daily Worker* of 20/11/46 the head of Metro-Goldwyn-Mayer, Samuel Goldwyn, is reported to have said: 'British films may provide the threat that Hollywood needs to stir itself out of its 'fat cat' complacency. British pictures are meeting with success because they are tremendously improved. The British have made great progress but most of all they have stopped trying to imitate us.' These remarks were doubtless called forth by Rank's latest £3 million gamble in four films: "Caesar and Cleopatra," costing £1,300,000; "London Town," costing £700,000; "Men of Two Worlds," costing £750,000; and "Henry V,"

costing £450,000. Some doubt is expressed as to the possibility of profit from the first of these. Mr. Shaw must chuckle.

THEATRES.

The successful researches of the celluloid chemists shook the world of drama as dramatically as drama itself. Stage performances by living actors who lived on the money our ancestors paid to see them perform in person, suffered an economic earthquake. When I was a boy, the suburbs of London and most sizeable provincial towns, possessed prosperous theatres wherein could be seen, at intervals, all the leading actors and plays of the day. To see them was part of our life—and education. Now many of these local theatres have gone, or have become picture 'palaces.' But the theatre is too old and too precious an institution to be permitted to die completely. The main effect of the change has been to reduce the number of people who can earn a living 'on the boards' and to reduce the value of such theatrical buildings as were inconvertible into cinemas. All the same, there has been a 'come back.'

The West End of London is the centre of the British theatrical world. There are two sorts of theatre. The 'legitimate' as it is sometimes called, presents stories in the form of plays, which usually take up the whole time of the entertainment paid for by the audience. The other more recent innovation is the 'variety' show, which grew from the 'music hall' of last century.

Music Halls. Music halls originally had little in common with theatres, except a stage. They were rather elaborate 'pubs' where singing and music was an added attraction to the mood-changing function of alcohol. The proprietor or manager acted as chairman, arranging the items and maintaining order. The formality of a chairman for this kind of entertainment continued until long after they took place in buildings which resembled ordinary theatres, but even then provision, occupying a large amount of space behind the seats, was made for drinking. Many patrons paid little attention to

the performance. They came not only for drink, but for the opportunity to meet unattached women of small modesty and less virtue. This was the atmosphere of the famous ' naughty nineties '—then considered gay, and now rather a joke.

High-minded people frowning upon these places, succeeded in getting their immoral aspect swept away. In this they were undoubtedly assisted by the celluloid chemists.

The object of mentioning all this is to build up the present day picture wherein the descendants of these music halls still occupy a prominent place. They were, and still are to a lesser degree than in the pre-celluloid days, the chief competitors of the legitimate theatre.

Certain music halls in the West End of London are immortalised in the literature of England. Celluloid has now captured the ' Empire,' ' Alhambra,' ' Tivoli,' ' Pavilion ' and the ambitious ' Stoll Opera House ' (that soon after its erection gave up opera in despair). There remains the ' Hippodrome ' (once a circus), ' Palace,' ' Coliseum ' (with the first revolving stage), ' Paladium ' and ' Prince of Wales.' They are all considered ' respectable ' places. The ' Hippodrome,' ' Prince of Wales ' and ' Palace ' specialise in ' revues,' the other two in ' variety shows.' They all make a feature of exhibiting those parts of the bodies of lovely young women as is permitted by publicly acknowledged decency; and in so doing provide an opportunity to see what is also acknowledged by many to be a spectacle of extreme beauty, and what, furthermore, remains invisible to most of us. There is no public contact in Britain, though there is in America, between the beauties and their spectators, and so the high-minded remain more or less satisfied.

Comic and acrobatic turns, juggling, conjuring and whatever is suitably remarkable are added to music and dancing turns to provide the fare of ' variety ' shows.

' Legitimate ' Drama. Before I show the economic relationship between the two sections, it is necessary to see what celluloid has done to dramatic performances.

Musical Comedy. Most of the famous theatres have remained faithful to their original purpose, but until recently, many of them suffered a serious eclipse. Some of them, notably 'Daly's,' the 'Gaiety,' 'Apollo' and 'Shaftesbury,' specialists in 'musical comedy' remain closed. A generation or so ago, our far-flung Empire was populated by men and women who marked the passage of time in terms of musical comedy. Every year or so new tunes, melodies, jokes and beautiful women emerged from these few theatres to delight the whole world. Here is the sequence to remind your parents and grandparents: 'Gilbert and Sullivan,' 'Belle of New York,' 'Geisha,' 'Florodora,' 'San-Toy,' 'Country Girl,' 'Spring Chicken,' 'Merry Widow,' 'Quaker Girl,' 'Arcadians,' 'Chocolate Soldier,' 'Mousmé,' 'Dollar Princess,' 'Lilac Time,' 'No-No Nanette' and finally 'Chu-Chin-Chow' and 'Bitter Sweet.' The queens of this late lamented epoch were Edna May, Gertie Millar, Lily Elsie and many others, of whom Cicely Courtneidge and Zena Dare still survive.

All these performances had a common denominator lacking in Revue (which largely defeated them). These musical comedies had a 'story' to tell, thin though it might be. Revue needs none. It portrays 'current events' in an amusing way.

Plays. Theatres in London to-day are, with the exceptions stated, entirely allocated to 'straight plays.' There has been a recent great revival of them and they are nearly all doing good business. Somehow, somebody has mastered the competition of King Celluloid. Who are they and how has it been done? They are financiers and the method has been the organised monopoly with which by now we are familiar. Even here the free competition of private enterprise has been restrained.

There is perhaps no other business that exemplifies more sharply the change from what may be called the 'romantic' to the 'unromantic' period.

To 'put on' a show was a costly and chancey business. Often the money came from rich men whose pockets were

opened by a lovely actress. He was called a ' backer.' He might be a member of an aristocratic landed family, but more often he came from the ' city ' whence he brought a hard won fortune and wherein he had learned the tricks of finance. Sometimes a famous actor could manage to hire a theatre on his own account. Sir Henry Irving (Lyceum), Sir George Alexander (St. James'), Sir H. Beerbohm Tree (His Majesty's), are examples of such men, but to what extent, if any, they relied upon external support I am unable to say. The situation seems clearly to be that rescue from the struggle against celluloid came from a new kind of theatre owner: the financial syndicate.

This tendency began before that struggle started, and applied at first to the music hall end of the business. Moss Empires (now linked with Rank and Gaumont British) and The Stoll Theatre Corporation built or collected a chain of variety theatres up and down the country. Stoll is now linked with Howard & Wyndhams. These two groups control two-thirds of the provincial theatres which include twenty-six ' number one ' category. Of these Moss has eleven and Howard & Wyndham nine. In London while Moss controls two music halls, Stoll controls ten theatres. A third company, H.M. Tennent Limited, established in 1936 with only £10,000 capital, now controls at least twelve London theatres. There is yet a fourth important company. Firth Shepherd's, with four important West End theatres. Thus we have twenty-eight London theatres in the hands of four companies. There are five leading men dominating the affairs of these four companies: George Black, Tom Arnold, Firth Shepherd, Jack Hylton and Hugh Beaumont.

Box Office. We cannot easily get to know the incomes of these people or the profits made by their companies but figures, of doubtful reliability but nevertheless a fair index of success, are available. These are the box office returns of the money paid for admittance to each performance. Such figures are news. Newspapermen know the seating capacity of every

theatre, the length of time a show continues to run indicates its popularity. Thus the following current examples are computed and offered for what they are worth.

Shepherd is filling four London theatres every night. One of his revues has taken more than £3,000 a week for two years.

George Black's shows are said to take £10,000 a week.

It is estimated that 200,000 seats in London theatres are sold every week.

Recently an outsider, a Mr. G. T. Smith, manufacturing chemist, smashed into the business with 'Is Your Honeymoon Really Necessary?' and is said to have taken £150,000 in 980 London performances, and £50,000 on provincial tour; of this total the Inland Revenue authorities would collect about £75,000 in entertainment tax.

'Arsenic and Old Lace' is said to have collected over £½ million from the 2½ million people, including me, who paid to see the improbable antics of a group of homicidal maniacs.

A record, perhaps for all time, was set up during and after the first great war by 'Chu-Chin-Chow' which by putting the ready-made story Aladdin into a gorgeous setting ran for 2,238 performances and took £3½ millions. Oscar Asche who with his charming wife, Lily Brayton, acted in the show, which he also wrote, received some £200,000 for his services. It is unusual perhaps to-day for workers to be so well rewarded.

Costs. Such examples are calculated to moisten the mouths not only of people like us, but more effectively of the people who risk hard cash upon a fraternity noted for temperamental tricks, business unreliability and financial recklessness. These theatrical folk upon whom success depends are expensive people. Art and hard sense do not always coincide. I have watched a recent revival of 'The Merry Widow' and have admired the skill responsible for maintaining discipline amongst so many beautiful women. I have had experience of it in factories and elsewhere.

It is said that 'Gay Rosalinda' cost £16,000 before the show opened. Its 80 'artistes' received over £3,000 a week in wages.

The rent of a London theatre usually ranges from £450 to £650 a week. Orchestras for musical shows cost about 4/- a minute. The 'producer's' fee is sometimes £1,000. Finally the author (don't forget him) gets a percentage, starting at 5%, on box office returns.

Small Theatres. *Organisation of a small theatre:* it might be useful to show how a particular independent theatre is run. The Windmill Theatre is one of the few which publishes accounts of finances and organisation. It is London's smallest playhouse, seating only 320. The owner-director is Mr. Vivian Van Damm who took over production in 1936. Some of the girls who work there start very young (some are only fifteen) and they all receive a minimum wage of £8 3s. 4d. which can rise according to ability and service to £30 a week. They also receive free medical and dental treatment. They are employed for 52 weeks in the year, generally working three productions (eighteen weeks) and then having a holiday of three weeks' complete rest and three weeks' rehearsing from 10 a.m. to 4 p.m. They receive full pay for holidays and rehearsals. The theatre employs altogether 120 people on its permanent staff, of whom approximately 70 are artists.

Since the theatre opened in 1932 it has paid over £500,000 in entertainment tax; it has a salary list of approximately £72,000 per annum and during the past three years it has paid over £10,000 to charities. Seats in the theatre are at two prices only—10/6 and 12/6.

Theatrical Fortunes.

R. D'Oyley Carte	£240,000
Barnum (Circus)	£1,000,000
Charles Wyndham	£197,000
Tree	£44,000
Henry Irving	£20,000
G. Alexander	£90,000

Sir Edward Moss
(the great music hall magnate)
£200,000

THE ARTS.

Somerset Maugham, himself a great artist, makes a famous pianist say to a company of very rich people:

> 'Art is the only thing that matters. In comparison with art, wealth and rank and power are not worth a row of peas. We are the only people who count. We give the world significance. You are only our raw material.' (*The Alien Corn,* Heinemann)

These are high words. Let us examine the artist and the raw material.

It may not be strictly proper to consider 'The Arts' purely as entertainment. They have, of course, their educational aspect. The attainment of good taste in art may be regarded as the supreme development of civilisation or at a lower level may be considered as merely a means of providing entertainment. It is not for me to enter into this high controversy. What I have to do is to show you as clearly as I can how art fits into the picture of modern life as I see it. I am forced therefore to gaze at this picture from a sordid viewpoint that will make the highbrows squirm. This compulsion results from the necessity imposed upon us by the fact that nearly all art in this country has to stand upon its own feet; the fact that it is mainly commercial, or, in other words, dependent upon the ability of private enterprise to make a profit out of it.

The historical importance of past civilisations is measured by the degree of culture they have contributed to the development of mankind. When our own contribution comes to be so measured we shall doubtless be set aside as decadent. It will probably be said that we were concerned with the perfection of political, economic, scientific and industrial innovations and that the art of our period reflected the emphasis we placed upon these other things. The object of all our efforts, unconscious and indirect as they may be, is to make more of the

amenities of life available to more people. If these amentities include the arts, as they undoubtedly do, what we have done and are continuing to do on an ever growing scale, is to apply our new powers to the quantitative reproduction of the artistic achievements of the past and to neglect the means of providing facilities for new creative work. To explain this is my task.

The first step is simple and obvious. It does not pay to create but it does pay very handsomely to reproduce or copy. Copying is a mechanical process expressed in its extreme form by the phrase ' mass produced.' Our age, being one of mass-production, we should not be surprised to find the process applied to art.

The films, radio and television mass-produce drama; the gramophone mass-produces music; photography and marvellous new printing processes mass-produce pictures; even sculpture is mass-produced on the copying lathe. None of these things existed a hundred years ago. Manual performers, to say nothing of the creators of what they perform, are having a hard time just now; with the growth of population their number has not proportionately increased.

Before we pass on to consider the effect of all this upon the separate arts let us look at the consequential influence of artistic mass-reproduction upon the general level of artistic taste. The commercial mass-producers can only afford to copy what will sell. Their success depends upon a correct assessment of what the public will buy in large quantities. It is not their business to educate but to deliver only what is demanded. This leads to an impasse. Creators of new works with their livelihoods at stake must trail along satisfying popular taste. There is nothing else they can do unless they are willing to starve, suffer derision, or depend upon the fickle patronage of the very rich who, against their own instincts, formed presumably in a background of participation in successful mass-production, are led by ' high-brows ' into realms of new art movements which they can be persuaded to regard as ' in the swim.'

This may be a sorry state of affairs; nevertheless our job is to analyse it.

Music. I live in a village of some four thousand inhabitants: our local Labour Party, fairly strong in numbers, does not include a pianist who can play even light dance music at its monthly social entertainments. Yet we all have gramophones and radio. Between us we own thousands of records.

Music and song contains the tradition of every race. It preserves itself and is handed down automatically through the generations and centuries. Ours will pass on a collection of black discs.

The production of these black discs is by far the most lucrative application of private enterprise to music. It is, as usual, tightly monopolistic. The Anglo-American combine, Victrola—Gramophone—Marconi—Columbia, dominates the field of mass-produced music.

The Gramophone Co. Ltd. started in 1900 as The Gramophone & Typewriter Co. Ltd., dropped the word Typewriter from its name in 1907 and in 1931 changed itself from a public to a private company. Its authorised capital in 1936 was £3,340,000. This company owns Sterling Telephone & Electric Co. Ltd., H.M.V. Household Appliances Ltd. and has a direct controlling interest in Marconiphone Co. Ltd. One of its directors was Sir Landon Ronald, the famous musician, and another the perhaps even more famous Marchese Marconi himself. This company in turn is controlled by Electrical & Musical Industries Ltd. authorised capital in 1936, £6,266,000. It was established in 1931 to bring the Columbia Gramophone Co., which it owns, into line with the other companies. In 1934 it cancelled half the value of its ordinary shares (thus extinguishing nearly £3,000,000 indebtedness to its shareholders); but it immediately increased its capital again by the issue of £2,903,000 new ordinary shares. This was an example of financial jugglery usually practised in a more complicated and confusing fashion. Here, however, it appears to be fairly simple to follow and I mention it for this reason:

in effect it seems to have been a mere alteration of partnership; as though, say, two equal partners were not successful but who agreed to take in a third man by selling him half the business if he brings in new money to replace half the capital that has been lost.

The ups and downs of mass-produced music must have been acutely affected by the growth of the Radio industry which led many people to expect a slump in gramophones. The gramophone combine, however, saved itself by showing praiseworthy adaptability in entering the new industry and indeed in seeing that the growth of Radio could develop public taste in potted music to the ultimate advantage of the black discs.

The prime cost of producing these discs in bulk is very low, no more than a few pence each, but ' Celebrity ' records are luxury goods costing many shillings to buy by retail in shops. When I was in Moscow in 1937 I found that all records were the same price, size for size, celebrity or no, at about the equivalent of 4d. each. It was explained that the Soviet Government there took no account of scarcity values or luxury trade. Whatever was the demand the production was adjusted to meet it and the discs were priced according to the actual cost of production, working of course on the principle of the penny post, whereby a low price induces so heavy a demand that the total sales will adequately balance costs.

The disc business superceded earlier wax cylinders of poor durability that used to say 'Edison—Bell Record,' these two names being those of the first inventors of sound reproduction and transmission (by telephone). The discs were astonishingly associated with the picture of a fox terrier listening to ' His Master's Voice,' the famous trade mark of The Gramophone Co. in Britain and the associated Victrola Company of America.

Straight Music. Music, unlike other forms of art, interposes an awkward group of people between the producer and the consumer. Few amongst us can enjoy reading a musical score as we can a book, nor can we look at the original work with

the same satisfaction as we see a picture. We have to hear something. The performers who read the score and translate it into sound for our benefit are awkward in the economic sense. They must be paid for their trouble and indeed, in the long run, for their early years of arduous training. Our economic system falls down somewhat in that it appears to begrudge this payment. On the Continent where public authority, recognising a difficulty, steps in to foot the bill, things are not so hard but here in Britain they are unsatisfactory. There is not much money in the concert and opera business for private enterprise. Bands, as adjuncts to some other form of entertainment, dancing, theatre-going, eating in restaurants, will pay their way, but music pure and simple is a difficult business, despite the fact that it is far more widely practised than any other art.

Music is mostly performed by amateurs from whom profit can be made by the printers and sellers of musical scores. This industry is not large enough to warrant our attention in a book of this size.

There are only five 'symphony' orchestras in Great Britain employing full-time performers and none of these is a private enterprise in any sense. They are the B.B.C., the London Philharmonic, the Hallé, the Liverpool Philharmonic and the Birmingham City Orchestra. They all lead a precarious life; they are perpetually hard up and have to be subsidised. The London Symphony Orchestra is drawn from a pool of about 200 playing members. The Scottish Orchestra and the Northern Symphony Orchestra centred at Leeds are part-time affairs.

The National Symphony Orchestra is a privately owned business operating in London but I have no knowledge of its finance.

The remainder of provincial England and Wales has no professional symphony orchestra. One, perhaps the best of all, used to exist at Bournemouth under the leadership of the famous Sir Dan Godfrey but since his death this has become a mere handful of players.

Opera. The story of Opera in Britain is equally gloomy and its history would make sad reading. Covent Garden has never produced opera in English all the year round. It has depended upon short seasons (mysteriously made fashionable by London 'Society' which starts its season in late spring when Oxford and Cambridge Universities 'come down' at the end of May and ends when grouse shooting begins on August 12th) of singing by foreigners in languages unintelligible to the majority of the audiences. Even then its finances have been disastrous. The only other centre is Sadler's Wells which has struggled valiantly to do its best upon meagre finance. The story of Sir Thomas Beecham and the dissipation of his fortune derived from the famous pills (q.v.) whose name he bears, is too pathetic and personal to recount.

The failure of British Music. Private enterprise clearly cannot cope with the peculiar economics of music. This has long been recognised in other countries where the state has lent its support. It is estimated that our opera alone would require a subsidy of £200,000 a year to put it on its feet. The training of musicians and the encouragement of composers should surely be a National charge. The newly formed Arts Council sheds a ray of sunshine at last over a dark horizon. It may, we hope, when more material needs recede in priority, receive the attention and support necessary to the creation and development of the musical aspect of our National life; but the Arts Council is not entirely concerned with music.

Painting and Sculpture. Pictures, although appealing to human instincts as inherent as those inspired by music, call for qualities more rare in the consumer, the person by whom the artist intends his work to be seen. Everyone recognises a catchy tune as readily as most people notice a pretty picture but there are far more people who are delighted by serious music than there are persons capable of appreciating a painting of quality when they see it. The public on the whole is deplorably ignorant about drawing, painting and sculpture. Proper understanding of these is hard to acquire but unless or

until it is achieved the best work is lost upon most of us.

You may ask, who are to be the judges of what is best? It is not my place, even were I capable of doing so, to summarise this age old controversy about which so many books have been written. I offer you instead the judgment of Plato:

> 'Education is the drawing and directing of youth towards that right reason, which the law affirms and which the experience of the eldest and best was agreed to be truly right'!

(The exclamation is mine. How do you like it?)

You may say, this is all very well, but I know what I like. It is the problem of your changing likes and dislikes that confront and confound the artist. He may say, as many do, that if you want an accurate representation of natural objects you can get it by photography. He may deny that photographs are to be regarded as art; but if he does this there will be many who disagree, and then it is our turn to consider the situation because photographs to pictures are as black discs to music; but they fall into two categories. The duplication of paintings and drawings by an alliance of photography to printing is one category; original photographs is the other.

It is easier for most of us to take a snapshot than to draw or paint a satisfactory picture. Amateur photography can be practised at a high level. Professional photography has already reached such a level that it is now almost entirely used for illustrating periodicals and books. As with mass-produced music this is disastrous for the artist. But before we consider him let us take a quick look at the photographic industry. It is dominated by the manufacturers of materials and equipment; and the field is a fairly narrow one.

Photography. The largest interest in the world is that of the American Eastman Kodak Co. represented in Great Britain by Kodak Ltd., a private company with the comparatively trifling capital of £350,000. Its only serious competitor in this country is Ilford Ltd. which, with capital of £1,400,000, has combined almost every other producer of photographic materials, but not of cameras, under the trade name 'Selo.'

These two concerns encountered very little competition from their only important rival, Germany, before the war. Carl Zeiss and Leica did and still do dominate the high quality camera and apparatus market. An English firm, Johnson & Sons, specialising in photographic chemicals, appears to be an independent concern.

There appear to be no other high concentrations of capital in this industry, but since we are mainly engaged in this inquiry to discover the position of the artist whose purpose is the production of pictures we shall come back to him in a moment. First we must know that he is faced with photographic competitors organised as distributing agencies. These agencies buy and file photographs which they sell or lend to whoever desires to make printers' blocks from them. The artist does not only have to vie with these people for a living by direct competition but he is handicapped by their influence on public taste.

This is the situation to which I have been so tortuously leading you.

Artists. Despite all this it is said that there are many thousands of artists in London alone and that they are nearly all engaged in advertisement work. This work caters for an existing demand. It is not the function of these artists to produce works destined to become classical masterpieces. They are hard-working competent draughtsmen with their livings to earn and when, if ever, they produce a picture other than for a commercial order, it is either a portrait commissioned by some rich person or for an institution desirous of commemorating an individual; otherwise it is a speculation done, as an amateur works, in his spare time. But it is with this spare time work that we are primarily concerned because here is ART with capital letters at last.

Now we have arrived in company with a real artist, let us jump to the top of the profession. The hall-mark of arrival in this country, although many will deny it, is a permanent stand in the market situated at Burlington House, Piccadilly, London. This market differs from most others in several ways;

you cannot buy membership; you must first be elected an associate member and then a full member, A.R.A., and then full blown R.A.

Royal Academy. The Royal Academy is not a profit making institution in the ordinary sense but it does make a handsome yearly profit which it devotes mainly to the training of future artists. It makes this profit partly because it gets its magnificent premises from the State for nothing and partly by charging gate money to the public; a public, don't forget, largely nurtured on photographs.

The pictures exhibited are for sale. The prices are clearly stated. The members, who are permanently entitled to exhibit six pictures each (there are 40 full and 30 associate members) charge pretty high prices. A committee of members also selects pictures from outsiders for exhibition alongside their own. How do the members get elected? As they die vacancies occur: these are filled by electing outsiders whose work has favourably impressed itself upon the taste of existing members.

Artists who are not members grumble against this procedure. They say that it puts a premium upon conformity and that artists by their very nature should not be conformers to old established conventions. Almost any skilled craftsman, they say, can copy a picture. If they alter a copied picture cunningly enough they can get it into the Academy. Art and craft are two different things. Originality is of the essence of the business. They say also that the conventions are of necessity based upon what will sell to people whose vision is accustomed to photographs.

Advanced Art. There is thus a revolt against the Royal Academy. Competitive institutions are organised where 'advanced' painters may more easily gain admittance. They form new art movements that are very difficult for a photographically-minded public to understand. These new movements are based upon the notion that there are all sorts of things an artist can do beyond copying nature. He can distort in design and colour; and can even convey abstract pictorial

statements of his emotions, dreams and sub-conscious experiences. This is all very well as far as it goes but how is the buying public to judge the quality of such work?

We are back again at a situation similar to that of music. There is a hiatus. The artist depends upon patronage. Art patrons must be rich, for works of art must be costly where fashion and rarity fix the values. The contemporary artist who manages to become fashionable, since he rarely does this during his lifetime, achieves rarity for this very reason. But art connoisseurs able to afford hundreds of guineas are also growing rarer. Furthermore, if they are collectors, they may prefer to spend their money on ' old masters.' The living artist of supreme merit is therefore in competition with dead rivals, whose very death has lent a glamour to their work, for it limits production. The essential quality of rarity is thus accentuated and as time goes on is intensified as public art galleries remove from circulation the finest examples of a dead artist's work. It is by such melancholy circumstances that the tradition of deferred fame arises. Posterity may deliver the ultimate award; but ' it butters no parsnips;' it is not usual for the creative urge to be so strong that its possessor is willing to live and die in poverty for its sake.

A crude, unfortunate, though true statement must be made. Celebrated artists, like famous poets, are usually men or women of means. The creative urge is an expensive luxury. Although the contrary notion has its sentimental attractions, poverty and hardship are inimical to superlative work. Genius is ever in conflict with the ulterior motive. Great work must be done for its own sake and not for the price of a pound of sausages.

Compromise, effective enough in most fields, finds no high place in art. The middle-class artist produces middle-class work; yet this is the backbone of the profession. It is what we find in picture shops.

Picture Shops. The day to day ordinary demand for ordinary pictures to hang on ordinary walls is satisfied by ordinary

picture shops who offer the ordinary work of ordinary artists. They offer it in two forms: in the original and in printed reproductions. The cost of the frame, usually made on the premises, is an important item in most transactions. The quality of an original work varies according to the locality of the shop and its corresponding rental value. You will see better skill exhibited in an expensive shop than in a cheap one. How do these pictures reach these shops? By no more dignified process as a rule than that of the artists hawking them round in the manner of an ordinary commercial traveller. The quality of his salesmanship is as important, perhaps more so, than his artistic ability. He builds up a 'connection' with enough shops to keep him going. If an original picture finds a ready sale, the commercial travelling artist hastens to replace it with a replica and a favourite 'best seller' may be copied many times by the same artist. The natural development is an extension of this commercial process. The artist employs 'pupils' to duplicate his work. More than one famous artist of my acquaintance started to earn his living in this way, copying the same old picture over and over again for £1 a time, providing his own pigments and brushes but not the canvas or the studio. The master artist grown prosperous by this process sometimes organises a factory engaged upon the mass-production of hand-painted pictures in this way. Such a factory will not as a rule confine itself to its hand-painting department. It will either set up its own printing department or will place orders with printing firms who specialise in colour reproductions, engravings or imitation etchings. The frames will provide lucrative work for yet another department. There you have the orthodox wholesale picture firm such as Thomas de la Rue and Raphael Tuck.

Wholesale purveyors of artists' materials are few in number and are all firms of high repute since the quality of their wares must be dependable. Winsor & Newton, Geo. Rowney and Reeves are the outstanding traditional names in Britain.

This is the background against which all British artists work. Their training is another matter.

Art Schools. Art, like farming, is a way of life as well as a method of earning a living. Money profit is not, as in most other occupations, the only motive. Born artists pursue their profession because they like it, despite the poor rewards and the exceptionally vague and remote possibility of making a fortune by it. But born artists sooner or later accept the knowledge that they must be trained.

There are of course some excellent art schools in Britain, but this country, with the background I have sketched, does not contain an art centre comparable with that of Paris. Most artists gravitate to the French capital. I am not qualified to pronounce upon the comparative excellence of French art schools but I am able to say that Britain at last seems to be aware of its art training deficiencies and, as with music, seems to be upon the threshold of reform. High hopes are centred upon the newly formed Art Council. If these hopes materialise, if collective responsibility supplements the struggling and ineffective efforts of private enterprise and charity to raise the level, not only of art production but also of public taste, then we may see Slade Schools made available for rich and poor alike and Britain taking a place in the world of art corresponding to its dignity in that of science, manufacture, economics and finance.

SOURCES OF INFORMATION :

Report of Committee on State Purchase (1917) H.M. Stationery Office.
Alcohol and The Nation G. B. Wilson
Films, an alternative to Rank Frederic Mullally
Monopoly Ralph Bond
The Palach Report
Money behind the Screen F. Klingender and S. Legg
Hansard
Documentary News Letter
The journal, Cine-Technician
Investigation of Concentration of Economic Power by the U.S. National Economic Committee
The Arts Council of Great Britain First Annual Report

CHAPTER FOURTEEN

Knowledge

THERE IS, without any doubt, an enormous gap between the mental resources of a human being and those of any other living creature. Some people go so far as to say that the evolution of man has depended mainly upon his instinct to acquire knowledge. If this is true it is obvious that the instinct is often obscured and that it is unevenly developed and distributed amongst us. Nevertheless, it is a fairly safe thesis that the growth of so-called civilising institutions results from the creative work of exceptional people throughout the ages. Such people emerge and are continually contributing to the process. Very few amongst us are possessed of the natural gifts that may be loosely described by the omnibus term genius. The thirst for knowledge is never quenched and the world's great thinkers are those who drink deepest. Apart from them there is a vast horde of mediocre people like you and me. We have the thirst but not the capacity. For us, as for them, numerous fountains are provided. So vital are these fountains now considered to be, that everywhere we see them provided not only at the public expense but also by the benevolence of philantrophists. There are many free, or more or less free, drinking fountains of knowledge maintained at the public expense, but they are by no means all. Private enterprise has cashed in on the business. Indeed, it was well in on education long before the free end of the traffic was released from the monopolising custody of religious institutions.

We shall here take a glance at privately owned educational establishments, but before doing so it is perhaps as well to point out that education does not provide the only fountain of enlightenment enjoyed or endured by those who demand or suffer it.

The reservations of this last paragraph are by no means as cynical as they seem. They are made because much costly enlightenment is known by educated people to be bogus.

To elucidate what I am driving at I will put three forms of enlightenment into proportion. For every £100 we spend on schools, we spend £75 upon general advertisement and £8 on new books.

The object of advertisement is to make things known. We see these advertisements whether we want to or not. They are not all bogus, but many of them so obviously are that we may well wonder why so much money is spent upon making exaggerated or ridiculous claims for the virtues of the goods or services offered for sale. I can only guess at an answer; it is this: we are all presumed to possess a sense of humour; humbug is a form of humour. Educated people will recognise it and laugh at it. If uneducated people are so silly as to believe for example that certain pills are worth a guinea a box, or that it is always sunny at Brighton, or that an advertised bauble will bring good luck, so much the worse for them. If you do not possess the urge to educate yourself by reading, for example, such a book as this, so much the worse for you; you must be content to take a back seat. But we cannot consider advertisement without first taking account of the newspapers and periodicals in which so many of them appear.

We will now pass on to the consideration of our privately owned and operated instruments of enlightenment, in their order of cost.

SCHOOLS.

It is no use blinking at reality. There is something snobbish about many of us. This tendency may be dying, but

as yet it is by no means dead, and while it is still alive and indeed remains a potent factor of our daily lives, we must face it. Traditions notoriously die hard. It is only during the period that I have been engaged in compiling this work that the die-hard tradition of the misnamed ' public ' school has received a record setback in yet one more Education Act (1944).

A public school is a private profit-making affair. I have tried unsuccessfully to elicit the business details that I might show you how the finances of ' public ' schools compare with those of other industries we have investigated, but so far I have not had much luck. I have had to be content with the unsatisfactory evidence of my own eyes, as, for example, when I recently delivered a lecture at Eton College, or as when I pay the bills of the junior members of my family and deliver the cheques in person amid surroundings that influence me to believe that the recipients of my money do themselves well out of it. All the same I am not entirely devoid of exact information.

Only about a fifth of our British schools are run for private profit. These schools charged in 1937/38 an average of about £25 a year without board and £150 inclusive of board. Of the latter I think it is true to say that the lower the fee the worse the board.

These figures may not sound very high to you but they are far beyond the average income of British parents. How then, do such schools thrive, and even today not only thrive but maintain an aloof attitude of indifference as to whether we become customers or not. It is because what they have to sell is scarce and exclusive. It is more important in Britain perhaps, than anywhere else in the world, to a successful career, that a child shall have the privilege of an exclusive education. This is the hard dying tradition to which I have referred. Parents make great sacrifices that they can often ill-afford for the sake of it, and, quite candidly, things being as they are, I don't blame them.

How does this peculiar system work?

Nearly two hundred headmasters are admitted to membership of a society called 'The Headmasters' Conference.' This membership carries with it the privilege (a convention unsupported by any law) for the school of which each member is the head, of dubbing it 'Public.' Of these 117 are boys boarding schools. Of these, four (Eton, Harrow, Rugby and Winchester, the real top-notchers) charge over £200 a year, while fifty, slightly less glorious, charged between £150 and £200. Of 110 girls public boarding schools only fourteen charged more than £150.

Eton is controlled by a board of ten 'Fellows' and Harrow by a board of ten 'Governors.' On both boards are directors of the Bank of England. Mr. Cecil Lubbock is on the Board of Eton and Lord St. Just at Harrow. Among the Eton 'Fellows' are also two directors of the Big Five Banks, Sir Harold Snagge, Director of Barclays Bank, and the Hon. Jaspar Ridley, Joint Deputy Chairman of the National Provincial Bank. Viscount Halifax is on the Eton Board. The Marquis of Zetland and Lord Amery are on the Harrow Board.

If you accept the volume *Who's Who* as a rough ready-to-hand guide as to who is really who in this country you may be astonished, or not so surprised, according to the standard of enlightenment you have yourself reached, at the large percentage who find their way to distinction through the accepted channels. It takes real brilliance to get into that book by any other route.

What I have said so far may look to you like another tradition: 'the fermentation of class consciousness by a paid agitator.' So it is. I am paid by you.

Lest however I be accused of excessive bias, let us look at another side of the picture. These public schools are not so absurd as you, if you haven't been to one, may think. Even they have made some progress since Tom Brown's Schooldays. Apart from providing opportunities for comparatively humble sons and daughters to mix with the sons and daughters of the

not so humble and thus make life-long friendships, valuable in a mercenary sense, these schools have a university-filling educational standard. Seven hundred and sixty out of every thousand public school students go on to universities. Only twenty-three per thousand manage to get there by other means.

You may say, 'What of it? You have merely proved that higher education is a monopoly of the rich. What about your jolly old urge? All this palaver about the human instinctive drive for knowledge!' If you are a Tory, or even a Liberal, you will say, 'This is so much nonsense. Everyone knows that the poor have equal chances. What about the free scholarships?'

Scholarships. The scholarship evidence unfortunately points all the other way. In 1942 at Oxford 80%, and at Cambridge 60%, of the scholarships were awarded to students from public schools. Less than a quarter of the students of ordinary state-aided secondary schools (*i.e.*, poorer children) in 1938 received any further full-time education. Only two out of five of this near quarter received scholarships and of these two only one went to a university. Expressed as a percentage of the poorer secondary school children (and neglecting altogether the vast mass of elementary school children), this works out at 5% as against say 70% from members of well-to-do-families populating public schools.

'Prep' Schools. The class-distinction which, it must be frankly faced, is fostered by the public school system I have so inadequately described, begins at an early age, particularly in the lives of boys whose parents can afford and desire to support it. Most of the best public schools replace 'leavers' by new boys at the age of fourteen drawn from specially favoured schools for children below that age. Such schools by some curious custom, which I hesitate to call irony, are known as private schools. They are, of course, no more or less private than are the senior public schools that they supply.

They are supposed to exist for the preparation of children to pass the simple entrance examinations set by the schools wherefore their pupils are destined. Thus we have the name 'preparatory' or 'prep' schools. The preparation as far as my observations enlighten me stresses conformity to accepted social standards.

The overmastering doctrine of 'good form' is, opposed to natural instincts, considered harmful to the existing social order. Original thought involving awkward inquiry into, for example, the causes of poverty, is discouraged. Display of emotion is frowned upon. The stiff upper lip is the gentleman's creed, useful enough perhaps when small numbers of white men possessing firearms are called upon, in the building of Empire, to rule large numbers of ill-paid, defenceless, ignorant natives, or for the control of the lower orders at home, but of less value as a humanising force and liable to produce a negative attitude towards the ideals of truly great reformers. Nevertheless, it may be argued that such are the qualities required to rule and maintain order in what, as you have seen by now, is still a primitive world. Against this argument is advanced the notion that 'the masses' from its very size must contain many more young people of infinitely greater capacity and virility; that the power to emerge from lowly surroundings is evidence of this, and that once emerged such people grown to maturity will have the advantage of living experience denied to those sheltered behind the money that pays the fees of preparation for a more gentlemanly education.

Fleming Report. In 1942 the President of the Board of Education appointed a committee presided over by Lord Fleming to inquire into the Public Schools and general education. A white paper published in July 1943 contained its report.

This report supplies a certain amount of useful information about the costs of running our private-public schools. The cost of teaching staff is stated to vary between £21 and £73 per

pupil per annum; food and services cost from £25 to £56 and overhead charges (rent, interest on capital, etc.) anything from £21 to £69 per head. If you add together the lowest and the highest figures respectively you get a variation of £67 to £198. The highest fee charged at a boys' public school is £245 and the lowest £90.

Whitaker's Almanack gives the fee for Eton at £245 and the number of pupils at 1,107. I was told after I had shocked the boys at Eton with my outspoken lecture that about a hundred boys called 'collegers' paid no fees, we may assume then that nearly a quarter of a million pounds was the annual income derived from the others called 'oppidans' who did pay. This college is however heavily endowed (mainly from the revenues of Priories suppressed by Henry V) and with other properties so that its net costs will be considerably reduced thereby below the maximum of £198 quoted. If however we give it the benefit of any doubt that may exist, or cancel the endowment income against the 'collegers,' we are left with a nice profit of £47 per lad, or £47,000 total, or nearly a thousand pounds a week. Obviously a school of, for and by millionaires.

A practice to which this report calls attention is that whereby, presumably in the lesser private-public schools, housemasters are remunerated by what profit they can make from running boarding houses for the boys. The abolition of the mixture of lodging-house keeping with school mastering is recommended.

UNIVERSITIES.

Oxford and Cambridge preserve the curious tradition of exclusiveness attached to our private-public schools. They look down their noses at the other British universities. Most of the colleges at these two historical towns are prosperous businesses. They are mostly very rich, having been endowed long ago with land that has since increased

enormously in value. *Whitaker's Almanack* used to publish the incomes of each college, but it does not do so now. They might set you thinking.

College Incomes. The 1916 Whitaker states the gross incomes of all the colleges at Oxford and Cambridge. The following are the largest:

		£
Oxford:	Magdalen ...	79,561
	Christ Church ...	72,717
	New	45,049
Cambridge:	Trinity	84,993
	St. John's	45,123
	Kings	37,916

There are a very large number of professors at Oxford and Cambridge who undoubtedly rank amongst the world's leading authorities upon their special subjects. It is curious to note that the incomes of these men are largely provided from funds donated by millionaires whose names are attached to the professorial chairs; so that the expense of all the teachers does not fall upon the business.

In addition to the two rich and exclusive universities there are nine poor relatives in England of which only London, Durham and Manchester were established before the present century. Although these universities charge fees and therefore rank as private enterprises, they are also financed by government grants distributed by the University Grants Committee, the Chairman of which, Sir Walter Moberley, receives a salary of £3,500 for his services. His secretary also receives £1,700.

Of every £100 expended by all the universities taken together £46 is contributed by the state; and fees, payable by those who can afford them, amount to only £29. The remaining £25 comes from present and past charities and what the business acumen of the respective universities and college managers have made of them.

PUBLICITY.

There is something peculiar, as I find it, about mankinds' desire for knowledge. It is a puzzle. On one hand we have the encouraging assumption, already mentioned, based indeed upon the facts of history, that man likes to use the brain that is his outstanding characteristic amongst all living creatures; that he possesses an imperative urge for knowledge upon the satisfaction of which all progress depends. On the other hand we are confronted with the gloomy experience of all publicists which teaches them to fight shy of trying to make their readers think. They know that if they want to spread widely what, if anything, they have to say, they must dress it up carefully so that there is somehow an entertainment value in it. I do not mean of course that there is no market for educational books, but it is a comparatively small one. If it were not for the bullying of the young by the old it would be smaller still, for somehow there has arisen amongst us a class, including school teachers, who have managed to force their will upon a reluctant population which believes in consequence that there is, maybe, something in education. I am inclined, nevertheless, to the somewhat pessimistic view that the system would have been less successful did it not provide the heaven-sent blessing of peaceful relief by taking children off their parents' hands into schools.

Despite all this there are well-studied markets for the sale of knowledge. Where there are markets there is money to be made and where there is money to be made there are plenty of private people, including me, ready to make a bid for a share of it. Some of these people can and do sell their golden words direct, as it were straight off the ice, to parents who buy it for the use of children and young people who are powerless to resist. Purveyors of such knowledge, in the form of private (sometimes called 'public') schools and university owners, do very well out of their business, as we have seen. The other vendors of enlightenment, using what I call the indirect approach, sell paper. This paper when printed

upon can be sold for far above its bare cost by the use of a complicated variety of ingenious devices, one of which I am now using to extract some money from you for my private expenditure. In exchange for the money you are presumably paying me I will let you in to some secrets, my own and that of people who exploit knowledge on a far vaster scale.

THE PRESS.

Everyone likes to know what is going on in the world —or has thought he does ever since a gentleman named Alfred Harmsworth started a newspaper called *The Daily Mail.* Before he made his remarkable and successful gamble the newspaper habit was so small a thing that it hardly existed; at any rate on anything like the scale it does now. This gentleman had the bright idea of selling a pennyworth of printed paper (called ' newsprint ') for a halfpenny. It was a tough job but he pulled it off, making himself and his brother Harold into millionaires with seats in the House of Lords. (Alfred, who died in 1922, became the famous Lord Northcliffe, Harold, who died in 1944, became Lord Rothermere).

These two people however were not left alone for very long after it was seen what could be done. The forces of free competition and private enterprise were in their hey-day in the middle of the naughty nineties when it all happened. Imitators popped up. Some of them have also become millionaires with seats in the House of Lords. Two more brothers Bill and Jim Berry have become Lords Camrose and Kemsley with the *Daily Telegraph, Sunday Times, Daily* and *Sunday Graphic* and many others to share between them. But these two bright Berrys did not start as did the Harmsworth boys. We will sort them all out when our short list is complete. The next on it is an astute Canadian company promoter named Bill Aitken who with his *Daily Express* and *Evening Standard* has made the grade to the House of Lords as Lord Beaverbrook. There are, or were, other Lordly newspaper proprietors, including

Lords Riddell *(News of the World)*, Burnham *(Daily Telegraph)*, Astor *(Times)*, Iliffe *(Autocar,* etc.*)*, Southwood *(Daily Herald)*, but they do not exactly fit into the picture of which the *Daily Mail* is the centrepiece. Into that picture there will naturally be some people who have not joined the lordly procession. They include the late Sir Edward Hulton, and Cadburys and Rowntrees Cocoa. None of them, Lords or no, are poor struggling people like you or me and I am now going to try to save you from the headache I have suffered in the process of sorting them out.

Out-Dailying the "Daily Mail." First I must explain how it was possible to grow rich by selling a pennyworth of newsprint for a halfpenny. It is not done on the principle of the penny post; the cost of a single copy of the *Daily Mail* did not get less and less after the first few thousand copies had been printed. For the quantity Harmsworth aimed at the sheer cost of paper alone would remain fairly constant. He believed that if he could achieve a vast circulation he could sell advertising space profitably. To get a sufficiently large circulation to enable him to do this he relied upon two things: first, he sold a daily newspaper at half the price of any other; second, he introduced an entirely novel kind of reading matter. He knew, for example, that most people prefer to read fiction; they like to be told stories. I do not infer however that the *Daily Mail* printed things that were untrue; I mean that Alf. had his news items presented in the manner of a story-teller, or, say, as a novelist would write them. He made a shrewd estimate of popular taste, having observed that certain tales possess qualities of an entertaining nature. He trained his reporters to concentrate their attention upon these qualities and his sub-editors to see that they were presented to the public in the most saleable manner. Every successful novelist knows what these qualities are: self-sacrifice, love of children, triumph of right over wrong, likeable characters, happy endings are examples of what are called 'human interest.' You can easily get the idea by com-

paring, say, *The Times* of today with, say, *The Daily Mirror.*

This new kind of journalism 'caught on,' the *Daily Mail* fulfilled its expectations and was a great financial success. Other newspaper proprietors, but not all, hastened to follow the lead. They reduced the prices of their journals and concentrated their attention upon increasing their sales. The result of all this was that far more newspapers were read than ever before. A new public habit had been formed and a revolution of sorts had been achieved.

The history of the newspaper war that ensued is interesting but far too long and complicated to be given here. Every library can provide books about it. The Berries, Hulton, Aitken and others entered the daily and evening field while weekly papers lead by Riddells' *News of the World* played the same game on Sundays. These newspaper proprietors, dependent upon the sale of advertising space, strove to attain the circulation necessary to support the high prices they could get for it. Properly attested auditors' certificates giving the actual quantities of each newspaper sold were frequently published. The low prices and human stories were not enough, better and better pictures were introduced and then stunts had to be devised. *The Daily Mail,* for example, offered a prize of £10,000 to the first person who could fly an aeroplane from London to Manchester, and paid it to a Frenchman named Paulhan. Famous writers whose names had never previously been associated with what was called the 'gutter' or 'yellow' press were paid large fees for articles, short stories and serials. Then competitions (often thinly disguised lotteries) offered tempting prizes, frequently running into many thousands of pounds weekly; and finally insurance schemes very costly to newspaper owners were offered *gratis* to 'registered' readers.

All this reached its climax by about 1933 when Aitken, whose *Daily Express* had passed the daily two million mark, neck and neck with the *Daily Mail,* decided to terminate his part in this form of free competition. On June 30th, 1933, the *Evening Standard* printed:

'In June these four London daily papers *(Express, Mail, Herald* and *Chronicle)* were spending on free gifts and canvass between £50,000 and £60,000 a week.'

A quarter of a million readers were immediately lost to the *Daily Express*. Bill Berry (now Lord Camrose) stated that this insane competition must have cost more than one million pounds.

In 1928 *The Economist* gave some approximate figures concerning a modern newspaper with a circulation of 2,000,000 copies daily:

Outgoings		*Takings*	
Newsprint ...	1,700,000	Sales ...	1,550,000
Selling Organisation	400,000	Advertisements	3,000,000
Printing ...	700,000		
Editorial Expenses ...	200,000		
Canvassing ...	150,000		
Propaganda ...	75,000		
General Expenses	175,000		
Profits	1,150,000		
	£4,550,000		£4,550,000

With these figures as a rough guide, we may now take a look at our lordly millionaire and other newspaper proprietors separately and see how they stand today. I am giving them in the order of the capital they use rather than in the order of the largest circulation of papers they own. Thus Aitken with the *Daily Express* at 3,830,000 per day in October, 1946, far ahead of all others, is not first on our list. That honour goes to the Berries.

The Berries. These boys recently parted except for a small joint concern in *Western Mail and Echo Limited*. Taken together however, the total capital and money borrowed in the form of debentures for the companies they control is, or was (a proviso necessary because things change so quickly), over £23 million. Bill (Lord Camrose) now controls the *Daily*

Telegraph, Amalgamated Press (with over 150 periodicals), *Kelly's Directories* and a number of large paper making and printing companies. Brother Jim (Lord Kemsley) controls *Daly Sketch* (now *Graphic*), *Sunday Graphic, Sunday Times, Sunday Chronicle* and many very important provincial journals. The total profits in 1939 were £1,562,000 and in 1945 (when paper was in short supply) £2,869,000.

Harmsworth. Under this head I have included *Daily Mirror* and *Sunday Pictorial* although these great properties may not be controlled by this family which started them. (Their present personal ownership is obscure). The total capital and borrowings amounts to about £13 million and includes not only *The Daily Mail, Evening News, Sunday Dispatch, Daily Mirror, Sunday Pictorial,* and many provincial publications controlled by *Associated Newspapers Limited,* but also forests in Canada and Newfoundland, a steamship company for transporting wood pulp to paper factories which it also owns. Profit in 1939 of £1,096,000 compares with £942,000 in 1945.

Aitken. This is more or less a one-man show. Lord Beaverbrook who has often proclaimed himself as the champion of the small shopkeeper and one-man business said in his *Sunday Express,* 6/11/27:

> 'I have a wide knowledge of Trusts. The first one I founded was the Canada Cement Corporation—brought into being just eighteen years ago . . . I was not concerned with the consumer one way or another. My interests were twofold: the first was to make money and the second was to sell the public a sound security which would enhance and not diminish my rising reputation as a merchant banker who could be trusted to keep faith with his clients. I succeeded in both these aims.'

This public benefactor owns also *The Daily Express* (with the greatest of all daily newspapers sales so far), *Evening Standard* and an interest in *Evening Citizen* (of Glasgow). The capital of *London Express Newspapers Limited* is published at £2,725,000 (there are no borrowings). Profit for 1939 was £187,000, for 1945, £169,000.

Cadbury and Rowntree. The Cocoa Press as it is called owns the *News Chronicle* and *Star* and nothing else. The owners are mainly Cadburys. The Rowntrees only came in with the Westminster (Rowntree-Pearson) interests in 1936 when *Daily News Limited* bought them and *United Newspapers* (Inveresk) for £582,000. The Inveresk group involved in this deal includes *Provincial Newspapers Limited.* It is extremely difficult to explain in a few words how these various companies are financially connected with newspaper properties that seem to have been owned by private people in the guise of companies with high sounding names at different times. However the total capital and debt of the above adds up to over £7 million and profits in 1939 were £291,000 and in 1945, £435,000.

Odhams. The name of Julius Elias (the late Lord Southwood) first became widely known in association with the late Horatio Bottomley in the publication of *John Bull.* Elias was head of the printing firm Odhams Limited, which since those days acquired the faltering *Daily Herald* from its struggling proprietors headed by the late George Lansbury. This firm also owns or controls many successful periodicals including *Illustrated, Sporting Life* and even *Debrett.* Capital and loan totals over £3½ million. Profit 1939: £379,000. 1945: £1,148,000.

Riddell. George Riddell, a solicitor, knighted in 1909 and subsequently elevated to the peerage, was mainly known as the big chief of the *News of the World.* (Having the largest circulation of any newspaper in the world). He was also associated with the Newnes and Pearson publications. Capital of *News of the World* is published at £2½ million; there are no loans. Profit 1939: £465,000; 1945: £207,000. (In 1942 it was £667,000).

Hulton. The late Sir Edward Hulton rose to newspaper millionairedom in Manchester. Later he assaulted London, but his properties were sold and distributed either before or

soon after his death to the Berries and others. His name however is carried on successfully by his son who founded *Picture Post,* and either founded or purchased other journals including *Farmers Weekly, Lilliput, Leader, Housewife,* etc. This seems to be now purely a private concern of which no figures are available.

These are the great names of our press families. Before we go any further there are two observations worth making: first, the heads of all these families have in recent times been given titles by various governments.

The second, and much more interesting observation concerns the reversal of the Harmsworth doctrine. You will notice that most of the newspaper enterprises in the above list show more profit in 1945 than in 1939, despite the severe curtailment of newsprint and the corresponding fall in revenue from advertisement space. Is the answer that the newspaper habit once formed it was possible to sell a ha'porth of paper for a penny?

Before concluding with a list of the latest circulation figures of our principal newspapers it is necessary to account for some important journals that are not the properties of the above lordly families.

"The Times." This, like the Bank of England, appears to be a national institution of impeccable respectability. It does not go in for 'human stories,' competitions, free insurance and the like. It is a sedate and dignified affair. All the same it has had a mildly chequered career, having been for a short time controlled by Alfred Harmsworth himself and even now indeed having as its Chairman a member of the lordly (American naturalised) Astor family. Control of the ordinary shares in the 'holding company' is vested (since Alf. Harmsworth died) in a strange mixture of people: The Lord Chief Justice, The Warden of All Souls' College, Oxford (why All Souls?), The President of the Royal Society, The President of the Institute of Chartered Accountants, and, believe me or not, (to top this astonishing list) no less a person than the Governor

of the Bank of England himself. It has been stated that Alfred Harmsworth suffered much during his last days. His genius may have perpetrated (like Sir Thomas More) a dying joke. To use a cliché: 'Many a true word is spoken in jest.'

"The Observer." Lord Astor who owns this one does not owe his millionairedom or his peerage to his newspaper interests or a recent government collectively. He derives them from a fortune founded by an enterprising ancestor who caught animals in America and who invested the money he got for their skins in land upon which much of modern New York was subsequently built.

Reader Ownership. There is one daily newspaper which claims to arrive at the breakfast table without a 'lord on the board.' It is the humble *Daily Worker*. Humble because it is owned by humble people, humble because they are said to be mainly working-class, and, let us not hide the truth, many of them not so humble as members of The Communist Party of Great Britain. Share holdings in this paper are limited to £200: its management is stated to be by democratic election. There seems to me to be some refreshing idealism behind this project and in this changing world such idealism may prove to be more valuable than a millionaire's joke.

Co-operative Ownership. *Reynolds News* (not my family concern) is the property of Co-operative Press Limited which is connected with the great Co-op movement.

Great Dailies Compared:

	Circulation Oct., 1946	*Cost of Advertising per single column inch* £ s. d.
Express ...	3,830,000	15 0 0
Mirror ...	2,900,000	14 6 0
Herald ...	2,370,000	12 0 0
Mail ...	2,185,000	11 0 0
News Chronicle ...	1,798,000	10 10 0
Telegraph ...	1,000,000	10 0 0
Times ...	275,000	5 0 0

Advertisement. This is as good a place as any other to insert a few words about the advertisement business generally, but we must bear in mind that there are many media apart from newspapers. The idea behind most advertisements is a sound and obvious one. It is simply to tell the public what you have to sell. The methods of doing this are not so simple. Since few amongst us are possessed of genius it follows that goods offered to the public by advertisement cannot often be in any great measure unique, yet it is the purpose of many advertisements to make the contrary appear to be true. It is in fact in advertisements themselves rather than in the things they advertise that we see man's ingenuity, sometimes approaching genius, displayed. Most, but not all, of us are accustomed to make allowances for the extravagant claims we see. We are amused at a 'bright idea.' We may doubt, for example, if Beechams Pills are really worth a guinea a box; or if a man demolishing a house as depicted by Mr. Hassal would say 'Lumme! It's a Veritas'; or if Guiness is so good for you that you could perform some of the astonishing feats depicted after drinking it. All these are arresting ideas of great value and are duly protected by their owners who form a fraternity of advertising experts whose acumen in so doing is equal to the genius or original thought they also possess. Thus we have two qualities: business acumen plus original thought, and these are often in conflict to the public detriment, because little, if any, legal restraint exists to safeguard the simple minded against believing what is frequently untrue. In the case of the gas mantles advertised by Hassal no great harm may result. You may find that Veritas are stronger than others and you will suffer no great loss if you notice no difference in actual use. But if you happen to be suffering from a disease which an advertisement persuades you is caused entirely by constipation you may lose your life if you believe you can be cured by consuming pellets of soap cunningly advertised.

As we have seen advertisement revenue is of much consequence to our press lords. Their empires stand or fall by it. They cannot afford to act as censors of the truth they print.

But this is not unfortunately the worst aspect of the situation. Large advertisers can and often do dictate the editorial policy of newspapers. Today, as I write, a small example of this, is reported in *The News Chronicle* (30/10/46) as follows:

Mr. Driberg (M.P. for Malden) speaking in The House of Commons said:

> 'He was once in the office of a Sunday newspaper whose astrologer had played fairly safe by announcing considerable risk to flying.
>
> 'The advertising manager said:
>
> "We can't let this man get away with this. We have just had a new series of advertisements from British Airways." The Features Editor wrote into the astrologer's copy, "The above remarks do not apply to British air liners."'

In 1938 Lord Horder said in the House of Lords,

> 'Nearly as much as the total money spent on our hospital services was spent on patent medicines.'

Here is an analysis of press advertisers expenditure in the same year: Food and drink, £5.2 million; household goods and stores, £4.4 million; patent medicines, £3.3 million; toilet preparations, £2.2 million; tobacco, £1.8 million.

Government Inquiry. In April, 1946, a resolution was passed by the National Delegate meeting of the National Union of Journalists, urging that the Government should appoint a Royal Commission on the Press to enquire into:

1. The ownership, control and financing of papers and periodicals.

2. The extent to which the growth of powerful chains of newspapers is creating a monopoly of newspaper ownership.

3. The ability of independent national and local newspapers to withstand competition from syndicate companies.

4. The influence of financial and advertising interests on the presentation and suppression of news. (In 1938 it was estimated that advertising revenue made up more than half the income of the national dailies and out of the estimated

total of £85,000,000 spent on advertising in a normal year £35,000,000 went to the newspapers.)

5. The distortion and suppression of essential facts in the news.

The same principle was raised on an international level at the international Congress of Journalists at Copenhagen, representing journalists of 21 countries.

The difficulty, of course, about this is in the semblance of an attack upon a cherished British tradition; 'The Freedom of the Press.' It is agreed by those who support the inquiry that no such freedom exists excepting for the few press lords and that even what is supposedly their's is restrained by financial and advertising interests.

Display Advertising. Although in 1935 the public paid £56 million for newspapers and periodicals, and the proprietors of those journals also received £46 million from advertisers, much money was spent upon what are called display and other advertisements.

There are about eight hundred poster advertising firms but only five firms control about 75% of the sites. Their profits average about 16%.

The following tables are added for the enlightenment of those readers who are interested in an analysis of various aspects of advertising:

1. *Comparative Expenditure 1935:*

	£000	*Percentage*
Press	43,360	54.1
Outdoor	6,500	7.3
Radio	750	0.8
Film	500	0.6
Direct Mail	11,500	12.9
Shop Display	6,500	7.3
Accompanying goods	7,500	8.4
Miscellaneous	1,750	1.9
Advertising departments and consultants	6,000	6.7
	84,360	100

2. *Consumer Goods and Services Advertised 1935:*

	Total 1935 £000
Food	9,263
Drink	3,391
Tobacco	3,954
Fuel and Light... ...	1,334
Household Stores ...	2,816
Household Equipment... ...	2,543
Household Entertainment ...	1,639
Clothing	2,780
Toilet goods	3,946
Medical goods	5,779
Vehicles, etc.	4,639
Miscellaneous goods	4,341
Entertainments	3,431
Travel and transport	3,172
Miscellaneous services	2,080
	55,108
Other advertising:	
Real Estate	1,851
Financial advertising ...	2,450
Trade and technical... ...	14,687
	74,096

The most outstanding group where expenditure on advertising is due to a few large advertisers is tobacco, where 71% of all expenditure is concentrated on advertising the products of six firms. The average expenditure of these firms was £191,000 which compares with an average of £113,000 for the large firms advertising food and £102,000 in the case of household stores.

3. Cost of advertisement as an influence on prices of goods sold:

Tobacco sales £32 million—advertising cost 10%.

Medicines sales £13½ million—advertising cost 43%.

BOOKS.

You might have expected to find this subject disposed of in the previous chapter on entertainment, because perhaps you think that most books are works of fiction, generally called novels. They in fact represent only about one eighth of the total number of books published. We are here concerned therefore with the other seven-eigths; and with ideas and information often contained in fiction (as well as the amusement or escape it gives from our ordinary every-day lives). Books of course differ from journals in that they are intended to have more permanent value.

Book publishing as a business is a curious mixture. Although it is a business, dependent like all others for continuity upon profit making, it does not conform to the pattern with which you must by now have become familiar, because the men who run it have to possess qualities not commonly found elsewhere. Their calling demands these peculiar qualities because publishers are dependent upon people who read, and especially upon those who buy books. Not all readers, but those who must be satisfied, are discriminating folk not easily fobbed off with shoddy wares. They represent, if the truth be faced fearlessly, the most competent and useful people amongst us, for it is they who contribute to the welfare and advancement of mankind, in so far that they have been patiently educated to understand what they read. If therefore a publisher were an ordinary business man, whose main concern was to make a fortune, he would be unlikely to possess a wide knowledge of many subjects other than fortune making. Not only must he possess knowledge about a vast variety of subjects but he must know also a good deal about the existing literature of each one of them. Such a paragon of so many virtues is a comparatively rare bird, and a bird also with one eye always of necessity upon the ' main chance.'

The third person who must be introduced into the lofty atmosphere I am trying to build up is no more than your humble friend the author. He can often be a harum-scarum

sort of fellow, and frequently is. All that is required of him is that he should possess some saleable ideas and be able to express them in words of tolerable clarity.

Most books are not written by professional authors, for reasons which I think are worth considering: first, it usually takes a long time to build up a reputation sufficient to yield a steady, comfortable income from authorship; second, few young persons have lived long enough to acquire an inexhaustible stock of ideas sufficiently interesting to people other than themselves. There are of course some remarkable exceptions, but as a rule books are written by people whose main income is derived from a source other than a publisher.

A publisher therefore acts as a funnel. Into it numerous people, actuated by a variety of motives of which vanity is a common ingredient, pour their ideas in the form of manuscripts (MSS). The funnel fortunately is provided with an effective strainer. Only the finer particles can pass it. I have it on good authority that not more than one in twenty MSS get through. Of these only one in twenty yields the profit required to make good the losses on the other nineteen, or may in any other sense be regarded as successful. Thus a publisher has to read, or pay someone else to read, four hundred MSS in order to select twenty for publication, out of which, if he is lucky, he will find a winner. Before however he can find this winner he has to spend much time, energy and money upon the nineteen runners-up. Winners of profit may be recognised after a while by the number of reprints.

So far I have placed only three people in my picture: the publisher, the reader and the author. We can now dismiss the author for a page or two and fill up a large gap between the publisher and reader. There are two main sets of people in this gap: the manufacturer of printed books and the booksellers and librarians or people who otherwise place books in the hands of purchasers or readers.

The simplest and quickest way of presenting the first lot is to show you a specimen of a publisher's cost sheet:

TYPICAL (1947) PROFIT AND LOSS ACCOUNT OF A MODERATELY SUCCESSFUL NOVEL OF 95,000 WORDS

(3,000 COPIES, 288 PAGES, Cr. 8vo 8/6).*

Dr.	£	s.	d.	£	s.	d.
To Composition at £16 per 32 pp., including small type and make-up	147	0	0			
„ Machining at 38s. 8d. ream...	52	0	0			
„ 27 reams Antique Wove, 30 × 40, 60 lb. at 7½d. ...	51	0	0			
„ Author's corrections 10% ...	14	14	0			
Gross sheet cost ... 1/9¼				264	14	0
„ Tri-colour blocks for jacket...	15	0	0			
„ Artist's fee for design ...	8	8	0			
„ Binding at 11½d.	143	15	0			
„ Binder's blocks	2	10	0			
„ Jackets, including paper and printing tri-colour blocks ...	15	0	0			
Gross binding cost ... 1/2¾				184	13	0
„ 36 bound paper copies for Travellers and Publicity ...	2	10	0			
„ Postage on Review copies ...	1	5	0			
„ Advertisements	75	0	0			
„ Author's Royalty, if at 10%	88	2	6			
„ Moulds (if taken)	28	0	0			
				194	17	6
„ Insurance	—	—	—			
„ Working expenses	—	—	—			
				£644	4	6

Cr.		£	s.	d.	£	s.	d.
By Sales:—							
Circulating libraries and wholesalers, 1,000 at 5/4½		268	15	0			
„ Ordinary sales, including repeats from libraries ...	650 at 5/8	184	3	4			
„ Other ordinary sales on varying terms	150 „ 6/–	45	0	0			
„ Colonial ...	600 „ 3/9	112	10	0			
	—				610	8	4
„ *Total sales*	2,400						
Review copies	100						
Stock ...	500						
„ Deficit (as against which there is surplus stock of 500 copies, and possibly a small share in American or other rights)					33	16	2
					£644	4	6

N.B.—In the above account *not one penny* has been allowed for the publisher's " working expenses " which almost invariably exceed 20 per cent turnover.

* These figures were prepared in January 1947: there may well have been increases in costs before this book is printed and bound.

[From *The Truth About Publishing*, by Sir Stanley Unwin].

You will notice that although the account shows a loss, the book is described as ' moderately successful.' That ' moulds ' are provided indicates the possibility of reprints, which let us hope changed the picture. To produce 3,000 copies of this book, £51 worth of paper was required, £213 worth of printing for the text, £184 worth of cover. The retail price of the book was 8/6d., but the average received by the publisher works out at about 5/- per copy sold. Of this the author gets 10¼d. a time, leaving the publisher with only 4/1¾d. to pay the paper, printing and binding, office expenses and advertisement charges. The difference between 8/6d. paid by a retail customer to a bookseller and 5/- received by the publisher goes in discounts which represent the profits of the various traders who buy wholesale for the purposes of their businesses.

Obviously this sort of thing will not make profits for the publisher. He must have something else up his sleeve. He has. It is reprints, and certain pickings called ' rights.'

Typesetting is the largest single item of expense in the table quoted. For 3,000 copies it works out at over 11d. a copy, but for 10,000 copies it comes to less than 4d. When ' moulds ' (paper mache impressions from which metal printing plates are cast) are used, this cost disappears altogether. For a book selling tens of thousands of copies, costs are often below 1/6d. a copy, inclusive of everything. It is then that profit is made.

Rights. These are recognised by law to be the property of the author until he agrees to share them with someone else. There is a heaven sent principle in this which, since I am myself an author, seems to be worth mentioning. This principle is the legal recognition of what I will call ' property in the idea ' or more tersely ' copyright.' If I think of something and publish it, no-one else may reprint it without my permission. If he looks like making some money out of the repetition, I can demand a fair share of it and get it. The idea is like a patent, but is of longer duration and costs no more than the presentation of a single copy to the British

Museum. It is sacred to me and my heirs in Great Britain for fifty years after I have ceased to encumber the earth with my living presence. It is or can be similarly sacred in other countries according to their laws. If I have an idea which is so good that everyone in the world wants it, I can, if I know how, sell it in a variety of ways. Song writers, musicians, owners of places of public entertainment, lecture organisers, gramophone record makers, cinema film manufacturers, proprietors of journals, wireless broadcasters, anthology compilers and others can be multiplied by the number of countries in which they exist, and each unit of the product thus obtained can in theory be sold separately.

It is unlikely, since my job in life is to think up these valuable ideas, that I shall have space, time, let alone the ability, to sell my rights with as much advantage unaided as I should if I called in someone to help.

There are two sorts of people ready to lend a hand. Each say they can do it better than the other. The literary agent begs me to choose him because he says it is his only job in life; my publisher advances the claim that he knows more about my work than anyone else and since he has spent his good money in building me up it is a darned shame to deprive him of any plums that might ripen upon the tree he has so patiently planted, fertilised and pruned. Since sentiment plays so great a part in business I must pass on to something else to save my tears.

To give you some idea of the possible value of rights, and stress the brighter side of an author's life, I give some high-sounding examples: a publisher once told me he would willingly pay a thousand pounds cash for the copyright of a single sonnet by Rupert Brooke; a famous author sells the film rights of his annual novel to Hollywood regularly for £50,000 and gets more than this sum for his American book rights, serial rights and second serial rights. There are probably few industrialists or financiers whose incomes exceed those of, say, Bernard Shaw or Somerset Maugham, and there are cases where publishing houses are supported entirely by

the work of one author. Some published probate figures of estates left by men associated with books are perhaps worth stating: Publisher Wm. Heinemann, £33,000; bookseller H. C. Sothern, £68,000; author Hall Caine, £260,000; Kipling, £155,000; Galsworthy, £88,000; Barrie, £173,467; Thos. Hardy, £91,000; Conan Doyle, £63,000; Rider Haggard, £61,000; literary agent A. P. Watt (whose firm negotiated my contract for this book), £60,000. He also acted for most of the dead authors in my list.

It is refreshing to note that no Royal Commission has had to be set up at any time to inquire into the failures or abuses of book-publishing. There have been no messes. Each interest involved has an organisation competent to act collectively for its members and there is no evidence that consumers (in this context, readers) are the victims of a shoal of voracious sharks. Indeed readers have their own powerful society, the National Book League, open at small subscription (21/- a year) to everyone; it has active, vocal branches everywhere. Authors have theirs in the Incorporated Society of Authors, Playwrights and Composers (Authors' Society for short), with I suppose a well-nigh 100% membership of established authors, and recognised as a body well able to safeguard the collective interests of members and to advise them individually upon problems which arise.

A famous publisher, Sir Stanley Unwin, writes at the end of his book, *The Truth About Publishing*, these words:

> Publishing has far more thrilling adventures to offer the man who is ready to accompany pioneers along fresh paths; eager to help overcome apathy, ignorance, and prejudice; anxious that, above all, the lamp of truth should be kept burning. It may not yield the same monetary reward, but it will afford a satisfaction no money can buy. If you are a student and lover of human nature in all its amazing variety, where will you have such an opportunity of gratifying your desire as in publishing?

The Publishers' Association of Great Britain and Ireland, and the Associated Booksellers work together in the same

building. It is they who doubtless secure to their members fair trading conditions, negotiating such matters as the 'Net Sale' agreement, which maintains the retail price fixed by publishers without varying discounts from shop to shop, and presents a united front to the government both central and local when laws affecting books are involved. There are several organisations concerned with the international aspects of books and also the Library Association of which librarians are members.

Censorship. There is no censorship of books, despite the contrary notion possessed by many people who talk of books being 'banned' in the same way that plays are sometimes prohibited from performance by the censorship exercised by the Lord Chamberlain's department. The only sense in which books can be said to be so treated is when libraries withdraw a book from general circulation because they think it will damage their goodwill. Even then libraries will usually supply such books when specially asked to do so.

The only restriction upon the sale of books in this country (excluding what may be applied in wartime for security reasons) is exercised by the police as part of their ordinary duty to suppress the expression in public of obscenity and blasphemy. Apart from and in addition to this the law can interfere with the sale of a book when it is held by a court to damage a private person. This is called libel.

Libel. This country is sometimes held, not without reason, to be behind others in the over-stringency of its libel laws. Publishers therefore have to take great care not to offend, and since they run the risk of heavy penalties often refrain from publishing many things which ought to be more generally known. If a few people can be persuaded to say in a witness-box that they think a certain character in a book is meant to be the person bringing an action for libel, it is sufficient evidence and heavy financial damages may be awarded against the publishers, who will not only have to suffer the loss of their stock but will probably have to refund the value of books

standing unsold upon the shelves of their book-selling customers.

PAPER.

The bulk distribution of ideas is mainly dependent upon printed paper. We have all heard of Caxton and his printing press, but where would he have been without paper?

There are, of course, many uses for paper apart from the employment it gives to printers and the ideas they transfer on it to us. The wrapping of parcels and the sticking of it on the walls of our homes are great industries in themselves, but I do not hold them of consequence comparable with its use in the dissemination of knowledge. Thus, and perhaps also because I am an author with an anxious eye on this precious commodity, I have decided that this is the best chapter for it.

The origins of paper are lost in obscurity, but it is certain that they ante-date Caxton by more than a thousand years. It was used in China and Persia long before the Moors set up the first factory in Spain in the middle of the twelfth century. The first known document on paper is dated 1102. In Britain the first name known is John Tate, who started a factory in Hertford in the early 1500's. Before the latest big war, over half a million people were employed at paper-making in England. A modern machine makes paper twenty feet wide at the rate of 400 yards every minute. This is 'newsprint,' of which we used before Hilter's war about 750 tons a week. Our total annual consumption of wood pulp for paper was about forty million tons.

Although there are some very large firms engaged in this industry it is still mainly competitive. The only attempt at price fixing was made unsuccessfully for the printing trades by the Federation of Master Printers. There are small and relatively unimportant price-fixing associations for wrapping and corrugated paper. Of one of these I have been a member.

Wallpaper, not strictly relevant to this chapter, is however tightly monopolised by Wallpaper Manufacturers Ltd.

(capital £6.6 million). It is said that its yearly output would make a band of 20 or 30 widths around the Equator.

PRINTING.

For those who can appreciate the difference between good and bad printing this industry may have some fascination. It is conducted almost everywhere by small firms, and the few large ones are usually specialists who do not foregather in centralised localities. Prices are largely related to wages fixed by highly organised Trade Unions and differ with the cost of living in various localities. Large-scale printing is thus frequently conducted in rural areas.

SOURCES OF INFORMATION

The Fleming Report	H.M. Stationery Office
Education Act, 1944	H.M. Stationery Office
The Press	Wickham Steed
The Daily Press	Wilson Harris
The Press in England	Kurt Von Stutterheim
Control of the Press	Aylmer Valance
The Millionaire Press	Labour Research Department
The Press and a Changing Civilisation	A. J. Cummings
Politicians and the Press	Lord Beaverbrook
Report on the British Press	P.E.P.
Press, Parliament and the People	Francis Williams
Tory M.P.	Simon Haxey
The Truth About Publishing	Sir Stanley Unwin
Confessions of a Capitalist	Sir Ernest Benn

CHAPTER FIFTEEN

The Most Private of all Enterprises

Crime. Privacy and enterprise are never more closely linked than by criminals. Both within and without the law the privacy of such enterprise reaches its most intense form in complete secrecy. Who am I, therefore, to lift the veil? Have I myself lived a life of crime?

Quite frankly what I am about to write I shall have to make up out of my own head—invent it. I have not so far been in prison. All the same I have some ideas about crime that I think are worth stating because the common knowledge which prevails is mostly far more nonsensical than anything I am likely to write. Creative fiction about crime is rarely, if ever, true to life. False ideas are generally based upon it. In my opinion much harm, especially during the character-forming years of young lives, is done by these misleading notions. I think it well worth while to dissect the subject.

You will, I hope, have noticed that I have already mentioned two sorts of crime; within and without the law; the legal and illegal crime. You may object to this classification. You may say that the word ' crime ' only applies to what is punishable by law. Here I will at once disagree; and I will support my disagreement with the extreme case of the Nazi war criminals who were tried and convicted of ' crimes against humanity.' The evil doings of these men were not indictable in any code of law which existed at the time they did them. They could argue, and in fact their counsels did so plead, that the court had no jurisdiction. It was a ticklish situation which could not have been maintained without the military

victory that made the establishment of a new form of international court and code possible.

Apart however from the extreme case of the Nazis, there are many offences practised now which in time will be made illegal. Many things which the law prohibits now were not so treated until Acts of Parliament were passed to check their prevalence.

Bucket Shops. A useful example to illustrate this point is the ' Bucket Shop.' This term has long been in use to denote the business of a dealer in stocks and shares who is not a member of a recognised Stock Exchange. Until such businesses were recently made illegal their proprietors were able to extract large aggregate sums of money, usually in comparatively small amounts, from their individual dupes. They did this by sending circular letters, cleverly disguised to resemble originals, recommending the purchase of shares in companies whose future profit earning prospects were represented in glowing terms. Such claims were usually exaggerated and often completely bogus. Ignorant investors, innocent of anything more serious than a commonplace desire to make a profit, were induced to part with savings that they could seldom afford to lose. This practice went on for many years before the law put an end to it by legal prohibition.

Prison Crime. For the sake of simplicity I will start with straightforward, punishable, illegal crime, such as we find in detective stories, police court news and the like.

There are only two sorts of crime you ever read about. The detected and the undetected. It is only when undetected crimes have news value apart from the crime itself that they are reported in newspapers. Thus the loss by burglary of the Duchess of Windsor's jewels received attention; the stealing of the Gold Hunt Cup from the grandstand at Ascot some years ago was also reported; so was the loss of the Irish jewels stored in Dublin Castle. In France a famous picture, the Mona Lisa of Leonardo da Vinci, was stolen from the Louvre picture gallery in Paris.

All these feats were outstanding examples of successful criminal private enterprise and since their perpetrators have never been detected may rightly be regarded as examples of extreme efficiency, carried out by clever and highly organised industry. The prizes were high and the risks may or may not have been negligible. One thing practically certain is that the intelligence responsible for the organisation would undoubtedly be of such a high order as to run no personal risk at all. If I were to organize such a crime my first precaution, the *sine qua non* of the affair, would be the certainty that no evidence whatever existed to connect me with it. Any author, such, say, as Conan Doyle, Edgar Wallace, or Peter Cheyney, possesses the required ability but may be disqualified on grounds of personal integrity, a weak heart or lack of courage.

Our prisons are peopled with bunglers in so far as they are genuine criminals. They are the people lacking the intelligence and skill requisite to the performance of difficult work. They will probably regard themselves as merely unlucky and in so doing would stamp themselves in my opinion as foolish and inefficient. The first business of a thief, like that of a general, is to succeed.

For the above reasons I wish to consider illegal crime quite seriously as a well-established form of private enterprise. Despite the lack of published information (there has been little, if any, about many of the other industries we have investigated), it is a certainty that there is a very large number of people amongst us who are either master criminals or their employees. I cannot, of course, give you any statistics as to their number, nor does the Criminal Investigation Department of Scotland Yard publish details of its failures, but enquiry establishes that about twice as many thieves succeed as fail.

The efficient organisation of fraud, blackmail, larceny, forgery, and so forth provides a life of excitement which appeals to people who like it. It requires also a close acquaintance with the law and legal procedure. Gross profits, high despite the high cost of production and distribution (receiver-

ship) net down probably to produce no more than a fair return on capital investment in comparison with most other lucrative private enterprises. Travelling expenses are bound to be very heavy and entertainment, including bribery, must be a costly item. There is also sure to be much idle time amongst the workers. But the profits are not taxed. The proprietors, directors and chief executives probably demand high salaries since their tastes may fairly safely be assumed to be luxurious and often to reach the scale of extreme magnificence.

After all is said, there is very little difference between this and many another socially useless though legal industry.

Murder. Assassination has long been practised as an adjunct of private enterprise. In America, in recent years, a refinement of the brutalities of medieval custom and the poisonings of the Borgias and their school, has been developed with skill. Current American literature and its films, as we have seen, make great use of this theme. The idea is simple. If you can get control of the legal machine any crime you commit, even murder, can obtain formal sanction. Perhaps the best-known situation of this kind was set up only a few years ago in Chicago by Al Capone. What he did was to purchase, or otherwise obtain, the co-operation of a corrupt city government. What a government declares to be legal is legal. Murder when it says so, as this one did in effect, becomes legal.

But Al Capone, and his imitators, Mussolini, Hitler, Franco and others, was merely extending a method long prevalent in this too rapidly developed country, the United States of America. Western and Southern* Courts of Law, if there is any trace of truth in the stories we read and the films we see, were hastily organised by local personages of influence whose

* e.g. (1) The recent acquittal of a gang of self-confessed lynchers at Grenville.

(2) "An American mineowner is charged with assault with intent to murder and five miners are in hospital as a result of a dispute in Tuscaloosa City, Alabama."

—*Daily Worker*, 8.4.48.

prejudice and passions were in inverse proportion to their legal knowledge. Such courts condoned murder and even committed it in countless lynchings, and still do. Men prefer to act legally if for no other reason than to preserve their own skins. That the legality is flimsy makes no difference.

There have been occasions too when machine-guns have been used in the interests of private enterprise to suppress strikes. Mass murder so committed is a factor to be considered when we are thinking about the custodians of the atomic bomb. We may be excused our shuddering apprehension of horror.

Legal Crime. Legal crime is, of course, the twist that explains the inclusion of this chapter. Before I proceed I must give you some more explicit definition.

Any person who demands and gets payment for goods or services which he does not deliver or perform is in my opinion guilty of crime. Yet this is done blandly every day.

Similarly any person who promises payment for goods or services with the intention of avoiding a settlement is equally guilty. This also is done with equal composure every day.

In both these cases the law is strangely indifferent. It says in effect, ' If you are foolish enough to trust a dishonest person it is your own affair. It will teach you to be more careful in future.' You may answer, ' How was I to know the man was a fraud?' The law shrugs its shoulders and laughs at you and says, ' Well, if you do not mind throwing good money after bad, you can make a case of it. If the amount is over £50 you can pay the cost of making the culprit bankrupt, providing you think the satisfaction you will gain is worth the money.'

The culprit also laughs at you.

Such a classic laugher was the late Horatio Bottomley. This champion, after a long and semi-glorious career, slipped up in the end (otherwise I dare not write about him) and

passed over into the illegal category. But before he made the great mistake that forced him at last into a witness-box and thence to prison, he merely defrauded a very large number of people of sums too small to bear the legal cost of attempting their individual recovery. Bottomley relied upon the apparent certainty that his dupes would not join forces. Individual protestors who persisted in demanding the return of their money were repaid. Thus Bottomley kept within the law, until the unexpected unity occurred.

The commonest form of legal crime is probably the misleading advertisement. Many well-known brands of beverage and food claim to possess qualities which are in fact absent. Medicines claim to remedy ailments for which they are in truth quite useless. Hair restorers are sold which cannot possibly cause hair to grow. Plants and trees are sent by rail which do not grow in conformity with their botanical descriptions. Gold articles are described with a qualifying, meaningless adjective in microscopic type. Appliances are offered that cannot, except in the hands of an expert and rarely even then, perform the functions for which they are intended. Boots, shoes and goods presum d to be made of leather are frequently found to be of cardboard or some other substitute.

Subscriptions are solicited for societies, charitable and otherwise, where charity begins and ends at home in the provision of lucrative appointments for the secretary and officers of the organisation. Many such charities, laudable when first organised, have lost their supply of aged or infant poor because the relief service once desperately needed has long since become a charge on public funds. Similarly trade associations exist where the service rendered is of a negative description. I myself have been a member of many such; knowing full well that I should get nothing in return for my subscription except insecurity from what might occur if I did not fall into line. In America the so-called Trade Protection scourge is developed with an intensity making it indifferent to legal bounds. If you don't belong you will be shot. This is the well-known 'racket' of the films that make us

believe these murderous national institutions of the 'land of the free' to be more prevalent than they really are.

All the above forms of legal crime are trivial, however, when compared with the regular standard way of extracting large sums of money from the pockets of an incredibly credulous public. I refer to the bogus company-promoting business. Any unscrupulous person who knows the ropes, and is sufficiently versed in company law, can deceive the public into a belief that a business proposition is sound when it is in truth the reverse. Every now and then such persons overstep the boundary of discretion and render themselves liable to prosecution as swindlers. It is then that we learn the mechanics of the business. The files of our newspapers are littered with detail of such exposures. Hatry, Lord Kylsant, Jimmy White, Whittaker Wright, Jabez Balfour, Hooley, Farrow and Birkbeck banks are examples of bunglers who overstepped the mark and even went to prison or who committed suicide as a result of their carelessness; but for every one of these there are hundreds, perhaps thousands, who get away with it, and continue their lives as highly respected citizens, dispensing philanthropy, and cutting figures in Society.

International Finance Corruption. Bribery and corruption are crimes punishable in most modern states. Inter-state corruption is not so easy to detect, stifle and punish. Its commonest form is associated with the flotation of loans to backward governments or foreign municipalities. The bribes are politely called 'commissions' and the method by which they are paid for services rendered is roughly as follows:

The process may start with a genuine desire on the part of the administrators of an under-developed, and therefore poor, country, to undertake the construction of a railway or other public work of benefit to the general community of that country. Or it may be started by an energetic and plausible financial agent in search of business. In this latter situation it is frequently necessary for the agent to entertain or otherwise ingratiate himself into the favour of influential personali-

ties of the nationality to which he desires to sell money. This initial work is expensive, since, unless a display of wealth can be shown, the V.I.P.s will not be impressed. He must persuade these people to borrow money on behalf of their government whether the public works are desired or not.

Once started, the procedure is aimed at extracting far more money from the public of the lending country than is actually needed. Let us suppose a railway is to cost £5 millions. The agent's principals, called an 'issuing house,' will require to float a public loan for at least £6 millions so that one million shall be available for distribution amongst the legal criminals who consented to participate in the affair. Until matters are finally settled, proposals laid before councils and state officials can be blocked. If all is to go well there must be no discontents.

Further, when the £5 millions reaches its destination there are more fine pickings to be had. Who is to determine the line that divides a legitimate commission from a corrupt bribe? Contracts will be placed for railway equipment. Large orders are worth something to engineering firms who may be short of work. They are prepared naturally enough, since this is the way of the world in which they are forced to exist, to pay for what they want. It is possible that £6 millions is paid by an investing public for £3 million pounds' worth of railway.

The ultimate result of such a case is simply that the public subscribing the money does not receive as much profit as it would have done had the business been honestly conducted.

Less ambitious swindlers content themselves with the defrauding of shareholders in sound and profitable companies by so ingeniously contriving their affairs and financial accounts that they can divert most of the profit into their own pockets by unanswerable, legally legitimate devices. Subsidiary and holding companies are formed. Capital awards in the form of bonus shares are made to directors. Exaggerated claims for extravagant expenses are paid and large fees and commissions for purely nominal services can be collected. Once the public has subscribed its money it can be victimised

almost without limit. The subscribing shareholders are regarded by unscrupulous directors as prime game who are to be fobbed off with as little as will keep them so quiet that the public prosecutor will never learn what is going on.

The Misleading Balance-sheet. The law demands that public companies shall submit to some state interference not imposed upon private companies and other freer enterprises. One of these legal obligations forced upon directors of public companies is the annual publication of accounts showing the total value of property owned by each company and the total of its debts including those owed to its shareholders. This account is called a balance-sheet. Much ingenuity is exercised by the accountants employed by public companies to avoid the inclusion in such accounts of more than the barest minimum of information. It is objected by directors that they cannot in the interest of their shareholders disclose awkward facts to their competitors. Compliance with statutory obligations therefore has often become farcical, so that, from time to time, new laws have been made to deal with this ticklish problem.

Usually new legislation follows a lawsuit wherein some swindle has resulted from an evasion of the spirit, but not the letter, of company law regulating the publication of these balance-sheets. It has long been recognised that the misleading balance-sheet is a menace to investors when it is used as thin ice, to carry a burden over a dangerous place. When the ice breaks prosecution follows, and what was legal crime becomes illegal. It is astonishing that an excess of greed ever leads such legal criminals into a police court, because there is enough scope to satisfy the most avaricious without running that risk.

The Bishop of Birmingham is reported in the *News Chronicle* of 4-11-41 as follows:

> 'The bishop strongly attacked the business and industry chiefs who "can hold the community to ransom, fix prices at will and use the British law of libel to stifle all criticism."

'The big business chief, he declared, was responsible to no one. His contempt for his shareholders was absolute and his power over individual employees was almost unlimited.

'"Big business, apart from its menace to the freedom of the common man, has been tested and found wanting."'

It is not surprising, therefore, that in one country where an attempt is being made to build up an entirely new form of civilisation the whole profit-making system, as we know it, is placed outside the law. That such a country should find it difficult to reach agreement in international conferences is to be expected, but that they should enter into such negotiations hopefully is, or should be, an inspiration to the common man.

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